THIS CIRCULAR IS IMPORTANT AND REQUIRES YOUR IMMEDIATE ATTENTION

If you are in any doubt as to any aspect of this circular or as to the action to be taken, you should consult a licensed securities dealer, bank manager, solicitor, professional accountant or other professional adviser.

If you have sold or transferred all your shares in **Kaisun Energy Group Limited**, you should at once hand this circular together with the accompanying proxy form to the purchaser(s) or transferee(s) or to the bank, stockbroker or the agent through whom the sale or transfer was effected for transmission to the purchaser(s) or transferee(s).

This circular, for which the board of directors of **Kaisun Energy Group Limited** collectively and individually accept full responsibility, includes particulars given in compliance with the Rules Governing the Listing of Securities on the Growth Enterprise Market of The Stock Exchange of Hong Kong Limited for the purpose of giving information with regard to **Kaisun Energy Group Limited**. The board of directors, having made all reasonable enquiries, confirm that, to the best of their knowledge and belief:– (i) the information contained in this circular is accurate and complete in all material respects and not misleading; (ii) there are no other matters the omission of which would make any statement in this circular misleading; and (iii) all opinions expressed in this circular have been arrived at after due and careful consideration and are founded on bases and assumptions that are fair and reasonable.

KEG

KAISUN ENERGY GROUP LIMITED
凱順能源集團有限公司*

(incorporated in the Cayman Islands with limited liability)

(Stock Code: 8203)

VERY SUBSTANTIAL DISPOSAL – ISSUE OF NEW SHARES BY LONG CAPITAL DEVELOPMENT LIMITED AND NOTICE OF EGM

Financial Adviser to the Company

普頓資本有限公司
Proton Capital Limited

A notice convening the extraordinary general meeting of Kaisun Energy Group Limited to be held at 27th Floor, Two Exchange Square, 8 Connaught Place, Central, Hong Kong on Tuesday, 30 March 2010 at 10:30 a.m. is set out on pages 127 to 128 of this circular. Whether or not you intend to attend the meeting, you are requested to complete the proxy form in accordance with the instructions printed thereon and return the same to the Company's branch share registrar in Hong Kong, Computershare Hong Kong Investor Services Limited, at Shops 1712-1716, 17th Floor, Hopewell Centre, 183 Queen's Road East, Wanchai, Hong Kong as soon as possible and in any event not less than 48 hours before the time appointed for the holding of the meeting or any adjournment thereof. Completion and return of the proxy form will not preclude shareholders from attending and voting at the meeting, or any adjourned meeting, should they so wish.

This circular will remain on the GEM website at http://www.hkgem.com on the "Latest Company Announcements" page for at least 7 days from the day of its posting.

12 March 2010

* *For identification purpose only*

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

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

CONTENTS

DEFINITIONS

In this circular, unless the context otherwise requires, the following expressions have the following meanings:

"Agreement"	the conditional subscription agreement dated 8 February 2010 entered into between Long Capital and the Subscriber in relation to the Subscription
"associates"	has the meaning ascribed to it in the GEM Listing Rules
"Board"	the board of Directors
"Bondholder(s)"	registered holders of the outstanding Replacement Bonds
"Business Day"	a day (excluding Saturday and any day on which a tropical cyclone warning no. 8 or above is hoisted or remains hoisted between 9:00 a.m. and 12:00 noon and is not lowered at or before 12:00 noon or on which a "black" rainstorm warning is hoisted or remains in effect between 9:00 a.m. and 12:00 noon and is not discontinued at or before 12:00 noon) on which licensed banks in Hong Kong are open for business
"Company"	Kaisun Energy Group Limited, a company incorporated in the Cayman Islands with limited liability, the issued shares of which are listed on GEM
"Completion"	completion of the Subscription in accordance with the terms and conditions of the Agreement
"Completion Date"	the third Business Day after the fulfillment of the last of the outstanding Conditions Precedent referred to in the paragraph headed "Conditions Precedent" above or such other date as the Subscriber and the Company shall agree in writing as the date on which Completion shall take place in accordance with the terms and conditions of the Agreement
"Conditions Precedent"	the conditions precedent to the Completion
"connected person(s)"	has the meaning ascribed to it in the GEM Listing Rules
"Consideration"	the sum of HK$4,500,000, being the aggregate subscription monies payable by the Subscriber for all the Subscription Shares

"Convertible Bonds"	convertible bonds bearing interest at 1% per annum and due 10 June 2013, issued by the Company on 10 June 2008 in the principal amount of HK$770 million in aggregate, details of which were set out in the circular of the Company dated 30 April 2008. As at the Latest Practicable Date, the Convertible Bonds had been converted in full
"Director(s)"	director(s) of the Company
"Disposal"	the disposal of the Disposal Group pursuant to the Agreement which constitutes a deemed disposal under Rule 19.29 of the GEM Listing Rules
"Disposal Group"	Long Capital and its wholly-owned subsidiary, Challenger Auto Services Limited
"EGM"	an extraordinary general meeting of the Company to be held at 27th Floor, Two Exchange Square, 8 Connaught Place, Central, Hong Kong on Tuesday, 30 March 2010 at 10:30 a.m. or any adjournment thereof
"GEM"	the Growth Enterprise Market operated by the Stock Exchange
"GEM Listing Rules"	the Rules Governing the Listing of Securities on GEM
"Group"	the Company and its subsidiaries
"Hong Kong"	the Hong Kong Special Administrative Region of the People's Republic of China
"Latest Practicable Date"	10 March 2010, being the latest practicable date prior to the printing of this circular for ascertaining certain information contained in this circular
"Long Capital"	Long Capital Development Limited, a company incorporated in the British Virgin Islands with limited liability and an indirect 51% owned subsidiary of the Company
"Mengxi Chemical"	鄂爾多斯市啟杰蒙西煤化有限公司 (Ordos GEM Coal & Chemical Co., Ltd.), an indirect 70% owned subsidiary of the Company
"Mengxi Minerals"	內蒙古蒙西礦業有限公司 (Inner Mongolia Mengxi Minerals Co., Ltd.), an indirect 70% owned principal operating subsidiary of the Company

"MOU"	the memorandum of understanding entered into by the Company on 15 October 2009 in respect of the Proposed Acquisition, the details of which were set out in an announcement of the Company dated 15 October 2009
"mt"	million tonnes
"mtpa"	million tonnes per annum
"Nobel Holdings"	Nobel Holdings Investment Ltd. a private limited company co-owned by Nobel Oil, China Investment Corporation and OP Financial Investments Limited, a company whose securities are listed on the main board of the Stock Exchange and is an associate of Oriental Patron Financial Group Limited, a substantial Shareholder
"PRC"	The People's Republic of China, and for the purpose of this circular, excludes Hong Kong, the Macau Special Administrative Region of the PRC and Taiwan
"Proposed Acquisition"	the proposed acquisition of the entire interest of Nobel Holdings
"Remaining Group"	the Group following the Completion
"Replacement Bonds"	convertible bonds due 10 June 2013 bearing interest at 3.75% per annum (compounded annually) issued by the Company on and subject to the terms of the Variation Agreement in the principal amount of HK$426,680,000, details of which were set out in the circular of the Company dated 17 August 2009. As at the Latest Practicable Date, Replacement Bonds in the nominal principal amount of HK$290,530,000 remain outstanding
"SFO"	the Securities and Futures Ordinance (Chapter 571 of the Laws of Hong Kong)
"Share(s)"	ordinary share(s) of HK$0.01 each in the share capital of the Company
"Share Option(s)"	the share option(s) granted by the Company under the Share Option Scheme entitling the holder(s) thereof to subscribe for new Shares
"Share Option Scheme"	existing share option scheme of the Company adopted on 9 December 2003

"Shareholder(s)"	holder(s) of Shares in the issued capital of the Company
"Shareholders Agreement"	means the agreement to be entered into by and among the Subscriber, other shareholders of Long Capital and Long Capital upon Completion regulating, among others, the internal management of the Disposal Group
"Stock Exchange"	The Stock Exchange of Hong Kong Limited
"Subscriber"	Dayrich Group Limited, a company incorporated in the British Virgin Islands with limited liability
"Subscription"	the subscription of the Subscription Shares by the Subscriber pursuant to the Agreement
"Subscription Shares"	25,000 new shares of US$1.00 each in the capital of Long Capital to be allotted and issued to the Subscriber upon Completion pursuant to the Agreement
"substantial shareholder(s)"	has the meaning ascribed to it in the GEM Listing Rules
"Variation Agreement"	the agreement dated 20 July 2009 and entered into among the Company, Glimmer Stone Investments Limited, Pacific Top Holding Limited and Grand Pacific Source Limited in relation to amendments to the terms and conditions of the Convertible Bonds, details of which are set out in, among others, the circulars of the Company dated 30 April 2008 and 17 August 2009 respectively
"HK$"	Hong Kong dollars, the lawful currency of Hong Kong
"RMB"	Renminbi, the lawful currency of the PRC
"US$"	United States dollar(s), the lawful currency of the United States of America
"%"	means per cent.

The English names of the companies established in the PRC in this circular are for identification purposes only. In case of inconsistency, the Chinese names prevail.

In this circular, RMB has been converted into HK$ at the rate of RMB1=HK$1.13514 for illustration purpose only. No representation is made that any amounts in RMB or HK$ have been, could have been or could be converted at the above rate or at any other rates or at all.

KAISUN ENERGY GROUP LIMITED
凱順能源集團有限公司*

(incorporated in the Cayman Islands with limited liability)
(Stock Code: 8203)

Executive Directors:
Mr. CHAN Nap Kee, Joseph *(Chairman)*
Mr. YEAP Soon P, Jonathan
(Chief Executive Officer)
Dr. CHOW Pok Yu, Augustine
Mr. YANG Geyan
Mr. YANG Yongcheng

Independent non-executive Directors:
Mr. LIEW Swee Yean
Mr. SIU Siu Ling, Robert
Dr. WONG Yun Kuen
Mr. ANDERSON Brian Ralph

Registered Office:
Cricket Square
Hutchins Drive
P.O. Box 2681
Grand Cayman KY1-1111
Cayman Islands

Head office and principal place of business in Hong Kong:
5/F
31C-D Wyndham Street
Central
Hong Kong

12 March 2010

To the Shareholders and, for information purpose only, the holders of the Share Options and the Bondholders

Dear Sir or Madam

VERY SUBSTANTIAL DISPOSAL – ISSUE OF NEW SHARES BY LONG CAPITAL DEVELOPMENT LIMITED

INTRODUCTION

As stated in the Company's announcements dated 19 February 2010 and 1 March 2010, on 8 February 2010 (after trading hours of the Stock Exchange), Long Capital entered into the Agreement with the Subscriber whereby Long Capital conditionally agreed to allot and issue the Subscription Shares to the Subscriber, and the Subscriber conditionally agreed to subscribe for the Subscription Shares at a consideration of HK$4,500,000. Upon Completion, the Company's shareholding in Long Capital will be reduced from 51% to 14.57%.

* *For identification purpose only*

The purpose of this circular is to provide the Shareholders with further details of the Subscription and to give you notice of the EGM to be convened for the purpose of considering and, if thought fit, approving the necessary resolution in relation to the Subscription.

THE AGREEMENT

Date: 8 February 2010 (after trading hours of the Stock Exchange)

Parties: Long Capital as the issuer of the Subscription Shares; and

Dayrich Group Limited as the Subscriber.

Dayrich Group Limited is a company incorporated in the British Virgin Islands with limited liability. To the best of the Directors' knowledge, the principal business of the Subscriber is investment holding. The Subscriber is wholly and beneficially owned by Mr. Leung Kwok Yue. As at the Latest Practicable Date, save for the transactions contemplated under the Subscription, the Subscriber and its beneficial owner are not interested in any shares of Long Capital.

To the best of the Directors' knowledge, information and belief, having made all reasonable enquiries, each of the Subscriber and its ultimate beneficial owner is an independent third party who is independent of the Group and connected persons (within the meaning of the GEM Listing Rules) of the Group and the other existing shareholders of Long Capital.

Subject matter of the Agreement

Pursuant to the Agreement, Long Capital agreed to allot and issue the Subscription Shares to the Subscriber, and the Subscriber agreed to subscribe for the Subscription Shares at the Consideration.

The Consideration

The Consideration is HK$4,500,000, and will be paid in cash by the Subscriber on Completion.

It is intended that the Consideration will be used for the implementation of the Disposal Group's plan of expanding its business to the PRC.

The Consideration was determined after arm's length negotiation between the parties with reference to:

(i) the amount of the initial funds required by the Disposal Group for the implementation its expansion plan to the PRC;

(ii) the unaudited consolidated net loss (after taxation and extraordinary items) incurred by the Disposal Group of approximately HK$7.89 million in the financial year ended 31 March 2009;

(iii) the unaudited consolidated net tangible assets of the Disposal Group as at 31 March 2009 amounted to approximately HK$7.31 million;

(iv) the overheads and administrative expenses incurred by the Company which have not been charged to Long Capital in the past; and

(v) the shift in business focus of the Group, the Group does not intend to allocate additional resources to Long Capital because the Directors consider it will be in the best interest of the Company and its shareholders to focus its resources and management time in the business segments of coking coal, oil and gas, in view of the Group's business strategy to position itself as an integrated coke producer in the PRC and the Group's vision to become a global exploration and production energy company listed in Hong Kong. Further information on the Group's business strategy is set out in the paragraph headed "Reasons for the Disposal and Subscription" below.

The Directors (including the independent non-executive Directors) consider that the Consideration is fair and reasonable and in the interests of the Company and the Shareholders as a whole.

Conditions Precedent

Completion is conditional upon the fulfillment of the following conditions:

(A) if necessary, the approval by the Shareholders (with such Shareholders as required under the GEM Listing Rules to abstain from voting on the relevant resolution(s)) of the Agreement and the transactions contemplated thereunder; and

(B) (if required) all requisite waivers, consents and approvals from any relevant governments or regulatory authorities or other relevant third parties required to be obtained on the part of Long Capital and the Company in respect of the Agreement and the transactions contemplated thereunder having been obtained.

None of the Conditions Precedent may be unilaterally waived by the parties. If the Conditions Precedent have not been satisfied on or before 12:00 noon on the date falling six calendar months from the date of the Agreement, or such other date as the parties may agree, save as provided in the Agreement, the Agreement shall cease and determine and thereafter neither party shall have any obligations and liabilities towards each other save for any antecedent breaches of the terms thereof.

Completion

Subject to satisfaction of all the Conditions Precedent, Completion shall take place on the Completion Date.

Restrictions on subsequent sale of the Subscription Shares

Pursuant to the Agreement, upon Completion, the shareholders of Long Capital (including the Subscriber) and Long Capital shall enter into the Shareholders Agreement. Pursuant to the Shareholders Agreement, none of the shareholders of Long Capital shall be entitled to sell, transfer or otherwise dispose of its shares in Long Capital unless the shares ("**Offer Shares**") are first offered to other shareholders ("**Other LC Shareholders**") of Long Capital in accordance with the terms of the Shareholders Agreement. Unless all the Offer Shares are accepted by the Other LC Shareholder(s), the Offer Shares may be sold to a third party on terms and conditions no more favourable than those made to the Other LC Shareholders, provided that the proposed purchaser shall agree to be bound by terms identical, mutatis, to the terms of the Shareholders Agreement.

Information on the Group

The Company is an investment holding company. The subsidiaries of the Company are principally engaged in the investments in mining, sale and processing of coking coal in the PRC and the provision of auto repairing/detailing services in Hong Kong. As disclosed in the announcement of the Company dated 15 October 2009, the Company has also signed the MOU in respect of the Proposed Acquisition of Nobel Holdings, a company which engages in oil and gas exploration and production in Russia. As at the Latest Practicable Date, no formal agreement in relation to the Proposed Acquisition has been entered into. Further announcement(s) will be made if and when definitive documentation regulating the Proposed Acquisition has been entered into by the parties.

The Group's coking coal business is conducted through Mengxi Minerals. Mengxi Minerals holds the mining rights of a coal mine with a site area of approximately 7.946 sq. km in the district of Qian Li Gou (千里溝) in Ordos, Inner Mongolia. The estimated coal reserves of the mine are approximately 99.6 mt as at 30 November 2007. The Group estimated that about 8 mt of the 99.6 mt of reserve can be mined using the open pit mining method. The open pit area is divided into North and South fields. The North field is approximately 300,000 square meters and the South field is approximately 700,000 square meters. The Group's open pit mine design is to target extraction of 2.2 mt from the North field and the Group estimates that South field will yield about 5.8 mt.

The North field commenced operation in August 2009 and as of 31 December 2009, 40,000 tonnes of raw coal were sold from the North field operations generating about RMB7.0 million of revenue. The Group anticipates production of about 0.9 mt of raw coal from the North field in 2010. The North field operations are outsourced. The outsourced contractor ("**Contractor**") is responsible for all aspects of the operations including equipment allocation. The Contractor has so far allocated 8 excavators, 24 trucks and 8 drilling machines and 130 personnel for the Group's North field operations. Mengxi Minerals has about 50 personnel on site to administer the sales, oversee the works and management of the mine by the Contractor and construction activities of the Group's underground mine and beneficiation plant as well as to perform all associated accounting and regulatory functions. The Contractor's works and management of the mine is closely supervised by the Group. At present, the Board does not foresee any event which may lead to a suspension or interruption of the Group's coking coal operation resulting in the inability to meet the Group's production target.

The South field is anticipated to start extraction activity in August 2010 with anticipated production of 0.5 mt in 2010.

Most of the coal extracted from the North field were sold to a number of local operators in 2009. The Group have secured three one-year supply contracts with local downstream coal operators for 2010. The Group's targeted production for 2010 could be fully taken up pursuant to the three supply contracts.

Information on the Disposal Group

Long Capital is an investment holding company incorporated in the British Virgin Islands with limited liability and an indirect 51% owned subsidiary of the Company. Challenger Auto Services Limited is a wholly-owned subsidiary of Long Capital engaging in the business of providing repairs and maintenance services to motor vehicles, operating car accessories shops, car wash, cleaning and beauty services and brokerage of motor vehicle insurance in Hong Kong.

The sole director of Long Capital is separate from the Board. The Company does not have board representation in Long Capital.

Set out below is a summary of certain audited consolidated financial information of the Disposal Group for the two years ended 31 March 2008 and 2009 prepared according to Hong Kong Financial Reporting Standards:

	For the year ended 31 March 2008 (audited)	**For the year ended 31 March 2009 (audited)**
Turnover	HK$51,971,181	HK$47,529,012
Net profit/(loss) before taxation and extraordinary items	HK$15,062,616	(HK$7,870,541)
Net profit/(loss) after taxation and extraordinary items	HK$15,179,290	(HK$7,893,589)

The audited consolidated net tangible asset value and net asset value of the Disposal Group as at 31 October 2009 were about HK$8,606,831 and about HK$18,606,831 respectively.

Reasons for the Disposal and Subscription

Since the Group's acquisition of its interest in the Disposal Group in 2007 by way of subscription of new shares in Long Capital, the performance of the Disposal Group has been disappointing. It had not made any progress in its original plan for expanding its auto servicing business into the PRC.

In order to enhance the Group's income stream and the overall profitability, and to maintain the Company's growth momentum, the Group has further diversified and repositioned itself as an integrated coke producer in the PRC through the acquisition of 70% interest in Mengxi Chemical and Mengxi Minerals in 2008 and 2009. The Group has also signed the MOU for the Proposed Acquisition to expand into the oil and gas exploration and production business.

In view of the recent intensified competition in the Hong Kong market, the management of the Disposal Group wishes to implement its original expansion plan to the PRC and has requested the Company to provide additional resources, funds and support to the Disposal Group for the implementation of such expansion plan. However, in view of the shift in business focus of the Group, the Group does not intend to allocate additional resources to Long Capital because the Directors consider it will be in the best interest of the Company and its shareholders to focus its resources and management time in the business segments of coking coal, oil and gas. This is consistent with the Group's business strategy to reposition itself as an integrated coke producer in the PRC and the recent moves to further diversify to the oil and gas business.

In order to raise further capital for financing the Disposal Group's expansion plan to the PRC, the Disposal Group proposes to issue new shares of Long Capital to the Subscriber. It is intended that the Consideration will be used for implementation of such expansion plan.

The Board (including the independent non-executive Directors) considers that the terms of the Agreement are fair and reasonable and the Disposal is on normal commercial terms and is in the interest of the Group and the Shareholders as a whole, for the following reasons:

(a) The Company acquired its interest in the Disposal Group in 2007 and so far, the Company has not allocated any overhead or administrative expenses of the holding company to Long Capital or its subsidiary. The Disposal Group recorded an audited consolidated net profit (after taxation and extraordinary items) of approximately HK$15.18 million only in the financial year ended 31 March 2008 and incurred an audited consolidated net loss (after taxation and extraordinary items) of HK$7.89 million in financial year ended 31 March 2009. The audited consolidated net tangible assets of the Disposal Group as at 31 October 2009 amounted to approximately HK$8.61 million only. Normally, portion of overhead or administrative expenses of the holding company should be re-allocated to Long Capital or its subsidiary so as to reflect the actual performance of the auto repairing/detailing services. Should any of such overhead or administrative expenses be charged to Long Capital or its subsidiary, the audited consolidated loss of the Disposal Group in the financial year of 2009 would be much larger.

(b) As disclosed in the third quarterly report for the nine months ended 31 December 2009 and the announcements of the Company dated 15 October 2009 and 21 December 2009, the Group's business strategy is to reposition itself as an integrated coke producer in the PRC and to diversify its business to oil and gas exploration and production in Russia. The Directors consider it more beneficial to the Group not to allocate further sources to the Disposal Group and focus its management time and resources to the Group's coking coal and oil and gas businesses, which are expected to contribute positively to the future development and growth of the Group.

Financial impact of the Subscription on the Group

Upon Completion, the Company's shareholding in Long Capital will be reduced from 51% to 14.57%. Each of the members of the Disposal Group will cease to be a subsidiary of the Company and the results of the Disposal Group will cease to be consolidated with those of the Company. The Board has no present intention to dispose of its remaining shares in Long Capital.

It is estimated that a loss of approximately HK$8.96 million will be recorded from the Disposal. The estimated loss on the Disposal represents the decrease of the Group's share of the net assets of the Disposal Group as at 31 October 2009 from 51% to 14.57% (as if the Subscription completed on 31 October 2009) after deduction of the professional fees incurred by the Company for the Disposal.

Based on the unaudited pro forma financial information as set out in Appendix II to this circular, assuming the Disposal Completion took place on 31 October 2009, the Group's net asset value attributable to equity holders of the Company as at 31 October 2009 would be decreased by approximately HK$14.38 million (as a result of the decrease in total assets approximately HK$23.56 million and increase in total liabilities of approximately HK$4.01 million). The details of the financial effect of the Disposal on the financial position and results of the Group together with the bases and assumptions taken into account in preparing the unaudited pro forma financial information of the Remaining Group are set out, for illustration purpose only, in Appendix II to this circular. The unaudited pro forma adjusted consolidated profit for the period from continuing operating of the Remaining Group is approximately HK$5.32 million as if the Disposal completed on 1 April 2008, the unaudited pro forma adjusted consolidated total assets of the Remaining Group is approximately HK$1,182.34 million and the unaudited pro forma adjusted consolidated total liabilities of the Remaining Group is approximately HK$314.53 million as if the Disposal completed on 31 October 2009.

GEM Listing Rules requirements

The Subscription constitutes a deemed disposal under Rule 19.29 of the GEM Listing Rules and a very substantial disposal on the part of the Company under Chapter 19 of the GEM Listing Rules. The Subscription is subject to the Shareholders' approval under Chapter 19 of the GEM Listing Rules. To the best of the Directors' knowledge, information and belief having made all reasonable enquiries, as at the Latest Practicable Date, none of the Shareholders have a material interest in the Subscription and no Shareholder is required to abstain from voting at the EGM on the resolution to approve the Agreement and the transactions contemplated thereunder.

EGM

The EGM will be convened and held at 10:30 a.m. on Tuesday, 30 March 2010 at 27th Floor, Two Exchange Square, 8 Connaught Place, Central, Hong Kong for the purpose of considering, and if thought fit, approving the Agreement and the transactions contemplated thereunder.

A notice convening the EGM is set out on pages 127 to 128 of this circular. A proxy form for use at the EGM is enclosed in this circular. Whether or not you intend to attend the meeting, you are requested to complete the proxy form in accordance with the instructions printed thereon and return the same to the Company's branch share registrar in Hong Kong, Computershare Hong Kong Investor Services Limited, at Shops 1712-1716, 17th Floor, Hopewell Centre, 183 Queen's Road East, Wanchai, Hong Kong as soon as possible and in any event not less than 48 hours before the time appointed for the holding of the meeting or any adjournment thereof. Completion and return of the proxy form will not preclude shareholders from attending and voting at the meeting, or any adjourned meeting, should they so wish.

Pursuant to Rule 17.47(4) of the GEM Listing Rules, any vote of Shareholders at a general meeting must be taken by poll. Accordingly, the resolution proposed at the EGM will be taken by way of poll. An announcement on the poll results will be made by the Company after the EGM in the manner prescribed under Rule 17.47(5) of the GEM Listing Rules.

RECOMMENDATION

The Directors (including the independent non-executive Directors) are of the view that the terms of the Agreement are on normal commercial terms and are fair and reasonable and in the interests of the Shareholders as a whole. Accordingly, the Directors recommend the Shareholders to vote in favour of the ordinary resolution approving the Agreement and the transactions contemplated thereby at the EGM.

ADDITIONAL INFORMATION

Your attention is drawn to the information set out in the appendices to this circular.

Yours faithfully,
For and on behalf of the Board
Kaisun Energy Group Limited
CHAN Nap Kee, Joseph
Chairman

1. ACCOUNTANTS' REPORT OF THE GROUP FOR THE SEVEN MONTHS ENDED 31 OCTOBER 2009 AND EACH OF THE THREE FINANCIAL YEARS ENDED 31 MARCH 2007, 2008 AND 2009

The following is the text of a report, prepared for the sole purpose of inclusion in this circular, from the independent reporting accountants, RSM Nelson Wheeler, Certified Public Accountants, Hong Kong.

RSM Nelson Wheeler
中瑞岳華(香港)會計師事務所
Certified Public Accountants

29th Floor
Caroline Centre
Lee Gardens Two
28 Yun Ping Road
Hong Kong

12 March 2010

The Board of Directors
Kaisun Energy Group Limited

Dear Sirs,

We set out below our report on the financial information (the "Financial Information") of Kaisun Energy Group Limited (the "Company") and its subsidiaries (hereinafter collectively referred to as the "Group") for each of the three years ended 31 March 2009 and the seven months ended 31 October 2009 (the "Relevant Periods") for inclusion in the circular dated 12 March 2010 issued by the Company in connection with the proposed deemed disposal of the equity interest in Long Capital Development Limited, a subsidiary of the Company (the "Circular").

The Company was incorporated on 29 July 2002 in the Cayman Islands as an exempted company with limited liability under the Companies Law of the Cayman Islands. As at the date of this report, the Company has direct and indirect interests in the subsidiaries and associate as set out in notes 35 and 20 to the Financial Information respectively.

All the companies of the Group have adopted 31 March as their financial year end date, except for 鄂爾多斯市啓杰蒙西煤化有限公司 (Ordos GEM Coal & Chemical Co., Ltd.) ("Mengxi Chemical") which adopts 31 December as its financial year end date as required by the relevant laws in the People's Republic of China (the "PRC"). We acted as auditors of the Company and its subsidiaries for the Relevant Periods except as disclosed below.

The statutory financial statements of Mengxi Chemical have been prepared in accordance with the relevant accounting principles and financial regulations applicable to companies established in the PRC and were audited by the following certified public accountants registered in the PRC.

Name of company	**Financial year**	**Name of auditors**
Mengxi Chemical	Year ended 31 December 2008	內蒙古中磊會計師事務所

The statutory financial statements of Challenger Auto Services Limited and Global On-Line Distribution Limited for each of the two years ended 31 March 2009 have been prepared in accordance with Hong Kong Financial Reporting Standards ("HKFRSs") issued by the Hong Kong Institute of Certified Public Accountants (the "HKICPA") and were audited by Lau & Au Yeung C.P.A. Limited, certified public accountants registered in Hong Kong in accordance with Hong Kong Standards on Auditing issued by the HKICPA.

No audited financial statements of Time Creation Group Limited, High Focus Group Limited, Coastal Kingford Finance Limited and Imare Company Limited have been prepared for the Relevant Periods as there is no statutory audit requirement in the country of their incorporation.

The directors of the Company have prepared the consolidated financial statements of the Group for the Relevant Periods in accordance with HKFRSs (the "HKFRS Financial Statements").

We have performed our independent audit on the HKFRS Financial Statements in accordance with Hong Kong Standards on Auditing issued by the HKICPA and have examined the HKFRS Financial Statements in accordance with Auditing Guideline 3.340 "Prospectuses and the Reporting Accountant" issued by the HKICPA.

The Financial Information has been prepared from the HKFRS Financial Statements in accordance with HKFRSs. No adjustments were considered necessary for the purpose of preparing our report for inclusion in the Circular.

The directors of the Company are responsible for the preparation of the HKFRS Financial Statements and the contents of the Circular in which this report is included. It is our responsibility to compile the Financial Information set out in this report from the HKFRS Financial Statements, to form an independent opinion on the Financial Information and to report our opinion to you.

For the purpose of this report, the directors of the Company have prepared the comparative financial information of the Group for the seven months ended 31 October 2008 (the "Comparative Financial Information") in accordance with HKFRSs. We have reviewed the Comparative Financial Information in accordance with Hong Kong Standard on Review Engagements 2410 "Review of Interim Financial Information Performed by the Independent Auditor of the Entity" issued by the HKICPA. A review consists principally of making enquiries of the Group management and applying analytical procedures to the Comparative Financial Information and, based thereon, assessing whether the accounting policies and presentation have been consistently applied unless otherwise disclosed. A review excludes audit procedures such as tests of controls and verification of assets, liabilities and transactions. It is substantially less in scope than an audit and therefore provides a lower level of assurance than an audit. Accordingly we do not express an audit opinion on the Comparative Financial Information.

On the basis of our review which does not constitute an audit, we are not aware of any material modifications that should be made to the Comparative Financial Information.

In our opinion, for the purpose of this report, the Financial Information gives a true and fair view of the state of affairs of the Company and of the Group as at 31 March 2007, 2008 and 2009 and 31 October 2009 of the Group's results and cash flows for the Relevant Periods.

A. FINANCIAL INFORMATION

CONSOLIDATED INCOME STATEMENTS

		Year ended 31 March			Seven months ended 31 October	
		2007	2008	2009	2008	2009
	Note	*HK$*	*HK$*	*HK$*	*HK$*	*HK$*
					(unaudited)	
Continuing operations						
Turnover	*6*	–	39,172,566	51,087,316	31,402,486	27,651,201
Cost of goods sold and services rendered		–	(9,292,951)	(14,101,423)	(8,834,080)	(6,916,047)
Gross profit		–	29,879,615	36,985,893	22,568,406	20,735,154
Other income	*7*	178,094	2,056,678	81,411,206	60,997,334	187,296
Selling and distribution costs		–	(1,700,866)	(1,570,289)	(1,125,122)	(882,058)
Administrative and other operating expenses		(962,047)	(34,630,851)	(62,392,215)	(30,961,410)	(30,695,594)
(Loss)/profit from operations		(783,953)	(4,395,424)	54,434,595	51,479,208	(10,655,202)
Finance costs	*8*	(6)	(28,535)	(32,754,793)	(17,161,816)	(224,962,471)
Share of losses of an associate	*20*	–	–	(12,894,394)	(68,573)	(14,834)
Excess of the Group's share of the net fair value of the identifiable assets, liabilities and contingent liabilities over the cost of acquisition of a subsidiary	*36(a)(i)*	–	1,822,816	–	–	–
Impairment loss on goodwill	*18*	–	(24,035)	–	–	–

		Year ended 31 March			Seven months ended 31 October	
		2007	**2008**	**2009**	**2008**	**2009**
	Note	*HK$*	*HK$*	*HK$*	*HK$*	*HK$*
					(unaudited)	
(Loss)/profit before tax		(783,959)	(2,625,178)	8,785,408	34,248,819	(235,632,507)
Income tax expense	*9*	–	(431,852)	(23,048)	(103,928)	(250,127)
(Loss)/profit for the year/ period from continuing operations	*11*	(783,959)	(3,057,030)	8,762,360	34,144,891	(235,882,634)
Discontinued operations						
Profit for the year/ period from discontinued operations	*10*	16,657,754	73,161,336	–	–	–
Profit/(loss) for the year/period		15,873,795	70,104,306	8,762,360	34,144,891	(235,882,634)
Attributable to:						
Owners of the Company		15,873,795	69,111,488	8,708,612	33,796,909	(236,488,839)
Minority interests		–	992,818	53,748	347,982	606,205
		15,873,795	70,104,306	8,762,360	34,144,891	(235,882,634)
Dividend	*13*	–	–	–	–	–
Earnings/(loss) per share (cents)	*15*					
From continuing and discontinued operations						
– basic		2.94	12.80	1.20	4.86	(20.00)
– diluted		N/A	N/A	(2.29)	(0.72)	N/A
From continuing operations						
– basic		(0.15)	(0.75)	1.20	4.86	(20.00)
– diluted		N/A	N/A	(2.29)	(0.72)	N/A

CONSOLIDATED STATEMENTS OF COMPREHENSIVE INCOME

	Year ended 31 March			Seven months ended 31 October	
	2007	2008	2009	2008	2009
	HK$	*HK$*	*HK$*	*HK$*	*HK$*
				(unaudited)	
Profit/(loss) for the year/period	15,873,795	70,104,306	8,762,360	34,144,891	(235,882,634)
Other comprehensive income for the year/period, net of tax					
Exchange differences on translating foreign operations	2,142,963	1,835,221	(273,060)	(356,660)	88,474
Total comprehensive income for the year/period	18,016,758	71,939,527	8,489,300	33,788,231	(235,794,160)
Attributable to:					
Owners of the Company	18,016,758	70,946,709	8,435,552	33,440,249	(236,400,365)
Minority interests	–	992,818	53,748	347,982	606,205
	18,016,758	71,939,527	8,489,300	33,788,231	(235,794,160)

CONSOLIDATED STATEMENTS OF FINANCIAL POSITION

		As at 31 March			As at 31 October
		2007	2008	2009	2009
	Note	*HK$*	*HK$*	*HK$*	*HK$*
Non-current assets					
Fixed assets	16	18,313,143	1,435,702	1,068,209	1,149,140
Prepaid land lease payments	17	1,389,653	–	–	–
Goodwill	18	–	–	124,671,293	124,671,293
Intangible assets	19	334,463	18,234,000	10,000,000	10,000,000
Investment in an associate	20	–	–	761,416,167	761,401,333
Deferred tax assets	21	–	170,503	347,300	341,501
		20,037,259	19,840,205	897,502,969	897,563,267
Current assets					
Inventories	22	18,540,920	372,172	330,856	321,500
Trade and bills receivables	23	50,008,088	973,400	1,146,881	1,135,352
Deposits, prepayments and other receivables	24	4,689,931	11,607,167	74,884,000	75,252,699
Amount due from a minority shareholder	25	–	–	27,219,120	27,245,760
Current tax assets		184,754	–	171,144	–
Pledged bank deposits	26	3,521,425	–	1,500,485	1,502,339
Bank and cash balances	26	46,185,811	119,211,934	37,647,050	202,880,793
		123,130,929	132,164,673	142,899,536	308,338,443
Current liabilities					
Trade and bills payables	27	39,457,334	1,347,622	465,689	568,817
Other payables and accruals		28,895,381	3,765,523	6,505,052	6,606,997
Dividend payables		14,489	–	–	–
Sales deposits received and receipts in advance		8,330,144	3,948,018	3,331,354	3,893,988
Amount due to minority shareholders		–	2,575,834	1,168,733	1,168,733

		As at 31 March			As at 31 October
		2007	**2008**	**2009**	**2009**
	Note	*HK$*	*HK$*	*HK$*	*HK$*
Short term borrowings	*28*	10,091,277	–	–	–
Current portion of long term borrowings	*29*	281,922	–	–	–
Derivative component of convertible bonds	*30*	–	–	73,920,000	–
Current tax liabilities		–	53,829	–	73,184
		87,070,547	11,690,826	85,390,828	12,311,719
Net current assets		36,060,382	120,473,847	57,508,708	296,026,724
Total assets less current liabilities		56,097,641	140,314,052	955,011,677	1,193,589,991
Non-current liabilities					
Long term borrowings	*29*	480,811	–	–	–
Loan from a minority shareholder	*31*	–	–	1,273,875	1,273,875
Convertible bonds	*30*	–	–	634,542,149	296,939,565
		480,811	–	635,816,024	298,213,440
NET ASSETS		55,616,830	140,314,052	319,195,653	895,376,551
Capital and reserves					
Share capital	*32*	5,400,000	5,400,000	7,700,000	18,480,850
Reserves		50,216,830	122,562,059	271,789,074	836,582,917
Equity attributable to owners of the Company		55,616,830	127,962,059	279,489,074	855,063,767
Minority interests		–	12,351,993	39,706,579	40,312,784
TOTAL EQUITY		55,616,830	140,314,052	319,195,653	895,376,551

STATEMENTS OF FINANCIAL POSITION

		As at 31 March			As at 31 October
		2007	2008	2009	2009
	Note	*HK$*	*HK$*	*HK$*	*HK$*
Non-current assets					
Fixed assets	*16*	–	–	570,476	529,144
Investments in subsidiaries	*35*	200,000	16	23	23
		200,000	16	570,499	529,167
Current assets					
Prepayments and other receivables		153,653	7,966,529	8,146,289	7,972,351
Amounts due from subsidiaries	*35*	9,615,777	11,014,600	974,172,973	1,015,076,665
Pledged bank deposits	*26*	3,521,425	–	–	–
Bank balances		157,783	106,956,494	27,383,228	150,044,016
		13,448,638	125,937,623	1,009,702,490	1,173,093,032
Current liabilities					
Accruals		1,813,690	690,530	3,493,126	3,401,206
Amount due to a subsidiary	*35*	–	–	8	–
Derivative component of convertible bonds	*30*	–	–	73,920,000	–
		1,813,690	690,530	77,413,134	3,401,206
Net current assets		11,634,948	125,247,093	932,289,356	1,169,691,826
Total assets less current liabilities		11,834,948	125,247,109	932,859,855	1,170,220,993
Non-current liabilities					
Convertible bonds	*30*	–	–	634,542,149	296,939,565
NET ASSETS		11,834,948	125,247,109	298,317,706	873,281,428
Capital and reserves					
Share capital	*32*	5,400,000	5,400,000	7,700,000	18,480,850
Reserves	*33(b)*	6,434,948	119,847,109	290,617,706	854,800,578
TOTAL EQUITY		11,834,948	125,247,109	298,317,706	873,281,428

CONSOLIDATED STATEMENTS OF CHANGES IN EQUITY

	Attributable to owners of the Company									
	Share capital	Share premium *(note 33 (c)(i))*	Merger reserve *(note 33 (c)(ii))*	Foreign currency translation reserve *(note 33 (c)(iii))*	Share-based payment reserve *(note 33 (c)(iv))*	Convertible bonds reserve	Retained profits	Total	Minority interests	Total equity
	HK$	*HK$*	*HK$*	*HK$*	*HK$*	*HK$*	*HK$*	*HK$*	*HK$*	*HK$*
At 1 April 2006	5,400,000	9,536,387	(122,000)	482,532	–	–	22,303,153	37,600,072	–	37,600,072
Total comprehensive income for the year	–	–	–	2,142,963	–	–	15,873,795	18,016,758	–	18,016,758
Changes in equity for the year	–	–	–	2,142,963	–	–	15,873,795	18,016,758	–	18,016,758
At 31 March 2007 and 1 April 2007	5,400,000	9,536,387	(122,000)	2,625,495	–	–	38,176,948	55,616,830	–	55,616,830
Total comprehensive income for the year	–	–	–	1,835,221	–	–	69,111,488	70,946,709	992,818	71,939,527
Share-based payments	–	–	–	–	5,859,236	–	–	5,859,236	–	5,859,236
Disposal of subsidiaries	–	–	122,000	(4,460,716)	–	–	(122,000)	(4,460,716)	–	(4,460,716)
Arising on acquisition of subsidiaries	–	–	–	–	–	–	–	–	11,359,175	11,359,175
Changes in equity for the year	–	–	122,000	(2,625,495)	5,859,236	–	68,989,488	72,345,229	12,351,993	84,697,222
At 31 March 2008 and 1 April 2008	5,400,000	9,536,387	–	–	5,859,236	–	107,166,436	127,962,059	12,351,993	140,314,052
Total comprehensive income for the year	–	–	–	(273,060)	–	–	8,708,612	8,435,552	53,748	8,489,300
Issued of shares for acquisition of a subsidiary *(note 32)*	2,300,000	133,400,000	–	–	–	–	–	135,700,000	–	135,700,000

	Attributable to owners of the Company									
	Share capital	Share premium *(note 33 (c)(i))*	Merger reserve *(note 33 (c)(ii))*	Foreign currency translation reserve *(note 33 (c)(iii))*	Share-based payment reserve *(note 33 (c)(iv))*	Convertible bonds reserve	Retained profits	Total	Minority interests	Total equity
	HK$	*HK$*	*HK$*	*HK$*	*HK$*	*HK$*	*HK$*	*HK$*	*HK$*	*HK$*
Share-based payments	–	–	–	–	7,391,463	–	–	7,391,463	–	7,391,463
Share options forfeited	–	–	–	–	(269,905)	–	269,905	–	–	–
Capital contributions from minority shareholders	–	–	–	–	–	–	–	–	27,300,838	27,300,838
Changes in equity for the year	2,300,000	133,400,000	–	(273,060)	7,121,558	–	8,978,517	151,527,015	27,354,586	178,881,601
At 31 March 2009 and 1 April 2009	7,700,000	142,936,387	–	(273,060)	12,980,794	–	116,144,953	279,489,074	39,706,579	319,195,653
Total comprehensive income for the period	–	–	–	88,474	–	–	(236,488,839)	(236,400,365)	606,205	(235,794,160)
Share-based payments	–	–	–	–	4,595,064	–	–	4,595,064	–	4,595,064
Share options forfeited	–	–	–	–	(16,276)	–	16,276	–	–	–
Issued of shares for convertible bonds converted	7,700,000	403,305,272	–	–	–	–	–	411,005,272	–	411,005,272
Recognition of equity component of replacement convertible bonds issued *(note 30)*	–	–	–	–	–	203,821,441	–	203,821,441	–	203,821,441
Issued of shares for replacement convertible bonds converted	417,300	34,958,245	–	–	–	(13,810,414)	–	21,565,131	–	21,565,131

	Attributable to owners of the Company									
	Share capital	Share premium *(note 33 (c)(i))*	Merger reserve *(note 33 (c)(ii))*	Foreign currency translation reserve *(note 33 (c)(iii))*	Share-based payment reserve *(note 33 (c)(iv))*	Convertible bonds reserve	Retained profits	Total	Minority interests	Total equity
	HK$	*HK$*	*HK$*	*HK$*	*HK$*	*HK$*	*HK$*	*HK$*	*HK$*	*HK$*
Placing of shares	2,400,000	165,600,000	–	–	–	–	–	168,000,000	–	168,000,000
Issue expenses for placing of shares	–	(12,310,000)	–	–	–	–	–	(12,310,000)	–	(12,310,000)
Shares issued in exercise of share options	263,550	21,193,972	–	–	(6,159,372)	–	–	15,298,150	–	15,298,150
Changes in equity for the period	10,780,850	612,747,489	–	88,474	(1,580,584)	190,011,027	(236,472,563)	575,574,693	606,205	576,180,898
At 31 October 2009	18,480,850	755,683,876	–	(184,586)	11,400,210	190,011,027	(120,327,610)	855,063,767	40,312,784	895,376,551
At 1 April 2008	5,400,000	9,536,387	–	–	5,859,236	–	107,166,436	127,962,059	12,351,993	140,314,052
Total comprehensive income for the period (unaudited)	–	–	–	(356,660)	–	–	33,796,909	33,440,249	347,982	33,788,231
Issued of shares for acquisition of a subsidiary *(note 32)* (unaudited)	2,300,000	133,400,000	–	–	–	–	–	135,700,000	–	135,700,000
Share-based payments (unaudited)	–	–	–	–	4,067,335	–	–	4,067,335	–	4,067,335
Capital contributions from minority shareholders (unaudited)	–	–	–	–	–	–	–	–	27,300,838	27,300,838
Changes in equity for the period (unaudited)	2,300,000	133,400,000	–	(356,660)	4,067,335	–	33,796,909	173,207,584	27,648,820	200,856,404
At 31 October 2008 (unaudited)	7,700,000	142,936,387	–	(356,660)	9,926,571	–	140,963,345	301,169,643	40,000,813	341,170,456

CONSOLIDATED STATEMENTS OF CASH FLOWS

		Year ended 31 March			Seven months ended 31 October	
		2007	**2008**	**2009**	**2008**	**2009**
	Note	*HK$*	*HK$*	*HK$*	*HK$*	*HK$*
					(unaudited)	
CASH FLOWS FROM OPERATING ACTIVITIES						
Profit/(loss) before tax		15,942,795	70,634,791	8,785,408	34,248,819	(235,632,507)
Adjustments for:						
Depreciation		2,566,051	3,115,108	1,582,552	810,979	408,832
Amortisation of prepaid land lease payments		38,257	23,216	–	–	–
Amortisation of intangible assets		54,837	45,418	–	–	–
Loss/(gain) on disposals of fixed assets		77,991	89,522	(18,712)	–	–
Written off of fixed assets		–	–	–	–	80,844
Gain on disposal of subsidiaries		–	(64,152,125)	–	–	–
Equity-settled share-based payments		–	5,859,236	7,391,463	4,067,335	4,595,064
Excess of the Group's share of the net fair value of the identifiable assets, liabilities and contingent liabilities over the cost of acquisition of a subsidiary		–	(1,822,816)	–	–	–
Impairment loss on intangible assets		–	–	8,242,350	–	–
Impairment loss on goodwill		–	24,035	–	–	–
Finance costs		748,945	293,873	32,754,793	17,161,816	17,947,415
Interest income		(587,467)	(2,349,115)	(1,550,570)	(1,259,406)	(103,853)
Fair value (gain)/loss on derivative component of convertible bonds		–	–	(79,280,875)	(59,291,438)	207,015,056
Share of losses of an associate		–	–	12,894,394	68,573	14,834

	Note	Year ended 31 March 2007 HK$	Year ended 31 March 2008 HK$	Year ended 31 March 2009 HK$	Seven months ended 31 October 2008 HK$ (unaudited)	Seven months ended 31 October 2009 HK$
Operating profit/(loss) before working capital changes		18,841,409	11,761,143	(9,199,197)	(4,193,322)	(5,674,315)
(Increase)/decrease in inventories		(6,583,816)	(2,635,625)	41,316	59,597	9,356
Decrease/(increase) in trade and bills receivables		767,238	(44,986,757)	(173,481)	(90,201)	11,529
(Increase)/decrease in deposits, prepayments and other receivables		(1,879,196)	10,975,317	338,528	(112,157)	(368,699)
Increase/(decrease) in trade and bills payables		7,290,079	36,263,308	(881,933)	(562,146)	103,128
Increase/(decrease) in other payables and accruals		7,464,470	17,036,347	1,735,529	(272,890)	101,945
(Decrease)/increase in sales deposits received and receipts in advance		(288,117)	(114,183)	(616,664)	(346,280)	562,634
Cash generated from/(used in) operations		25,612,067	28,299,550	(8,755,902)	(5,517,399)	(5,254,422)
Interest paid		(748,945)	(293,873)	(11,769)	(12,787)	(93,211)
Hong Kong profits tax paid		(56,080)	(588,999)	(424,818)	–	–
Net cash generated from/(used in) operating activities		24,807,042	27,416,678	(9,192,489)	(5,530,186)	(5,347,633)
CASH FLOWS FROM INVESTING ACTIVITIES						
Increase in amount due from a minority shareholder		–	–	(27,219,120)	–	–
Increase in deposits, prepayments and other receivables		–	–	(63,225,361)	(62,826,726)	–
Capital contributions to an associate		–	–	(16,800,000)	–	–

	Note	Year ended 31 March 2007 HK$	2008 HK$	2009 HK$	Seven months ended 31 October 2008 HK$ (unaudited)	2009 HK$
Capital contributions from a minority shareholder		–	–	27,300,838	27,300,838	–
Dividend paid		(83,280)	(14,489)	–	–	–
Interest received		587,467	2,349,115	1,550,570	1,259,406	103,853
Purchases of fixed assets		(7,331,285)	(2,181,645)	(1,221,347)	(1,221,347)	(570,503)
Additions of intangible assets		(389,300)	–	(8,350)	(8,350)	–
Proceeds from disposal of fixed assets		21,097	101,999	25,000	–	–
Decrease/(increase) in pledged bank deposits		–	3,521,425	(1,500,485)	–	(1,854)
Acquisition of subsidiaries	*36(a)*	–	(5,696,631)	(575,867,854)	(575,867,854)	–
Disposal of subsidiaries	*36(b)*	–	56,796,684	–	–	–
Net cash (used in)/ generated from investing activities		(7,195,301)	54,876,458	(656,966,109)	(611,364,033)	(468,504)
CASH FLOWS FROM FINANCING ACTIVITIES						
Repayment of bank loans		(4,133,124)	(3,120,120)	–	–	–
Bank loan raised		5,041,650	–	–	–	–
Net borrowings/ (repayment) of trust receipts and trade financing loans		1,826,039	(6,057,957)	–	–	–
Repayment of finance lease payables		(235,970)	(177,124)	–	–	–
Repayment to minority shareholders		–	(1,449,259)	(133,226)	–	–
Placing fees paid		–	–	(15,000,000)	(15,000,000)	(12,310,000)
Proceeds from convertible bonds		–	–	600,000,000	600,000,000	–
Proceeds from placing of shares		–	–	–	–	168,000,000
Proceeds from shares issued in exercise of share options		–	–	–	–	15,298,150

					Seven months ended	
			Year ended 31 March		31 October	
		2007	**2008**	**2009**	**2008**	**2009**
	Note	*HK$*	*HK$*	*HK$*	*HK$*	*HK$*
					(unaudited)	
Net cash generated from/ (used in) financing activities		2,498,595	(10,804,460)	584,866,774	585,000,000	170,988,150
NET INCREASE/ (DECREASE) IN CASH AND CASH EQUIVALENTS		20,110,336	71,488,676	(81,291,824)	(31,894,219)	165,172,013
EFFECT OF FOREIGN EXCHANGE RATE CHANGES		1,713,140	1,537,447	(273,060)	(356,660)	61,730
		21,823,476	73,026,123	(81,564,884)	(32,250,879)	165,233,743
CASH AND CASH EQUIVALENTS AT BEGINNING OF YEAR/PERIOD		24,362,335	46,185,811	119,211,934	119,211,934	37,647,050
CASH AND CASH EQUIVALENTS AT END OF YEAR/PERIOD		46,185,811	119,211,934	37,647,050	86,961,055	202,880,793
ANALYSIS OF CASH AND CASH EQUIVALENTS						
Bank and cash balances		46,185,811	119,211,934	37,647,050	86,961,055	202,880,793

B. NOTES TO THE FINANCIAL INFORMATION

1. GENERAL INFORMATION

The Company was incorporated in the Cayman Islands with limited liability. The address of its registered office is Cricket Square, Hutchins Drive, P.O. Box 2681, Grand Cayman KY1-1111, Cayman Islands. The address of its principal place of business is 5/F., 31C-D Wyndham Street, Central, Hong Kong. The Company's shares are listed on the Growth Enterprise Market ("GEM") of The Stock Exchange of Hong Kong Limited (the "Stock Exchange").

The Company is an investment holding company. The principal activities of its subsidiaries are set out in note 35 to the Financial Information.

2. ADOPTION OF NEW AND REVISED HONG KONG FINANCIAL REPORTING STANDARDS

For the purpose of the Financial Information the Group has adopted all the new and revised HKFRSs that are relevant to its operations and effective for its accounting year/period beginning on 1 April 2009. HKFRSs comprise Hong Kong Financial Reporting Standards; Hong Kong Accounting Standards; and Interpretations.

The Group has not applied the new HKFRSs that have been issued but are not yet effective. The Group has already commenced an assessment of the impact of these new HKFRSs but is not yet in a position to state whether these new HKFRSs would have a material impact on its results of operations and financial position.

3. SIGNIFICANT ACCOUNTING POLICIES

The Financial Information has been prepared in accordance with HKFRSs, accounting principles generally accepted in Hong Kong and the applicable disclosures required by the Rules Governing the Listing of Securities on the GEM of the Stock Exchange and by the Hong Kong Companies Ordinance.

The Financial Information has been prepared under the historical cost convention, as modified by the revaluation of derivatives which are carried at their fair values.

The preparation of Financial Information in conformity with HKFRSs requires the use of certain key assumptions and estimates. It also requires the directors to exercise its judgements in the process of applying the accounting policies. The areas involving critical judgements and areas where assumptions and estimates are significant to the Financial Information, are disclosed in note 4 to the Financial Information.

The significant accounting policies applied in the preparation of the Financial Information are set out below.

(a) Consolidation

The Financial Information include the financial statements of the Company and its subsidiaries made up to 31 March/31 October. Subsidiaries are entities over which the Group has control. Control is the power to govern the financial and operating policies of an entity so as to obtain benefits from its activities. The existence and effect of potential voting rights that are currently exercisable or convertible are considered when assessing whether the Group has control.

Subsidiaries are consolidated from the date on which control is transferred to the Group. They are de-consolidated from the date the control ceases.

The gain or loss on the disposal of a subsidiary represents the difference between the proceeds of the sale and the Group's share of its carrying amount together with any remaining goodwill relating to the subsidiary and also any related accumulated foreign currency translation reserve.

Inter-company transactions, balances and unrealised profits are eliminated. Unrealised losses are also eliminated unless the transaction provides evidence of an impairment of the asset transferred. Accounting policies of subsidiaries have been changed where necessary to ensure consistency with the policies adopted by the Group.

In the Company's statement of financial position the investments in subsidiaries are stated at cost less allowance for impairment losses. The results of subsidiaries are accounted for by the Company on the basis of dividends received and receivable.

Minority interests represent the portion of interests of minority shareholders in the operating results and net assets of subsidiaries. Minority interests are presented in the consolidated statement of financial position and consolidated statement of changes in equity within equity. Minority interests are presented in the consolidated income statement and consolidated statement of comprehensive income as an allocation of profit or loss and total comprehensive income for the year/period between minority and owners of the Company (majority interests). Losses applicable to the minority in excess of the minority interests in the subsidiary's equity are allocated against the majority interests except to the extent that the minority has a binding obligation and is able to make an additional investment to cover the losses. If the subsidiary subsequently reports profits, such profits are allocated to the majority interests until the minority's share of losses previously absorbed by the majority has been recovered.

(b) Business combination and goodwill

The purchase method is used to account for the acquisition of subsidiaries by the Group. The cost of an acquisition is measured as the fair value of the assets given, equity instruments issued and liabilities incurred or assumed at the date of exchange, plus costs directly attributable to the acquisition. Identifiable assets, liabilities and contingent liabilities of the subsidiary in an acquisition are measured at their fair values at the acquisition date.

The excess of the cost of acquisition over the Group's share of the net fair value of the subsidiary's identifiable assets, liabilities and contingent liabilities is recorded as goodwill. Any excess of the Group's share of the net fair value of the identifiable assets, liabilities and contingent liabilities over the cost of acquisition is recognised in the consolidated profit or loss.

Goodwill is tested annually for impairment or more frequently if events or changes in circumstances indicate that it might be impaired. Goodwill is measured at cost less accumulated impairment losses. The method of measuring impairment losses of goodwill is the same as that of other assets as stated in the accounting policy 3(v) below. Impairment losses of goodwill are recognised in consolidated profit or loss and are not subsequently reversed. Goodwill is allocated to cash-generating units that are expected to benefit from the synergies of the acquisition for the purpose of impairment testing.

The interests of minority shareholders in the subsidiary is initially measured at the minority's proportion of the net fair value of the subsidiary's identifiable assets, liabilities and contingent liabilities at the acquisition date.

(c) Associates

Associates are entities over which the Group has significant influence. Significant influence is the power to participate in the financial and operating policies of an entity but is not control or joint control over those policies. The existence and effect of potential voting rights that are currently exercisable or convertible are considered when assessing whether the Group has significant influence.

Investment in an associate is accounted for in the Financial Information by the equity method and is initially recognised at cost. Identifiable assets, liabilities and contingent liabilities of the associate in an acquisition are measured at their fair values at the acquisition date. The excess of the cost of acquisition over the Group's share of the net fair value of the associate's identifiable assets, liabilities and contingent liabilities is recorded as goodwill. The goodwill is included in the carrying amount of the investment and is tested for impairment together with the investment at the end of each reporting period when there is objective evidence that the investment is impaired. Any excess of the Group's share of the net fair value of the identifiable assets, liabilities and contingent liabilities over the cost of acquisition is recognised in consolidated profit or loss.

The Group's share of an associate's post-acquisition profits or losses is recognised in the consolidated profit or loss, and its share of the post-acquisition movements in reserves is recognised in the consolidated reserves. The cumulative post-acquisition movements are adjusted against the carrying amount of the investment. When the Group's share of losses in an associate equals or exceeds its interest in the associate, including any other unsecured receivables, the Group does not recognise further losses, unless it has incurred obligations or made payments on behalf of the associate. If the associate subsequently reports profits, the Group resumes recognising its share of those profits only after its share of the profits equals the share of losses not recognised.

The gain or loss on the disposal of an associate represents the difference between the proceeds of the sale and the Group's share of its carrying amount together with any remaining goodwill relating to the associate and also any related accumulated foreign currency translation reserve.

Unrealised profits on transactions between the Group and its associates are eliminated to the extent of the Group's interests in the associates. Unrealised losses are also eliminated unless the transaction provides evidence of an impairment of the asset transferred. Accounting policies of associates have been changed where necessary to ensure consistency with the policies adopted by the Group.

(d) Foreign currency translation

(i) Functional and presentation currency

Items included in the financial statements of each of the Group's entities are measured using the currency of the primary economic environment in which the entity operates (the "functional currency"). The Financial Information is presented in Hong Kong dollars, which is the Company's functional and presentation currency.

(ii) Transactions and balances in each entity's financial statements

Transactions in foreign currencies are translated into the functional currency on initial recognition using the exchange rates prevailing on the transaction dates. Monetary assets and liabilities in foreign currencies are translated at the exchange rates at the end of each reporting period. Gains and losses resulting from this translation policy are recognised in profit or loss.

Non-monetary items that are measured at fair values in foreign currencies are translated using the exchange rates at the dates when the fair values are determined.

When a gain or loss on a non-monetary item is recognised in other comprehensive income, any exchange component of that gain or loss is recognised in other comprehensive income. When a gain or loss on a non-monetary item is recognised in profit or loss, any exchange component of that gain or loss is recognised in profit or loss.

(iii) Translation on consolidation

The results and financial position of all the Group entities that have a functional currency different from the Company's presentation currency are translated into the Company's presentation currency as follows:

– Assets and liabilities for each statement of financial position presented are translated at the closing rate at the date of that statement of financial position;

– Income and expenses for each income statement are translated at average exchange rates (unless this average is not a reasonable approximation of the cumulative effect of the rates prevailing on the transaction dates, in which case income and expenses are translated at the exchange rates on the transaction dates); and

– All resulting exchange differences are recognised in the foreign currency translation reserve.

On consolidation, exchange differences arising from the translation of the net investment in foreign entities and of borrowings are recognised in the foreign currency translation reserve. When a foreign operation is sold, such exchange differences are recognised in the consolidated profit or loss as part of the gain or loss on disposal.

Goodwill and fair value adjustments arising on the acquisition of a foreign entity are treated as assets and liabilities of the foreign entity and translated at the closing rate.

(e) Fixed assets

Fixed assets are stated at cost less accumulated depreciation and impairment losses.

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. All other repairs and maintenance are recognised in profit or loss during the period in which they are incurred.

Depreciation of fixed assets is calculated at rates sufficient to write off their cost less their residual values over the estimated useful lives on a straight-line basis. The principal annual rates are as follows:

Buildings	2% – 4.5%
Leasehold improvements	20% – 30%
Plant and machinery	9% – 20%
Office equipment	15% – 25%
Furniture and fixtures	10% – 20%
Moulds	20% – 30%
Motor vehicles	10% – 30%

The residual values, useful lives and depreciation method are reviewed and adjusted, if appropriate, at the end of each reporting period.

Construction in progress represents buildings under construction and plant and machinery pending installation, and is stated at cost less impairment losses. Depreciation begins when the relevant assets are available for use.

The gain or loss on disposal of fixed assets is the difference between the net sales proceeds and the carrying amount of the relevant asset, and is recognised in profit or loss.

(f) Leases

(i) Operating leases

Leases that do not substantially transfer to the Group all the risks and rewards of ownership of assets are accounted for as operating leases. Lease payments (net of any incentives received from the lessor) are recognised as an expense on a straight-line basis over the lease term.

(ii) Finance leases

Leases that substantially transfer to the Group all the risks and rewards of ownership of assets are accounted for as finance leases. At the commencement of the lease term, a finance lease is capitalised at the lower of the fair value of the leased asset and the present value of the minimum lease payments, each determined at the inception of the lease.

The corresponding liability to the lessor is included in the statement of financial position as finance lease payable. Lease payments are apportioned between the finance charge and the reduction of the outstanding liability. The finance charge is allocated to each period during the lease term so as to produce a constant periodic rate of interest on the remaining balance of the liability.

Assets under finance leases are depreciated the same as owned assets.

(g) Intangible assets

Intangible assets that are acquired by the Group are stated at cost less accumulated amortisation and impairment losses.

Subsequent expenditure on capitalised intangible assets is capitalised only when it increases the future economic benefits embodied in the specific assets to which it relates. All other expenditure is expensed as incurred.

Amortisation is charged to the income statement on a straight-line basis over the estimated useful lives of intangible assets unless such lives are indefinite. Intangible assets with an indefinite useful life are systematically tested for impairment at each reporting period. Other intangible asset is amortised from the date it is available for use. The estimated useful life of license is five years from the date it is available for use according to the agreement entered by the Group and the licensor. The estimated useful life of trademark is indefinite.

(h) Discontinued operations

A discontinued operation is a component of the Group, the operations and cash flows of which can be clearly distinguished from the rest of the Group and which represents a separate major line of business or geographical area of operations, or is part of a single co-ordinated plan to dispose of a separate major line of business or geographical area of operations, or is a subsidiary acquired exclusively with a view to resale.

Classification as a discontinued operation occurs upon disposal or when the operation meets the criteria to be classified as held for sale, if earlier. It also occurs when the operation is abandoned.

When an operation is classified as discontinued, a single amount is presented on the face of the income statement, which comprises:

– The post-tax profit or loss of the discontinued operation; and

– The post-tax gain or loss recognised on the measurement to fair value less costs to sell, or on the disposal, of the assets or disposal group constituting the discontinued operation.

(i) Inventories

Inventories are stated at the lower of cost and net realisable value. Cost is determined using the first-in, first-out basis. The cost of finished goods and work in progress comprises raw materials, direct labour and an appropriate proportion of all production overhead expenditure, and where appropriate, subcontracting charges. Net realisable value is the estimated selling price in the ordinary course of business, less the estimated costs of completion and the estimated costs necessary to make the sale.

(j) Recognition and derecognition of financial instruments

Financial assets and financial liabilities are recognised in the statement of financial position when the Group becomes a party to the contractual provisions of the instruments.

Financial assets are derecognised when the contractual rights to receive cash flows from the assets expire; the Group transfers substantially all the risks and rewards of ownership of the assets; or the Group neither transfers nor retains substantially all the risks and rewards of ownership of the assets but has not retained control on the assets. On derecognition of a financial asset, the difference between the asset's carrying amount and the sum of the consideration received and the cumulative gain or loss that had been recognised in other comprehensive income is recognised in profit or loss.

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

(k) Trade and other receivables

Trade and other receivables are non-derivative financial assets with fixed or determinable payments that are not quoted in an active market and are recognised initially at fair value and subsequently measured at amortised cost using the effective interest method, less allowance for impairment. An allowance for impairment of trade and other receivables is established when there is objective evidence that the Group will not be able to collect all amounts due according to the original terms of receivables. The amount of the allowance is the difference between the receivables' carrying amount and the present value of estimated future cash flows, discounted at the effective interest rate computed at initial recognition. The amount of the allowance is recognised in profit or loss.

Impairment losses are reversed in subsequent periods and recognised in profit or loss when an increase in the receivables' recoverable amount can be related objectively to an event occurring after the impairment was recognised, subject to the restriction that the carrying amount of the receivables at the date the impairment is reversed shall not exceed what the amortised cost would have been had the impairment not been recognised.

(l) Cash and cash equivalents

For the purpose of the statements of cash flow, cash and cash equivalents represent cash at banks and on hand, demand deposits with banks and other financial institutions, and short-term highly liquid investments which are readily convertible into known amounts of cash and subject to an insignificant risk of change in value. Bank overdrafts which 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.

(m) Financial liabilities and equity instruments

Financial liabilities and equity instruments are classified according to the substance of the contractual arrangements entered into and the definitions of a financial liability and an equity instrument under HKFRSs. An equity instrument is any contract that evidences a residual interest in the assets of the Group after deducting all of its liabilities. The accounting policies adopted for specific financial liabilities and equity instruments are set out below.

Borrowings

Borrowings are recognised initially at fair value, net of transaction costs incurred, and subsequently measured at amortised cost using the effective interest method.

Borrowings are classified as current liabilities unless the Group has an unconditional right to defer settlement of the liability for at least 12 months after the reporting period.

Convertible loans

Convertible loans which entitle the holder to convert the loans into equity instruments, other than into a fixed number of equity instruments at a fixed conversion price, are regarded as combined instruments consist of a liability and a derivative component. At the date of issue, the fair value of the derivative component is determined using an option pricing model; and this amount is carried as a derivative liability until extinguished on conversion or redemption. The remainder of the proceeds is allocated to the liability component and is carried as a liability at amortised cost using the effective interest method until extinguished on conversion or redemption. The derivative component is measured at fair value with gains and losses recognised in profit or loss.

Transaction costs are apportioned between the liability and derivative components of the convertible loans based on the allocation of proceeds to the liability and derivative components on initial recognition.

Convertible loans which entitle the holder to convert the loans into a fixed number of equity instruments at a fixed conversion price are regarded as compound instruments consist of a liability and an equity component. At the date of issue, the fair value of the liability component is estimated using the prevailing market interest rate for similar non-convertible debt. The difference between the proceeds of issue of the convertible loans and the fair value assigned to the liability component, representing the embedded option for the holder to convert the loans into equity of the Group, is included in equity as convertible bonds reserve. The liability component is carried as a liability at amortised cost using the effective interest method until extinguished on conversion or redemption.

Transaction costs are apportioned between the liability and equity components of the convertible loans based on their relative carrying amounts at the date of issue. The portion relating to the equity component is charged directly to equity.

Trade and other payables

Trade and other payables are stated initially at their fair value and subsequently measured at amortised cost using the effective interest method unless the effect of discounting would be immaterial, in which case they are stated at cost.

Equity instruments

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

(n) Revenue recognition

Revenue is measured at the fair value of the consideration received or receivable and is recognised when it is probable that the economic benefits will flow to the Group and the amount of revenue can be measured reliably.

Revenues from the sales of manufactured goods are recognised on the transfer of significant risks and rewards of ownership, which generally coincides with the time when the goods are delivered and the title has passed to the customers.

Service income is recognised when services are rendered.

Interest income is recognised on a time-proportion basis using the effective interest method.

(o) Employee benefits

(i) Employee leave entitlements

Employee entitlements to annual leave and long service leave are recognised when they accrue to employees. A provision is made for the estimated liability for annual leave and long service leave as a result of services rendered by employees up to the end of the reporting period.

Employee entitlements to sick leave and maternity leave are not recognised until the time of leave.

(ii) Pension obligations

The Group contributes to defined contribution retirement schemes which are available to all employees. Contributions to the schemes by the Group and employees are calculated as a percentage of employees' basic salaries. The retirement benefit scheme cost charged to profit or loss represents contributions payable by the Group to the funds.

(p) Share-based payments

The Group issues equity-settled share-based payments to certain employees and consultants. Equity-settled share-based payments are measured at fair value (excluding the effect of non market-based vesting conditions) of the equity instruments at the date of grant. The fair value determined at the grant date of the equity-settled share-based payments is expensed on a straight-line basis over the vesting period, based on the Group's estimate of shares that will eventually vest and adjusted for the effect of non market-based vesting conditions.

(q) Borrowing costs

Borrowing costs directly attributable to the acquisition, construction or production of qualifying assets, which are assets that necessarily take a substantial period of time to get ready for their intended use or sale, are capitalised as part of the cost of those assets, until such time as the assets are substantially ready for their intended use or sale. Investment income earned on the temporary investment of specific borrowings pending their expenditure on qualifying assets is deducted from the borrowing costs eligible for capitalisation. To the extent that funds are borrowed generally and used for the purpose of obtaining a qualifying asset, the amount of borrowing costs eligible for capitalisation is determined by applying a capitalisation rate to the expenditures on that asset. The capitalisation rate is the weighted average of the borrowing costs applicable to the borrowings of the Group that are outstanding during the period, other than borrowings made specifically for the purpose of obtaining a qualifying asset.

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

(r) Government grants

A government grant is recognised when there is reasonable assurance that the Group will comply with the conditions attaching to it and that the grant will be received.

Government grants relating to income are deferred and recognised in profit or loss over the period to match them with the costs they are intended to compensate.

(s) Taxation

Income tax represents the sum of the current tax and deferred tax.

The tax currently payable is based on taxable profit for the year/period. Taxable profit differs from profit recognised in profit or loss because it excludes items of income or expense that are taxable or deductible in other years/period and it further excludes items that are never taxable or deductible. The Group's liability for current tax is calculated using tax rates that have been enacted or substantively enacted by the end of the reporting period.

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

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

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

Deferred tax is calculated at the tax rates that are expected to apply in the period when the liability is settled or the asset is realised, based on tax rates that have been enacted or substantively enacted by the end of the reporting period. Deferred tax is recognised in profit or loss, except when it relates to items recognised in other comprehensive income or directly to equity, in which case the deferred tax is also recognised in other comprehensive income or directly in equity.

Deferred tax assets and liabilities are offset when there is a legally enforceable right to set off current tax assets against current tax liabilities and when they relate to income taxes levied by the same taxation authority and the Group intends to settle its current tax assets and liabilities on a net basis.

(t) Related parties

A party is related to the Group if:

(i) directly or indirectly through one or more intermediaries, the party controls, is controlled by, or is under common control with, the Group; has an interest in the Group that gives it significant influence over the Group; or has joint control over the Group;

(ii) the party is an associate;

(iii) the party is a joint venture;

(iv) the party is a member of the key management personnel of the Company or its parent;

(v) the party is a close member of the family of any individual referred to in (i) or (iv);

(vi) the party is an entity that is controlled, jointly controlled or significantly influenced by or for which significant voting power in such entity resides with, directly or indirectly, any individual referred to in (iv) or (v); or

(vii) the party is a post-employment benefit plan for the benefit of employees of the Group, or of any entity that is a related party of the Group.

(u) Segment reporting

The Group's reportable segments are strategic business units that offer different products and services. They are managed separately because each business requires different technology and marketing strategies.

Segment profits or losses do not include dividend income, and gains or losses from investments and derivative instruments. Segment assets do not include amounts due from related parties, investments and derivative instruments. Segment liabilities do not include convertible loans and derivative instruments. Segment non-current assets do not include financial instruments, deferred tax assets, post-employment benefit assets and rights arising under insurance contracts.

The Group accounts for intersegment sales and transfers as if the sales or transfers were to third parties, i.e. at current market prices.

(v) Impairment of assets

Intangible assets that have an indefinite useful life or not yet available for use are reviewed annually for impairment and are reviewed for impairment whenever events or changes in circumstances indicate the carrying amount may not be recoverable.

At the end of each reporting period, the Group reviews the carrying amounts of its tangible and intangible assets except goodwill, deferred tax assets, inventories and receivables to determine whether there is any indication that those assets have suffered an impairment loss. If any such indication exists, the recoverable amount of the asset is estimated in order to determine the extent of any impairment loss. Where it is not possible to estimate the recoverable amount of an individual asset, the Group estimates the recoverable amount of the cash-generating unit to which the asset belongs.

Recoverable amount is the higher of fair value less costs to sell and value in use. In assessing value in use, the estimated future cash flows are discounted to their present value using a pre-tax discount rate that reflects current market assessments of the time value of money and the risks specific to the asset.

If the recoverable amount of an asset or cash-generating unit is estimated to be less than its carrying amount, the carrying amount of the asset or cash-generating unit is reduced to its recoverable amount. An impairment loss is recognised immediately in profit or loss, unless the relevant asset is carried at a revalued amount, in which case the impairment loss is treated as a revaluation decrease.

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

(w) Provisions and contingent liabilities

Provisions are recognised for liabilities of uncertain timing or amount when the Group has a present 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 expenditures 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 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 is remote.

(x) Events after the reporting period

Events after the reporting period that provide additional information about the Group's position at the end of reporting period or those that indicate the going concern assumption is not appropriate are adjusting events and are reflected in the Financial Information. Events after the reporting period that are not adjusting events are disclosed in the notes to the Financial Information when material.

4. CRITICAL JUDGEMENTS AND KEY ESTIMATES

Critical judgements in applying accounting policies

In the process of applying accounting policies, the directors have made the following judgement that has the most significant effect on the amounts recognised in the Financial Information.

Useful life of trademark

The Group determines that the useful life of the trademark is indefinite. In making its judgement, the Group considered the trademark is well-known and long established, and its legal rights are capable of being renewed indefinitely at insignificant cost and therefore perpetual in duration.

Key sources of estimation uncertainty

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

Impairment of intangible assets

The Group assesses whether there are any indicators of impairment for intangible assets at the end of each reporting period. Indefinite life intangible assets are tested for impairment annually and at other times when such indicator exists. Other intangible assets are tested for impairment when there are indicators that the carrying amounts may not be recoverable. When value in use calculations are undertaken, the directors must estimate the expected future cash flows from the assets or cash-generating unit and choose a suitable discount rate in order to calculate the present value of those cash flows.

Impairment of goodwill

Determining whether goodwill is impaired requires an estimation of the value in use of the cash-generating unit to which goodwill has been allocated. The value in use calculation requires the Group to estimate the future cash flows expected to arise from the cash-generating unit and a suitable discount rate in order to calculate the present value. The carrying amount of goodwill at 31 March 2007, 2008 and 2009 and 31 October 2009 were HK$Nil, HK$Nil, HK$124,671,293 and HK$124,671,293 respectively.

Recoverability of trade and other receivables

The Group makes impairment loss for bad and doubtful debts based on assessments of the recoverability of the trade and other receivables, including the current creditworthiness and the past collection history of each debtor. Impairments arise where events or changes in circumstances indicate that the balances may not be collectible. The identification of bad and doubtful debts requires the use of judgement and estimates. Where the actual result is different from the original estimate, such difference will impact the carrying value of the trade and other receivables and doubtful debt expenses in the year in which such estimate has been changed. If the financial conditions of the debtors were to deteriorate, resulting in an impairment of their ability to make payments, additional allowances may be required.

Fair value of derivative component

As disclosed in note 30 to the Financial Information, the fair values of the derivative component of the convertible bonds at the date of issue and the end of the reporting period were determined using option pricing models. Application of option pricing models requires the Group to estimate the prominent factors affecting the fair value, including but not limited to, the expected life of the derivative component, the expected volatility of the share prices of the Company and the potential dilution in the share prices of the Company. Where the estimation on these factors is different from those previously estimated, such differences will impact the fair value gain or loss of the derivative component in the period in which such determination is made.

Share-based payment expenses

The fair value of the share options granted to the directors, employees and consultants determined at the date of grant of the respective share options is expensed over the vesting period, with a corresponding adjustment to the Group's share-based payment reserve. In assessing the fair value of the share options, the Black-Scholes option pricing model or Binomial model (the "Models") is used. The Models are generally accepted methodologies used to calculate the fair value of the share options. The Models require the input of subjective assumptions, including the expected dividend yield and expected life of options. Any changes in these assumptions can significantly affect the estimate of the fair value of the share options.

5. FINANCIAL RISK MANAGEMENT

The Group's activities expose it to a variety of financial risks: foreign currency risk, credit risk, liquidity risk and interest rate risk. The Group's overall risk management programme focuses on the unpredictability of financial markets and seeks to minimise potential adverse effects on the Group's financial performance.

(a) Foreign currency risk

The Group has minimal exposure to foreign currency risk as most of its business transactions, assets and liabilities are principally denominated in Hong Kong dollars ("HK$"), United States dollars ("US$") and Renminbi ("RMB") and the functional currency of the principal operating group entities is HK$. The Group currently does not have a foreign currency hedging policy in respect of foreign currency transactions, assets and liabilities. The Group will monitor its foreign currency exposure closely and will consider hedging significant foreign currency exposure should the need arise.

At 31 March 2007, 2008 and 2009 and 31 October 2009, if the HK$ had weakened 0.5 per cent against the US$ with all other variables held constant, consolidated profit/(loss) after tax for the year/period would have been HK$21,429, HK$427,806 and HK$108,337 higher and HK$33,511 lower respectively, arising mainly as a result of the foreign exchange gain on bank and cash balances and other receivables denominated in US$. If the HK$ had strengthened 0.5 per cent against the US$ with all other variables held constant, consolidated profit/(loss) after tax for the year/period would have been HK$21,429, HK$427,806 and HK$108,337 lower and HK$33,511 higher respectively, arising mainly as a result of the foreign exchange loss on bank and cash balances and other receivables denominated in US$.

(b) Credit risk

The carrying amount of the bank and cash balances, trade, bills and other receivables and amount due from a minority shareholder included in the statement of financial position represents the Group's maximum exposure to credit risk in relation to the Group's financial assets.

The Group has no significant concentrations of credit risk. It has policies in place to ensure that sales are made to customers with an appropriate credit history. Amount due from a minority shareholder is closely monitored by the directors.

The credit risk on bank and cash balances is limited because the counterparties are banks with high credit-ratings assigned by international credit-rating agencies.

(c) Liquidity risk

The Group's policy is to regularly monitor current and expected liquidity requirements to ensure that it maintains sufficient reserves of cash to meet its liquidity requirements in the short and longer term.

The maturity analysis of the Group's financial liabilities is as follows:

	Less than 1 year	**Between 1 and 2 years**	**Between 2 and 5 years**	**Over 5 years**
	HK$	*HK$*	*HK$*	*HK$*
At 31 March 2007				
Short term borrowings	10,091,277	–	–	–
Long term borrowings	302,364	275,460	238,679	–
Trade and bills payables	39,457,334	–	–	–
Other payables and accruals	28,895,381	–	–	–
Dividend payables	14,489	–	–	–
At 31 March 2008				
Trade and bills payables	1,347,622	–	–	–
Other payables and accruals	3,765,523	–	–	–
Amount due to minority shareholders	2,575,834	–	–	–
At 31 March 2009				
Trade and bills payables	465,689	–	–	–
Other payables and accruals	6,505,052	–	–	–
Amount due to minority shareholders	1,168,733	–	–	–
Loan from a minority shareholder	–	1,273,875	–	–
Convertible bonds	–	–	808,500,000	–
At 31 October 2009				
Trade and bills payables	568,817	–	–	–
Other payables and accruals	6,606,997	–	–	–
Amount due to minority shareholders	1,168,733	–	–	–
Loan from a minority shareholder	–	1,273,875	–	–
Convertible bonds	–	–	477,716,901	–

(d) Interest rate risk

The Group's exposure to interest-rate risk arises from its bank deposits and bank borrowings. These deposits and borrowings bear interests at variable rates varied with the then prevailing market condition.

At 31 March 2007, 2008 and 2009 and 31 October 2009, if interest rates at that date had been 10 basis points lower with all other variables held constant, consolidated profit/(loss) after tax for the year/period would have been HK$38,185, HK$117,020 and HK$38,220 lower and HK$74,024 higher, arising mainly as a result of lower interest income on bank deposits. If interest rates had been 50 basis points higher, with all other variables held constant, consolidated profit/(loss) after tax for the year/period would have been HK$190,927, HK$585,101 and HK$191,098 higher and HK$370,102 lower, arising mainly as a result of higher interest income on bank deposits.

(e) Categories of financial instruments

	At 31 March			At 31 October
	2007	**2008**	**2009**	**2009**
	HK$	*HK$*	*HK$*	*HK$*
Financial assets				
Loans and receivables (including cash and cash equivalents)	100,257,296	128,177,524	139,124,439	304,075,986
Financial liabilities				
Financial liabilities at fair value through profit and loss				
Designated as such upon recognition	–	–	73,920,000	–
Financial liabilities at amortised cost	79,206,725	7,688,979	643,955,498	306,557,987

(f) Fair values

Except as stated in note 30 to the Financial Information, the carrying amounts of the Group's financial assets and financial liabilities as reflected in the consolidated statement of financial position approximate their respective fair values.

The following disclosures of fair value measurements use a fair value hierarchy which has 3 levels:

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

Level 2: 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: inputs for the asset or liability that are not based on observable market data (unobservable inputs).

Disclosures of level in fair value hierarchy at the reporting dates

	Fair value measurement using:			Total
				31 March
Description	**Level 1**	**Level 2**	**Level 3**	**2007**
	HK$	*HK$*	*HK$*	*HK$*
Derivative financial liabilities				
Derivative component of convertible bonds	–	–	–	–

	Fair value measurement using:			Total
				31 March
Description	**Level 1**	**Level 2**	**Level 3**	**2008**
	HK$	*HK$*	*HK$*	*HK$*
Derivative financial liabilities				
Derivative component of convertible bonds	–	–	–	–

	Fair value measurement using:			Total
				31 March
Description	**Level 1**	**Level 2**	**Level 3**	**2009**
	HK$	*HK$*	*HK$*	*HK$*
Derivative financial liabilities				
Derivative component of convertible bonds	–	–	73,920,000	73,920,000

	Fair value measurement using:			Total
				31 October
Description	**Level 1**	**Level 2**	**Level 3**	**2009**
	HK$	*HK$*	*HK$*	*HK$*
Derivative financial liabilities				
Derivative component of convertible bonds	–	–	–	–

Reconciliation of liabilities measured at fair value based on level 3

Derivative financial liabilities – Derivative component of convertible bonds

Description	At 31 March 2007 HK$	At 31 March 2008 HK$	At 31 March 2009 HK$	At 31 October 2009 HK$
At beginning of year/period	–	–	–	73,920,000
Total gains or losses recognised				
– in profit or loss (#)	–	–	(79,280,875)	207,015,056
Issues	–	–	153,200,875	–
Settlements	–	–	–	(280,935,056)
At end of year/period	–	–	73,920,000	–
(#) Include gains or losses for liabilities held at end of reporting period	–	–	(79,280,875)	–

6. TURNOVER

	Group				
	Year ended 31 March			Seven months ended 31 October	
	2007 HK$	2008 HK$	2009 HK$	2008 HK$ (unaudited)	2009 HK$
Turnover					
Sales of goods	299,298,481	267,045,548	3,558,304	2,126,567	1,059,336
Rendering of services	–	37,584,021	47,529,012	29,275,919	26,591,865
	299,298,481	304,629,569	51,087,316	31,402,486	27,651,201
Representing:					
Continuing operations	–	39,172,566	51,087,316	31,402,486	27,651,201
Discontinued operations *(note 10)*	299,298,481	265,457,003	–	–	–
	299,298,481	304,629,569	51,087,316	31,402,486	27,651,201

7. OTHER INCOME

	Group				
	Year ended 31 March			Seven months ended 31 October	
	2007	2008	2009	2008	2009
	HK$	*HK$*	*HK$*	*HK$* (unaudited)	*HK$*
Interest income	587,467	2,349,115	1,550,570	1,259,406	103,853
Fair value gain on derivative component of convertible bonds	–	–	79,280,875	59,291,438	–
Gain on disposals of fixed assets	–	–	18,712	–	–
Government grants	328,812	–	–	–	–
Sundry income	962,947	422,307	561,049	446,490	83,443
	1,879,226	2,771,422	81,411,206	60,997,334	187,296
Representing:					
Continuing operations	178,094	2,056,678	81,411,206	60,997,334	187,296
Discontinued operations *(note 10)*	1,701,132	714,744	–	–	–
	1,879,226	2,771,422	81,411,206	60,997,334	187,296

8. FINANCE COSTS

	Group				
	Year ended 31 March			Seven months ended 31 October	
	2007	2008	2009	2008	2009
	HK$	*HK$*	*HK$*	*HK$* (unaudited)	*HK$*
Finance lease charges	25,627	11,536	–	–	–
Interest on bank loans and overdrafts	723,318	282,337	11,769	12,787	483
Interest on convertible bonds	–	–	29,758,591	14,164,596	17,919,193
Interest on loan from a shareholder	–	–	–	–	27,739
Placing fees of derivative component of convertible bonds	–	–	2,984,433	2,984,433	–
Fair value loss on derivative component of convertible bonds	–	–	–	–	207,015,056
	748,945	293,873	32,754,793	17,161,816	224,962,471
Representing:					
Continuing operations	6	28,535	32,754,793	17,161,816	224,962,471
Discontinued operations *(note 10)*	748,939	265,338	–	–	–
	748,945	293,873	32,754,793	17,161,816	224,962,471

9. INCOME TAX EXPENSE

	Group				
	Year ended 31 March			Seven months ended 31 October	
	2007	2008	2009	2008	2009
	HK$	*HK$*	*HK$*	*HK$*	*HK$*
				(unaudited)	
Current tax – Hong Kong Profits Tax					
Provision for the year	69,000	463,887	224,845	232,409	244,328
Over-provision in previous years	–	(69,000)	–	–	–
Tax reduction in previous year	–	–	(25,000)	(25,000)	–
	69,000	394,887	199,845	207,409	244,328
Deferred tax *(note 21)*	–	135,598	(176,797)	(103,481)	5,799
	69,000	530,485	23,048	103,928	250,127
Representing:					
Continuing operations	–	431,852	23,048	103,928	250,127
Discontinued operations *(note 10)*	69,000	98,633	–	–	–
	69,000	530,485	23,048	103,928	250,127

Hong Kong Profits Tax is provided at a rate of 17.5%, 17.5%, 16.5%, 16.5% and 16.5% for the years ended 31 March 2007, 2008 and 2009 and seven months ended 31 October 2008 and 2009 respectively based on assessable profit for the year/period less allowable losses brought forward. Certain allowable losses of the Company's subsidiaries incorporated in Hong Kong are yet to be agreed by the Inland Revenue Department.

Pursuant to the relevant laws and regulations in the People's Republic of China ("the PRC"), Zhaoqing Ultra Furniture Company Limited, a former wholly-owned subsidiary established in Zhaoqing, the PRC is subject to enterprise income tax rate at 24% on its taxable profit in accordance with 中華人民共和國外商投資企業和外國企業所得稅法 for the years ended 31 March 2007 and 2008. However, it is exempted from enterprise income tax for two years starting from the first year of profitable operations after off-setting prior year tax losses, followed by a 50% reduction for the next three years.

Pursuant to the relevant laws and regulations in the PRC, the subsidiary established in the PRC is required to pay PRC enterprise income tax at a rate of 25% for the year ended 31 March 2009 and seven months ended 31 October 2008 and 2009. The subsidiary in the PRC has not generated any assessable profits since the date of its establishment and accordingly, no provision for PRC enterprise income tax has been made.

The reconciliation between the income tax expense and the product of profit/(loss) before tax multiplied by the Hong Kong Profits Tax rate is as follows:

	Group				
	Year ended 31 March			Seven months ended 31 October	
	2007	2008	2009	2008	2009
	HK$	*HK$*	*HK$*	*HK$*	*HK$*
				(unaudited)	
Profit/(loss) before tax	15,942,795	70,634,791	8,785,408	34,248,819	(235,632,507)
Tax at the domestic income tax rate	2,789,989	12,361,088	1,449,592	5,651,055	(38,879,364)
Tax effect of income that is not taxable	(31,630)	(11,939,396)	(13,295,923)	(8,817,732)	(16,069)
Tax effect of expenses that are not deductible	238,718	1,145,589	11,938,722	3,319,860	39,139,398
Tax effect of profits that is exempted from PRC tax authority	(2,434,297)	(1,087,600)	–	–	–
Tax effect of utilisation of tax losses not previously recognised	(343,541)	(115,292)	–	–	–
Tax effect of change in tax rate	–	–	11,794	9,744	–
Effect of different tax rate of a subsidiary operating in other jurisdiction	–	–	–	–	(7,652)
Tax effect of tax losses not recognised	–	–	–	69,501	8,271
Tax effect of temporary difference not recognised	(150,239)	235,096	(56,137)	(103,500)	5,543
Over-provision in previous years	–	(69,000)	–	–	–
Tax reduction in previous year	–	–	(25,000)	(25,000)	–
Income tax expense	69,000	530,485	23,048	103,928	250,127

10. DISCONTINUED OPERATIONS

Pursuant to an agreement dated 20 August 2007 (as supplemented by the amended agreement dated 14 September 2007) entered into between the Company and an independent third party (the "Purchaser"), the Company disposed of 100% interest in a wholly-owned subsidiary, Ultra Group Company Limited.

Ultra Group Company Limited is an investment holding company and its subsidiaries were engaged in the design, manufacture and sale of office furniture during the year ended 31 March 2008. The disposal was completed on 31 October 2007 and the Group discontinued its design, manufacture and sale of office furniture business.

The profit for the year ended 31 March 2008 from the discontinued operations is analysed as follows:

	Group	
	Year ended 31 March	
	2007	**2008**
	HK$	*HK$*
Profit of discontinued operations	16,657,754	9,009,211
Gain on disposal of discontinued operations *(note 36(b))*	–	64,152,125
	16,657,754	73,161,336

The results of the discontinued operations for the period from 1 April 2007 to 31 October 2007, which have been included in the consolidated profit or loss, are as follows:

	Year ended 31 March 2007	**Period from 1 April 2007 to 31 October 2007**
	HK$	*HK$*
Turnover	299,298,481	265,457,003
Cost of goods sold	(200,308,299)	(193,953,407)
Gross profit	98,990,182	71,503,596
Other income	1,701,132	714,744
Selling and distribution costs	(40,571,027)	(35,869,517)
Administrative and other operating expenses	(42,644,594)	(26,975,641)
Profit from operations	17,475,693	9,373,182
Finance costs	(748,939)	(265,338)
Profit before tax	16,726,754	9,107,844
Income tax expense	(69,000)	(98,633)
Profit for the year/period	16,657,754	9,009,211

During the years ended 31 March 2007 and 2008, the disposed subsidiaries received approximately HK$26,241,013 and HK$19,386,119 in respect of operating activities, paid approximately HK$7,373,395 and HK$1,543,201 in respect of investing activities and paid approximately HK$2,498,595 and HK$9,355,201 in respect of financing activities respectively.

No tax charge or credit arose on gain on disposal of the discontinued operations.

11. (LOSS)/PROFIT FOR THE YEAR/PERIOD

The Group's (loss)/profit for the year/period is stated after charging the following:

	Group				
	Year ended 31 March			Seven months ended 31 October	
	2007	**2008**	**2009**	**2008**	**2009**
	HK$	*HK$*	*HK$*	*HK$*	*HK$*
				(unaudited)	
Amortisation of intangible assets (included in administrative and other operating expenses)	54,837	45,418	–	–	–
Auditor's remuneration	556,460	915,228	685,500	45,500	41,000
Bad debts written off	–	–	5,804	–	–
Cost of inventories sold before allowance	149,424,876	151,723,271	3,233,914	1,908,765	870,302
Allowance for obsolete inventories	496,351	325,728	–	–	–
	149,921,227	152,048,999	3,233,914	1,908,765	870,302
Depreciation	2,566,051	3,115,108	1,582,552	810,979	408,832
Impairment loss on intangible assets (included in administrative and other operating expenses)	–	–	8,242,350	–	–
Loss on disposals of fixed assets	77,991	89,522	–	–	–
Written off of fixed assets	–	–	–	–	80,844
Operating lease rentals in respect of land and buildings	7,744,075	14,137,897	13,773,711	7,536,739	7,748,432
Staff costs (including directors' emoluments *(note 12)*)					
Basic salaries, bonuses, allowances and benefits in kind	40,389,769	47,561,192	23,302,732	13,407,625	13,656,736
Equity-settled share-based payments	–	5,859,236	7,391,463	4,067,335	4,595,064
Retirement benefit scheme contributions	2,882,300	2,613,749	853,615	511,567	463,901
Allowance for doubtful debts	1,359,213	1,346,070	–	–	–
Net exchange losses	762,497	1,684,121	430,427	280,727	127,506

12. DIRECTORS' AND FIVE HIGHEST PAID INDIVIDUALS' EMOLUMENTS

Name of director	Fees	Salaries, allowances and benefits in kind	Discretionary bonus	Share-based payments	Retirement benefit scheme contributions	Total emoluments
	HK$	*HK$*	*HK$*	*HK$*	*HK$*	*HK$*
Executive directors						
CHO Yuen Yi, Wendy	–	1,290,297	1,122,000	–	12,000	2,424,297
WONG Ching Ngor	–	936,000	378,000	–	12,000	1,326,000
Independent non-executive directors						
SIU Siu Ling, Robert	21,666	–	–	–	–	21,666
KONG Tze Wing (resigned on 8 November 2006)	17,041	–	–	–	–	17,041
LIEW Swee Yean (appointed on 8 November 2006)	9,611	–	–	–	–	9,611
Dr. WONG Yun Kuen	21,666	–	–	–	–	21,666
Total for the year ended 31 March 2007	69,984	2,226,297	1,500,000	–	24,000	3,820,281

Name of director	Fees	Salaries, allowances and benefits in kind	Discretionary bonus	Share-based payments	Retirement benefit scheme contributions	Total emoluments
	HK$	*HK$*	*HK$*	*HK$*	*HK$*	*HK$*
Executive directors						
WU Kam Hung (appointed on 6 July 2007)	88,387	–	–	1,458,000	4,419	1,550,806
TSE Chun Sing (appointed on 14 September 2007)	65,667	–	–	1,458,000	3,283	1,526,950
YEAP Soon P. Jonathan (appointed on 21 February 2008)	–	–	–	–	–	–
CHO Yuen Yi, Wendy (resigned on 1 November 2007)	–	728,000	3,471,338	–	7,000	4,206,338
WONG Ching Ngor (resigned on 1 November 2007)	–	567,700	1,142,000	–	7,000	1,716,700
Independent non-executive directors						
LIEW Swee Yean	25,000	–	–	145,800	–	170,800
SIU Siu Ling, Robert	25,000	–	–	145,800	–	170,800
Dr. WONG Yun Kuen	25,000	–	–	145,800	–	170,800
Total for the year ended 31 March 2008	229,054	1,295,700	4,613,338	3,353,400	21,702	9,513,194

Name of director	Fees	Salaries, allowances and benefits in kind	Discretionary bonus	Share-based payments	Retirement benefit scheme contributions	Total emoluments
	HK$	*HK$*	*HK$*	*HK$*	*HK$*	*HK$*
Executive directors						
WU Kam Hung	–	120,000	–	–	6,000	126,000
TSE Chun Sing (resigned on 7 November 2008)	–	72,000	–	–	3,600	75,600
YEAP Soon P. Jonathan	–	3,395,000	1,000,000	2,765,725	2,000	7,162,725
YANG Geyan (appointed on 19 August 2008)	–	–	–	831,032	–	831,032
CHAN Nap Kee, Joseph (appointed on 19 September 2008)	–	–	–	831,032	–	831,032
Dr. CHOW Pok Yu, Augustine (appointed on 7 November 2008)	–	–	–	831,032	–	831,032
YANG Yongcheng (appointed on 6 February 2009)	–	–	–	–	–	–
Independent non-executive directors						
LIEW Swee Yean	25,000	–	–	–	–	25,000
SIU Siu Ling, Robert	25,000	–	–	–	–	25,000
Dr. WONG Yun Kuen	25,000	–	–	–	–	25,000
ANDERSON Brian Ralph (appointed on 23 January 2009)	4,771	–	–	–	–	4,771
Total for the year ended 31 March 2009	79,771	3,587,000	1,000,000	5,258,821	11,600	9,937,192

Name of director	Fees	Salaries, allowances and benefits in kind	Discretionary bonus	Share-based payments	Retirement benefit scheme contributions	Total emoluments
	HK$	*HK$*	*HK$*	*HK$*	*HK$*	*HK$*
Executive directors						
WU Kam Hung	–	70,000	–	–	3,500	73,500
TSE Chun Sing	–	70,000	–	–	3,500	73,500
YEAP Soon P. Jonathan	–	1,644,248	–	2,765,275	2,000	4,411,523
YANG Geyan	–	–	–	–	–	–
CHAN Nap Kee, Joseph	–	–	–	–	–	–
Independent non-executive directors						
LIEW Swee Yean	14,583	–	–	–	–	14,583
SIU Siu Ling, Robert	14,583	–	–	–	–	14,583
Dr. WONG Yun Kuen	14,583	–	–	–	–	14,583
Total for the seven months ended 31 October 2008 (unaudited)	43,749	1,784,248	–	2,765,275	9,000	4,602,272

Name of director	Fees	Salaries, allowances and benefits in kind	Discretionary bonus	Share-based payments	Retirement benefit scheme contributions	Total emoluments
	HK$	*HK$*	*HK$*	*HK$*	*HK$*	*HK$*
Executive directors						
WU Kam Hung (resigned on 7 August 2009)	–	41,935	–	–	2,097	44,032
YEAP Soon P. Jonathan	–	2,450,000	–	–	–	2,450,000
YANG Geyan	–	–	–	–	–	–
CHAN Nap Kee, Joseph	–	–	3,360,000	–	–	3,360,000
Dr. CHOW Pok Yu, Augustine	–	–	–	–	–	–
YANG Yongcheng	–	–	–	1,743,882	–	1,743,882
Independent non-executive directors						
LIEW Swee Yean	14,583	–	–	–	–	14,583
SIU Siu Ling, Robert	14,583	–	–	–	–	14,583
Dr. WONG Yun Kuen	14,583	–	–	–	–	14,583
ANDERSON Brian Ralph	14,583	–	–	424,905	–	439,488
Total for the seven months ended 31 October 2009	58,332	2,491,935	3,360,000	2,168,787	2,097	8,081,151

There was no arrangement under which a director waived or agreed to waive any emoluments during the years ended 31 March 2007, 2008 and 2009 and seven months ended 31 October 2008 and 2009.

Nil, 12,420,000, 22,475,000, 7,700,000, 6,125,000 options were granted to directors under the share option scheme during the years ended 31 March 2007, 2008 and 2009 and seven months ended 31 October 2008 and 2009 respectively.

13. DIVIDEND

No dividend has been paid or declared by the Company during the years ended 31 March 2007, 2008 and 2009 and seven months ended 31 October 2008 and 2009.

Pursuant to the PRC Enterprise Income Tax Law, the subsidiary of the Company incorporated in the PRC is required to withhold 10% enterprise income tax when it distributes dividends to its non-PRC resident enterprise shareholders.

14. RETIREMENT BENEFIT SCHEMES

The Group operates a mandatory provident fund scheme (the "MPF Scheme") under the Hong Kong Mandatory Provident Fund Schemes Ordinance for all qualifying employees in Hong Kong. The Group's contributions to the MPF Scheme are calculated at 5% of the salaries and wages subject to a monthly maximum amount of contribution of HK$1,000 per employee and vest fully with employees when contributed into the MPF Scheme.

The employees of the Group's subsidiary established in the PRC are members of a central pension scheme operated by the local municipal government. This subsidiary is required to contribute certain percentage of the employees' basic salaries and wages to the central pension scheme to fund the retirement benefits. The local municipal government undertakes to assume the retirement benefits obligations of all existing and future retired employees of this subsidiary. The only obligation of this subsidiary with respect to the central pension scheme is to meet the required contributions under the scheme.

15. EARNINGS/(LOSS) PER SHARE

The calculation of the basic and diluted earnings/(loss) per share is based on the following:

	Group				
	Year ended 31 March			Seven months ended 31 October	
	2007	**2008**	**2009**	**2008**	**2009**
	HK$	*HK$*	*HK$*	*HK$* (unaudited)	*HK$*
Earnings					
Continuing and discontinued operations					
Earnings/(loss) for the purpose of calculating basic earnings/(loss) per share	15,873,795	69,111,488	8,708,612	33,796,909	(236,488,839)
Net finance costs saving on conversion of convertible bonds outstanding	–	–	(49,522,284)	(45,126,842)	224,934,249
Earnings/(loss) for the purpose of calculating diluted earnings/(loss) per share	15,873,795	69,111,488	(40,813,672)	(11,329,933)	(11,554,590)
Continuing operations					
(Loss)/earnings for the purpose of calculating basic earnings/(loss) per share	(783,959)	(4,049,848)	8,708,612	33,796,909	(236,488,839)
Net finance costs saving on conversion of convertible bonds outstanding	–	–	(49,522,284)	(45,126,842)	224,934,249
Loss for the purpose of calculating diluted loss per share	(783,959)	(4,049,848)	(40,813,672)	(11,329,933)	(11,554,590)

	Group				
	Year ended 31 March			Seven months ended 31 October	
	2007	2008	2009	2008	2009
	HK$	*HK$*	*HK$*	*HK$*	*HK$*
				(unaudited)	
Number of shares					
Issued ordinary shares at beginning of the year/period	540,000,000	540,000,000	540,000,000	540,000,000	770,000,000
Effect of shares placed	–	–	–	–	74,018,692
Effect of consideration shares issued	–	–	185,890,411	154,766,355	–
Effect of conversion of convertible bonds	–	–	–	–	333,880,093
Effect of exercise of options	–	–	–	–	4,356,168
Weighted average number of ordinary shares for the purpose of calculating basic earnings per share	540,000,000	540,000,000	725,890,411	694,766,355	1,182,254,953
Weighted average number of ordinary shares assumed to have been issued at no consideration on the deemed exercise of the share options outstanding at the end of the reporting period	–	–	1,018,918	–	N/A
Effect of dilutive potential ordinary shares arising from convertible bonds outstanding	–	–	1,054,794,521	878,187,866	N/A
Weighted average number of ordinary shares for the purpose of calculating diluted loss per share	540,000,000	540,000,000	1,781,703,850	1,572,954,221	N/A

As the exercise of the Group's outstanding convertible bonds for the seven months ended 31 October 2009 would be anti-dilutive and there was no dilutive potential ordinary shares for the Company's outstanding options, no diluted earnings per share was presented for the seven months ended 31 October 2009.

From discontinued operation

Basic earnings per share from the discontinued operation is HK 3.09 cents, HK 13.55 cents, HK Nil cent, HK Nil cent and HK Nil cent per share for the years ended 31 March 2007, 2008 and 2009 and seven months ended 31 October 2008 and 2009 respectively, based on the profit/(loss) for the year/period from discontinued operations attributable to the owners of the Company of HK$16,657,754, HK$73,161,336, HK$Nil, HK$Nil and HK$Nil respectively and the denominator used is the same as that detailed in the table above for basic earnings per share.

No diluted earnings per share are presented for discontinued operation as the Company did not have any dilutive potential ordinary sharing during the years ended 31 March 2007, 2008 and 2009 and the seven months ended 31 October 2008. The effects of all potential ordinary shares are anti-dilutive for the seven months ended 31 October 2009.

16. FIXED ASSETS

Group

	Buildings	Leasehold improvements	Plant and machinery	Office equipment	Furniture and fixtures	Moulds	Motor vehicles	Construction in progress	Total
	HK$	*HK$*	*HK$*	*HK$*	*HK$*	*HK$*	*HK$*	*HK$*	*HK$*
Cost									
At 1 April 2006	5,762,702	4,176,271	5,984,211	6,476,170	3,472,570	1,312,050	1,078,783	260,402	28,523,159
Additions	1,621,421	1,391,416	2,126,239	1,620,473	359,680	–	151,700	60,356	7,331,285
Disposals	–	(343,561)	(72,404)	(128,614)	–	–	(348,000)	–	(892,579)
Transfers	273,085	–	–	–	–	–	–	(273,085)	–
Translation differences	277,019	138,040	316,855	112,681	105,685	–	–	12,683	962,963
At 31 March 2007 and 1 April 2007	7,934,227	5,362,166	8,354,901	8,080,710	3,937,935	1,312,050	882,483	60,356	35,924,828
Additions	304,692	159,540	269,620	1,371,613	76,180	–	–	–	2,181,645
Disposals	–	(33,516)	(504,479)	(79,525)	(3,900)	–	(177,643)	–	(799,063)
Transfers	62,251	–	–	–	–	–	–	(62,251)	–
Acquisition of subsidiaries	–	876,497	646,930	774,542	23,196	–	86,604	–	2,407,769
Disposal of subsidiaries	(8,548,014)	(5,492,489)	(8,375,199)	(9,442,519)	(4,092,983)	(1,312,050)	(730,783)	–	(37,994,037)
Translation differences	246,844	130,323	255,157	109,841	82,769	–	–	1,895	826,829
At 31 March 2008 and 1 April 2008	–	1,002,521	646,930	814,662	23,197	–	60,661	–	2,547,971
Additions	–	281,794	–	262,637	3,560	–	673,356	–	1,221,347
Disposals	–	–	–	–	–	–	(100,610)	–	(100,610)
Written off	–	(24,167)	–	–	–	–	–	–	(24,167)
At 31 March 2009 and 1 April 2009	–	1,260,148	646,930	1,077,299	26,757	–	633,407	–	3,644,541
Additions	–	71,900	348,000	74,213	16,390	–	60,000	–	570,503
Written off	–	–	–	(98,993)	–	–	–	–	(98,993)
Translation differences	–	–	–	120	–	–	–	–	120
At 31 October 2009	–	1,332,048	994,930	1,052,639	43,147	–	693,407	–	4,116,171
Accumulated depreciation									
At 1 April 2006	1,427,192	2,994,092	3,848,846	3,545,933	1,740,532	1,307,645	516,591	–	15,380,831
Charge for the year	120,644	563,561	397,859	911,274	304,966	2,759	264,988	–	2,566,051
Disposals	–	(343,561)	(40,057)	(61,873)	–	–	(348,000)	–	(793,491)
Translation differences	67,913	95,517	201,594	56,068	37,202	–	–	–	458,294

	Buildings	Leasehold improvements	Plant and machinery	Office equipment	Furniture and fixtures	Moulds	Motor vehicles	Construction in progress	Total
	HK$	*HK$*	*HK$*	*HK$*	*HK$*	*HK$*	*HK$*	*HK$*	*HK$*
At 31 March 2007 and 1 April 2007	1,615,749	3,309,609	4,408,242	4,451,402	2,082,700	1,310,404	433,579	–	17,611,685
Charge for the year	94,479	958,329	783,044	893,278	201,151	947	183,880	–	3,115,108
Disposals	–	(33,517)	(420,729)	(69,906)	(1,105)	–	(82,285)	–	(607,542)
Disposal of subsidiaries	(1,759,429)	(3,743,941)	(4,651,068)	(5,060,470)	(2,305,402)	(1,311,351)	(516,098)	–	(19,347,759)
Translation differences	49,201	70,993	139,283	49,687	31,613	–	–	–	340,777
At 31 March 2008 and 1 April 2008	–	561,473	258,772	263,991	8,957	–	19,076	–	1,112,269
Charge for the year	–	538,016	388,158	438,417	14,325	–	203,636	–	1,582,552
Disposals	–	–	–	–	–	–	(94,322)	–	(94,322)
Written off	–	(24,167)	–	–	–	–	–	–	(24,167)
At 31 March 2009 and 1 April 2009	–	1,075,322	646,930	702,408	23,282	–	128,390	–	2,576,332
Charge for the period	–	157,485	14,500	126,521	3,378	–	106,948	–	408,832
Written off	–	–	–	(18,149)	–	–	–	–	(18,149)
Translation differences	–	–	–	16	–	–	–	–	16
At 31 October 2009	–	1,232,807	661,430	810,796	26,660	–	235,338	–	2,967,031
Carrying amount									
At 31 March 2007	6,318,478	2,052,557	3,946,659	3,629,308	1,855,235	1,646	448,904	60,356	18,313,143
At 31 March 2008	–	441,048	388,158	550,671	14,240	–	41,585	–	1,435,702
At 31 March 2009	–	184,826	–	374,891	3,475	–	505,017	–	1,068,209
At 31 October 2009	–	99,241	333,500	241,843	16,487	–	458,069	–	1,149,140

At 31 March 2007, 2008 and 2009 and 31 October 2009, the carrying amount of the Group's buildings situated in the PRC pledged as security for the Group's banking facilities amounted to HK$4,303,528, HK$Nil, HK$Nil and HK$Nil respectively.

At 31 March 2007, 2008 and 2009 and 31 October 2009, the carrying amount of plant and machinery and motor vehicles held by the Group under finance lease amounted to HK$498,679, HK$Nil, HK$Nil and HK$Nil respectively.

Company

	Leasehold improvements *HK$*	Office equipment *HK$*	Furniture and fixtures *HK$*	Motor vehicles *HK$*	Total *HK$*
Cost					
At 1 April 2006, 31 March 2007, 1 April 2007, 31 March 2008 and 1 April 2008	–	–	–	–	–
Additions, at 31 March 2009 and 1 April 2009	–	83,718	3,560	673,356	760,634
Additions	27,900	41,077	12,500	–	81,477
At 31 October 2009	27,900	124,795	16,060	673,356	842,111
Accumulated depreciation					
At 1 April 2006, 31 March 2007, 1 April 2007, 31 March 2008 and 1 April 2008	–	–	–	–	–
Charge for the year, at 31 March 2009 and 1 April 2009	–	20,929	890	168,339	190,158
Charge for the period	4,069	18,200	2,342	98,198	122,809
At 31 October 2009	4,069	39,129	3,232	266,537	312,967
Carrying amount					
At 31 March 2007	–	–	–	–	–
At 31 March 2008	–	–	–	–	–
At 31 March 2009	–	62,789	2,670	505,017	570,476
At 31 October 2009	23,831	85,666	12,828	406,819	529,144

17. PREPAID LAND LEASE PAYMENTS

	Group *HK$*
Cost	
At 1 April 2006	1,674,309
Translation differences	81,547
At 31 March 2007 and 1 April 2007	1,755,856
Disposal of subsidiaries	(1,811,005)
Translation differences	55,149
At 31 March 2008, 1 April 2008, 31 March 2009, 1 April 2009 and 31 October 2009	–
Accumulated amortisation	
At 1 April 2006	312,043
Charge for the year	38,257
Translation differences	15,903
At 31 March 2007 and 1 April 2007	366,203
Charge for the year	23,216
Disposal of subsidiaries	(401,147)
Translation differences	11,728
At 31 March 2008, 1 April 2008, 31 March 2009, 1 April 2009 and 31 October 2009	–
Carrying amount	
At 31 March 2007	1,389,653
At 31 March 2008	–
At 31 March 2009	–
At 31 October 2009	–

At 31 March 2007, 2008 and 2009 and 31 October 2009, the carrying amount of the Group's prepaid land lease payments represents payments for land use rights situated in the PRC held under medium term leases and pledged as security for the Group's banking facilities amounted to HK$1,389,653, HK$Nil, HK$Nil and HK$Nil respectively.

18. GOODWILL

	Group
	HK$
Cost	
At 1 April 2006, 31 March 2007 and 1 April 2007	–
Arising on acquisition of a subsidiary *(note 36(a)(i))*, at 31 March 2008 and 1 April 2008	24,035
Arising on acquisition of a subsidiary *(note 36(a)(ii))*	124,671,293
At 31 March 2009, 1 April 2009 and 31 October 2009	124,695,328
Accumulated impairment losses	
At 1 April 2006, 31 March 2007 and 1 April 2007	–
Impairment loss recognised for the year	(24,035)
At 31 March 2008, 1 April 2008, 31 March 2009, 1 April 2009 and 31 October 2009	(24,035)
Carrying amount	
At 31 March 2007	–
At 31 March 2008	–
At 31 March 2009	124,671,293
At 31 October 2009	124,671,293

Goodwill acquired in a business combination is allocated, at acquisition, to the cash-generating units ("CGUs") that are expected to benefit from that business combination. Before recognition of impairment losses, the carrying amount of goodwill had been allocated as follows:

		Group			
		At 31 March			At 31 October
		2007	**2008**	**2009**	**2009**
	Note	*HK$*	*HK$*	*HK$*	*HK$*
Trading of printer accessories and batteries					
Global On-Line Distribution Limited ("Global On-Line")	*(i)*	–	24,035	24,035	24,035
Exploitation of coal and coal processing					
Imare Company Limited ("Imare")	*(ii)*	–	–	124,671,293	124,671,293
		–	24,035	124,695,328	124,695,328

The recoverable amounts of the CGUs are determined from value in use calculations. The key assumptions for the value in use calculations are those regarding the discount rates, growth rates and budgeted gross margin and turnover during the period. The Group estimates discount rates using pre-tax rates that reflect current market assessments of the time value of money and the risks specific to the CGUs. The growth rates are based on long-term average economic growth rate of the geographical area in which the businesses of the CGUs operate. Budgeted gross margin and turnover are based on past practices and expectations on market development.

(i) In 2008, the Group prepares cash flow forecasts derived from the most recent financial budgets approved by the directors for the next 5 years with the residual period using the growth rate of 12.3%. This rate does not exceed the average long-term growth rate for the relevant markets.

The rate used to discount the forecast cash flows from the Group's trading of printer accessories and batteries activities is 8.0%.

(ii) In 2009, the Group prepares cash flow forecasts derived from the most recent financial budgets approved by the directors for the next 20 years with the residual period using the growth rate of 5%. This rate does not exceed the average long-term growth rate for the relevant markets.

The rate used to discount the forecast cash flows from the Group's exploitation of coal and coal processing activities is 18.36%.

At 31 October 2009, the Group prepares cash flow forecasts derived from the most recent financial budgets approved by the directors for the next 30 years with the residual period using the growth rate in the range of 0% to 10%. This rate does not exceed the average long-term growth rate for the relevant markets.

The rate used to discount the forecast cash flows from the Group's exploitation of coal and coal processing activities is 17.94%.

19. INTANGIBLE ASSETS

	Trademarks	Group License	Total
	HK$	*HK$*	*HK$*
Cost			
At 1 April 2006	–	–	–
Additions	–	389,300	389,300
At 31 March 2007 and 1 April 2007	–	389,300	389,300
Acquisition of subsidiaries	18,234,000	–	18,234,000
Disposal of subsidiaries	–	(389,300)	(389,300)
At 31 March 2008 and 1 April 2008	18,234,000	–	18,234,000
Additions	8,350	–	8,350
At 31 March 2009, 1 April 2009 and 31 October 2009	18,242,350	–	18,242,350
Accumulated amortisation and impairment			
At 1 April 2006	–	–	–
Charge for the year	–	54,837	54,837
At 31 March 2007 and 1 April 2007	–	54,837	54,837
Charge for the year	–	45,418	45,418
Disposal of subsidiaries	–	(100,255)	(100,255)
At 31 March 2008 and 1 April 2008	–	–	–
Impairment loss recognised for the year	8,242,350	–	8,242,350
At 31 March 2009, 1 April 2009 and 31 October 2009	8,242,350	–	8,242,350
Carrying amount			
At 31 March 2007	–	334,463	334,463
At 31 March 2008	18,234,000	–	18,234,000
At 31 March 2009	10,000,000	–	10,000,000
At 31 October 2009	10,000,000	–	10,000,000

The Group's trademarks are applied to the Group's various products manufactured and services traded under the segment of provision of car repairs and beauty services both in Hong Kong and the PRC.

The recoverable amounts of the trademarks are determined from value in use calculations. The key assumptions for the value in use calculations are those regarding the discount rates, growth rates and budgeted gross margin and turnover during the period. The Group estimates discount rates using pre-tax rates that reflect current market assessments of the time value of money and the risks specific to the trademarks. The growth rates are based on long-term average economic growth rate of the geographical area in which the businesses of the trademarks operate. Budgeted gross margin and turnover are based on past practices and expectations on market development.

The Group prepares cash flow forecasts derived from the most recent financial budgets approved by the directors for the next 5 years with the residual period using the growth rate as follows. This rate does not exceed the average long-term growth rate for the relevant markets.

The rates used to discount the forecast cash flows from the Group's provision of car repairs and beauty services activities are as follows:

	Group			
	At 31 March			At 31 October
	2007	2008	2009	2009
Growth rate	N/A	5.0%	2.0%	3.5%
Discount rate	N/A	10.61%	16.1%	17.25%

20. INVESTMENT IN AN ASSOCIATE

	Group			
	At 31 March			At 31 October
	2007	2008	2009	2009
	HK$	*HK$*	*HK$*	*HK$*
Unlisted investments				
Share of net assets	–	–	761,416,167	761,401,333

Details of the Group's associate at the end of reporting periods are as follows:

Name	Place of incorporation/ registration	Paid up capital	Percentage of ownership interest/ voting power/profit sharing				Principal activities
			At 31 March			At 31 October	
			2007	2008	2009	2009	
內蒙古蒙西礦業有限公司 (Inner Mongolia Mengxi Minerals Limited) ("Mengxi Minerals")	PRC	Registered capital of RMB80,000,000	–	–	49%	49%	Exploitation of coal

Summarised financial information in respect of the Group's associate is set out below:

	Group			
	At 31 March			At 31 October
	2007	2008	2009	2009
	HK$	*HK$*	*HK$*	*HK$*
Total assets	–	–	2,053,237,182	2,400,756,640
Total liabilities	–	–	(499,326,637)	(846,876,369)
Net assets	–	–	1,553,910,545	1,553,880,271
Group's share of associate's net assets	–	–	761,416,167	761,401,333

	Group				
	Year ended 31 March			Seven months ended 31 October	
	2007	2008	2009	2008	2009
	HK$	*HK$*	*HK$*	*HK$*	*HK$*
				(unaudited)	
Total revenue	–	–	–	–	4,812,501
Total loss for the year/period	–	–	(26,315,089)	(139,944)	(30,273)
Group's share of associate' loss for the year/period	–	–	(12,894,394)	(68,573)	(14,834)

21. DEFERRED TAX

The following are the major deferred tax liabilities and assets recognised by the Group.

	Group		
	(Accelerated)/ Decelerated tax depreciation	Tax losses	Total
	HK$	*HK$*	*HK$*
At 1 April 2006, 31 March 2007 and 1 April 2007	–	–	–
Acquisition of a subsidiary	(172)	548,698	548,526
Disposal of subsidiaries	–	(242,425)	(242,425)
Credit/(charge) to income statement for the year *(note 9)*	170,675	(306,273)	(135,598)
At 31 March 2008 and 1 April 2008	170,503	–	170,503
Credit to income statement for the year *(note 9)*	176,797	–	176,797
At 31 March 2009 and 1 April 2009	347,300	–	347,300
Charge to income statement for the period *(note 9)*	(5,799)	–	(5,799)
At 31 October 2009	341,501	–	341,501

The following is the analysis of the deferred tax balances (after offset) for statement of financial position purposes:

	Group			
	At 31 March			At 31 October
	2007	2008	2009	2009
	HK$	*HK$*	*HK$*	*HK$*
Deferred tax assets	–	170,503	347,300	341,501

22. INVENTORIES

	Group			
	At 31 March			At 31 October
	2007	2008	2009	2009
	HK$	*HK$*	*HK$*	*HK$*
Raw materials	10,649,370	372,172	330,856	321,500
Work in progress	1,916,865	–	–	–
Finished goods	8,566,445	–	–	–
Less: Allowance of obsolete inventories	(2,591,760)	–	–	–
	18,540,920	372,172	330,856	321,500

23. TRADE AND BILLS RECEIVABLES

	Group			
	At 31 March			At 31 October
	2007	2008	2009	2009
	HK$	*HK$*	*HK$*	*HK$*
Trade and bills receivables	53,485,251	973,400	1,146,881	1,135,352
Less: Allowance for doubtful debts	(3,477,163)	–	–	–
	50,008,088	973,400	1,146,881	1,135,352

The credit terms of trade receivables are in accordance with specific payment schedules agreed with various customers. An ageing analysis of trade and bills receivables, based on the invoice date, and net of allowance, is as follows:

	Group			
	At 31 March			At 31 October
	2007	**2008**	**2009**	**2009**
	HK$	*HK$*	*HK$*	*HK$*
0 – 30 days	22,490,435	636,794	957,438	741,512
31 – 60 days	6,275,748	269,303	97,037	238,327
61 – 90 days	4,257,967	35,308	55,615	43,645
Over 90 days	20,461,101	31,995	36,791	111,868
Less: Allowance for doubtful debts	(3,477,163)	–	–	–
	50,008,088	973,400	1,146,881	1,135,352

Included in trade and bills receivables less allowance for doubtful debts are the following amounts denominated in a currency other than the presentation currency of the Group:

	Group			
	At 31 March			At 31 October
	2007	**2008**	**2009**	**2009**
	HK$	*HK$*	*HK$*	*HK$*
US$	112,744	–	190,331	226,713
RMB	29,013,097	–	–	–
	29,125,841	–	190,331	226,713

As of 31 March 2007, 2008 and 2009 and 31 October 2009, trade receivables of HK$43,103,112, HK$926,242, HK$1,094,827 and HK$1,090,829 were past due but not impaired. These relate to a number of independent customers for whom there is no recent history of default. An ageing analysis of these trade receivables is as follows:

	Group			
	At 31 March			At 31 October
	2007	**2008**	**2009**	**2009**
	HK$	*HK$*	*HK$*	*HK$*
Up to 3 months	26,358,398	899,557	1,058,036	978,961
3 to 6 months	16,744,714	26,685	36,791	84,256
Over 6 months	–	–	–	27,612
	43,103,112	926,242	1,094,827	1,090,829

24. DEPOSITS, PREPAYMENTS AND OTHER RECEIVABLES

	Group			
	At 31 March			At 31 October
	2007	2008	2009	2009
	HK$	*HK$*	*HK$*	*HK$*
Deposits	3,503,851	3,308,923	2,968,141	2,951,821
Prepayments	644,108	306,054	304,956	989,136
Other receivables	541,972	7,992,190	71,610,903	71,311,742
	4,689,931	11,607,167	74,884,000	75,252,699

25. AMOUNT DUE FROM A MINORITY SHAREHOLDER

The amount due from a minority shareholder was unsecured, interest-free and has no fixed terms of repayment.

26. PLEDGED BANK DEPOSITS AND BANK AND CASH BALANCES

The Group's and Company's pledged bank deposits represented deposits pledged to a bank to secure banking facilities granted to the Group as set out in note 37 to the Financial Information. The deposits are in HK$ and at fixed interest rate of 2.7%, Nil, 0.4% and 0.03% per annum as at 31 March 2007, 2008 and 2009 and 31 October 2009 respectively and therefore subject to fair value interest rate risk.

Included in the bank and cash balances are the following amounts denominated in a currency other than the presentation currency of the Group.

	Group			
	At 31 March			At 31 October
	2007	2008	2009	2009
	HK$	*HK$*	*HK$*	*HK$*
US$	4,278,062	94,896,212	18,124,406	–
RMB	10,241,857	–	135,090	135,516
	14,519,919	94,896,212	18,259,496	135,516

Conversion of RMB into foreign currencies is subject to the PRC's Foreign Exchange Control Regulations and Administration of Settlement, Sale and Payment of Foreign Exchange Regulations.

27. TRADE AND BILLS PAYABLES

An ageing analysis of trade and bills payables, based on the date of receipt of goods, is as follows:

	Group			
	At 31 March			At 31 October
	2007	2008	2009	2009
	HK$	*HK$*	*HK$*	*HK$*
0 – 30 days	21,317,075	861,084	371,615	459,028
31 – 60 days	8,197,644	181,309	94,074	109,789
61 – 90 days	5,748,462	63,542	–	–
Over 90 days	4,194,153	241,687	–	–
	39,457,334	1,347,622	465,689	568,817

Included in trade and bills payables are the following amounts denominated in a currency other than the presentation currency of the Group.

	Group			
	At 31 March			At 31 October
	2007	2008	2009	2009
	HK$	*HK$*	*HK$*	*HK$*
US$	1,499,261	–	–	–
RMB	24,509,743	–	–	–
Euro	5,846,968	–	–	–
Others	1,058	–	–	–
	31,857,030	–	–	–

28. SHORT TERM BORROWINGS

	Group			
	At 31 March			At 31 October
	2007	2008	2009	2009
	HK$	*HK$*	*HK$*	*HK$*
Bank loans – secured *(note 37)*	4,033,320	–	–	–
Trust receipt and trade financing loans – secured *(note 37)*	6,057,957	–	–	–
	10,091,277	–	–	–

At 31 March 2007 the trust receipt and trade financing loans denominated in HK$ and US$ are HK$2,393,389 and HK$3,664,568 respectively. At 31 March 2007 the bank loans are denominated in RMB and are arranged at a fixed rate of 6.1% per annum and expose the Group to fair value interest rate risk. Trust receipt and trade financing loans are arranged at floating rates, thus exposing the Group to cash flow interest rate risk with the interest rate of 8.2% as at 31 March 2007.

29. LONG TERM BORROWINGS

	Group			
		At 31 March		At 31 October
	2007	2008	2009	2009
	HK$	*HK$*	*HK$*	*HK$*
Bank loan – secured *(note 37)*	274,441	–	–	–
Obligations under finance leases	488,292	–	–	–
	762,733			
Current portion of long term borrowings	(281,922)	–	–	–
	480,811	–	–	–

	Group			
		At 31 March		At 31 October
	2007	2008	2009	2009
	HK$	*HK$*	*HK$*	*HK$*
(a) The bank loan is repayable as follows:				
Within one year	99,804	–	–	–
In the second year	99,804	–	–	–
In the third to fifth years inclusive	74,833	–	–	–
	274,441	–	–	–

(b) Obligations under finance leases are repayable as follows:

	Group					
	At 31 March 2007			At 31 March 2008 and 2009 and 31 October 2009		
	Present value of the minimum lease payments	Interest expenses relating to future periods	Total minimum lease payments	Present value of the minimum lease payments	Interest expenses relating to future periods	Total minimum lease payments
	HK$	*HK$*	*HK$*	*HK$*	*HK$*	*HK$*
Within one year	182,118	20,442	202,560	–	–	–
In the second year	158,240	17,416	175,656	–	–	–
In the third to fifth years inclusive	147,934	15,912	163,846	–	–	–
	488,292	53,770	542,062	–	–	–

The bank loan and obligations under finance leases are denominated in HK$.

At 31 March 2007 bank loan of HK$274,441 is arranged at floating rate and thus exposing the Group to cash flow interest rate risks. The interest rate was 7.2% at 31 March 2007.

The average effective borrowing rate of the obligations under finance leases was 5.1% at 31 March 2007. Interest rates are fixed at the contract date, and thus expose the Group to fair value interest rate risk. All leases are on a fixed repayment basis and no arrangements have been entered into for contingent rental payments.

The Group's financial lease payables are secured by the lessor's title to the leased assets.

30. CONVERTIBLE BONDS

On 10 June 2008 the Group issued convertible bonds ("Bonds") with a nominal value of HK$770,000,000 of HK$1,000,000 each, of which the Bonds of HK$170,000,000 are issued as partial consideration to acquire the entire issued capital of Imare and the balance of the Bonds issued in cash by the placing agent. The proceeds of the Bonds issued in cash by the placing agent, which amounted to HK$600,000,000, were used partly for settlement of the cash consideration of HK$546,000,000 and various expenses related to acquisition of the entire issued capital of Imare of HK$23,670,000, placing fees related to the Bonds of HK$15,000,000. The remaining balance of HK$15,330,000 was received by the Company from the placing agent. The Bonds mature on the fifth anniversary from the date of issue of the Bonds (the "Maturity Date"). Under the conditions of the Bonds, each Bond may be converted into a maximum of 1,000,000 new shares (each a "New Share") of the Company ("Conversion Cap"), subject to increase and adjustment in the manner stipulated in the conditions. If upon conversion of the Bond, the number of New Shares required to be issued by the Company would exceed the Conversion Cap, the Bond shall be converted only up to the Conversion Cap, and the unconverted amount of the Bond shall be redeemed by the Company in cash equal to 120% of the unconverted principal amount together with accrued interest ("Conversion Cap Payment"). Subject to the aforesaid, the bondholders have the right to convert the Bonds at any time prior to the Maturity Date into New Shares on and subject to the terms and conditions of the Bonds at the lower of either (a) HK$1.30 per New Share; or (b) 100% of the average of the three lowest closing prices for a share of the Company on the Stock Exchange, or if trading in the shares of the Company is suspended and there is no closing price at the Stock Exchange on a relevant day, the last traded price reported per share on such day, during the 20 trading days period prior to the date of issue of the conversion notice (the "Variable Conversion Price") save that the lowest Variable Conversion Price shall not be less than the nominal value of the shares of the Company (the "Conversion Price"); provided that no conversion right may be exercised, to the extent that following such exercise, a holder of the Bonds and parties acting in concert with it, taken together, will directly or indirectly, control or be interested in 30% or more of the voting rights in respect of the issued shares of the Company (or in such lower percentage as may from time to time be specified in the Code of Takeovers and Mergers of Hong Kong as in force from time to time ("Takeovers Code") as being the level for triggering a mandatory general offer). Subject to the Conversion Cap, the aggregate principal amount of the Bonds together with the accrued interest shall be automatically converted to New Shares upon Maturity Date at the then prevailing Conversion Price unless such conversion will result in a holder of the Bonds and parties acting in concert with it, taken together, will directly or indirectly, control or be interested in 30% or more of the voting rights in respect of the issued shares of the Company (or in such lower percentage as may from time to time be specified in the Takeovers Code as being the level for triggering a mandatory general offer). Interest of 1 per cent per annum is payable at the time of conversion and redemption of the Bonds. The Company is entitled to cancel and to redeem all the Bonds in whole at any point in time after the third anniversary of the date of issue of the Bonds prior to the Maturity Date at 135% of their principal amount together with accrued interest. Further details of the Bonds are set out in the circular of the Company dated 30 April 2008.

The fair value of the derivative component estimated at the issuance using an option pricing model and the change in fair value of that component is recognised in the income statement. The residual amount is assigned as the liability component.

For the year ended 31 March 2009 interest is calculated by applying an effective interest rate of 5.98 per cent to the liability component for the 10 month period since the Bonds were issued.

The directors estimate the fair value of the liability component of the Bonds at 31 March 2009 to be approximately HK$625,993,036. This fair value has been calculated by discounting the future cash flows at the market rate.

The derivative component is measured at its fair value at the date of issue and at the end of each reporting period. The fair values are estimated using Binomial model. The key assumptions used are as follows:

	Group and Company	
	Date of issue	**31 March 2009**
Weighted average share price	HK$0.59	HK$0.32
Weighted average exercise price	HK$1.30	HK$1.30
Expected volatility	79.0%	92.0%
Expected life	5.0 years	4.2 years
Risk free rate	3.294%	1.619%
Expected dividend yield	Nil	Nil

On 20 July 2009 the Company entered an agreement for variation of the terms and conditions of the Bonds ("Variation Agreement") with the bondholders. Under the Variation Agreement, the Company and the bondholders agreed that the conditions of the Bonds shall be amended in the following manner:

(1) If upon the conversion of the Bonds, the Conversion Cap will be exceeded, the Company will be required to issue a convertible bond ("Replacement Bonds") to the converting bondholder in principal amount equal to the Conversion Cap Payment in satisfaction of its obligation to make the Conversion Cap Payment in cash. The Replacement Bonds shall be convertible into ordinary shares of the Company ("Shares") at a fixed conversion price on and subject to the terms and conditions agreed by the Company and the bondholders under the Variation Agreement;

(2) The Company shall have no right to require the early cancellation or redemption of any of the Bonds prior to the Maturity Date;

(3) The conversion price of the Bonds shall not be less than the floor price of HK$0.20 per Share (subject to adjustment if there shall be an alteration to the nominal value of the Shares as a result of consolidation, subdivision or reclassification); and

(4) Further amendments of editorial nature that are ancillary or consequential to the above, as stipulated in the Variation Agreement.

Further details of the Variation Agreement and the Replacement Bonds are set out in the circular of the Company dated 17 August 2009.

During the seven months ended 31 October 2009, all Bonds were converted to the New Shares by the bondholders and the Replacement Bonds with a fair value of HK$516,052,428 were issued to the bondholders to satisfy the Conversion Cap Payment.

	Group and Company			
	At 31 March			At 31 October
	2007	2008	2009	2009
	HK$	*HK$*	*HK$*	*HK$*
Beginning of the year/period	–	–	–	634,542,149
Nominal value of Bonds issued	–	–	770,000,000	–
Placing fees related to liability component	–	–	(12,015,567)	–
Derivative component	–	–	(153,200,875)	–
Liability component at date of issue	–	–	604,783,558	–
Interest charged	–	–	29,758,591	11,630,895
Bonds converted and repaid during the year/period				
– by issue of New Shares	–	–	–	(130,070,216)
– by issue of Replacement Bonds	–	–	–	(516,052,428)
– by cash	–	–	–	(50,400)
Liability component	–	–	634,542,149	–
Beginning of the year/period	–	–	–	73,920,000
Derivative component at date of issue	–	–	153,200,875	–
Fair value (gain)/loss for the year/period	–	–	(79,280,875)	207,015,056
Bonds converted during the year/period	–	–	–	(280,935,056)
Derivative component	–	–	73,920,000	–

The maturity date of the Replacement Bonds is same as the Bonds. The bondholders have the right to convert at any time from issue date up to Maturity Date into Shares at a fixed conversion price at HK$0.70 per Share. The outstanding principal amount of the Replacement Bonds together with the accrued interest (if not paid by cash on redemption at maturity or upon acceleration) shall be automatically converted to Shares upon Maturity Date unless such conversion will result a holder of the Replacement Bonds and parties acting in concert with it, taken together, will directly or indirectly control or be interested in 30% or more of the voting rights in respect of the issued shares of the Company (or in such lower percentage as may from time to time be specified in the Takeovers Code as being the level for triggering a mandatory general offer) or the public float of the shares of the Company will fall below the minimum public float requirements stipulated under the GEM Listing Rules. Interest of 3.75 per cent per annum (compounded annually) is payable (i) in conversion shares on conversion; or (ii) in cash at maturity. The Company has no right to require the early cancellation or redemption of any of the Replacement Bonds prior to the Maturity Date.

The Replacement Bonds have been split between the liability element and an equity component, as follows:

	Group and Company At 31 October 2009 *HK$*
Fair value of Replacement Bonds issued	516,052,428
Equity component	(203,821,441)
Liability component at date of issue	312,230,987
Interest charged	6,288,298
Replacement Bonds converted and repaid during the period	
– by issue of Shares	(21,565,131)
– by cash	(14,589)
Liability component	296,939,565

The interest charged for the period is calculated by applying an average effective interest rate of 12.69 per cent to the liability component for the 2 months period since the Replacement Bonds issued.

The directors estimate the fair value of the liability component of the Replacement Bonds at 31 October 2009 to be approximately HK$293,286,262. This fair value has been calculated by discounting the future cash flows at the market rate.

31. LOAN FROM A MINORITY SHAREHOLDER

The loan from a minority shareholder was unsecured, interest-free and not repayable within the next twelve months.

32. SHARE CAPITAL

	Company	
	Number of shares	**Amount** *HK$*
Authorised:		
Ordinary shares of HK$0.01 each		
At 1 April 2006, 31 March 2007, 1 April 2007, 31 March 2008, 1 April 2008, 31 March 2009, 1 April 2009 and 31 October 2009	10,000,000,000	100,000,000
Issued and fully paid:		
Ordinary shares of HK$0.01 each		
At 1 April 2006, 31 March 2007, 1 April 2007, 31 March 2008 and 1 April 2008	540,000,000	5,400,000
Issued of shares for acquisition of a subsidiary *(note i)*	230,000,000	2,300,000
At 31 March 2009 and 1 April 2009	770,000,000	7,700,000
Issued of shares for Bonds converted	770,000,000	7,700,000
Issued of shares for Replacement Bonds converted	41,730,000	417,300
Placing of shares *(note ii)*	240,000,000	2,400,000
Issued of shares in exercise of share options *(note iii)*	26,355,000	263,550
At 31 October 2009	1,848,085,000	18,480,850

Note:

(i) On 1 February 2008 (as supplemented by the supplemental agreement dated 25 April 2008) a wholly owned subsidiary of the Company entered a sale and purchase agreement with an independent third party to acquire the entire issued share capital in Imare and the aggregate amount of all advances, loans and indebtedness which shall remain due or owing from Joy Harvest Holdings Limited to Grand Pacific Source Limited as at the date of completion of the acquisition ("Acquisition"), details of which are set out in the circular of the Company dated 30 April 2008. Part of the consideration of the Acquisition was satisfied by alloting and issuing of 230,000,000 Shares to the vendor. On 10 June 2008, the Company issued 230,000,000 Shares at the then market price of HK$0.59 each resulting in a premium of HK$0.58 per share as part of the settlement of the consideration of the Acquisition.

(ii) On 14 August 2009, the Company and Kingston Securities Limited entered into a placing agreement in respect of the placement of 240,000,000 Shares of HK$0.01 each to independent investors at a price of HK$0.70 per share. The placement was completed on 27 August 2009 and the premium on the issue of Shares, amounting to approximately HK$153,290,000, net of share issue expenses, was credited to the Company's share premium account.

(iii) During the seven months ended 31 October 2009, 26,355,000 Shares of HK$0.01 each were issued in relation to share options exercised by the employees, executives, officers, directors, business consultants of the Company and the Company's subsidiares under the share option scheme of the Company at HK$0.69, HK$0.394 and HK$0.762 for a total cash consideration of HK$15,298,150. The excess of the subscription consideration received over the nominal values issued, amounted to HK$15,034,600, was credited to the share premium account.

The Group's objectives when managing capital are to safeguard the Group's ability to continue as a going concern and to maximise the return to the shareholders through the optimisation of the debt and equity balance.

The Group sets the amount of capital in proportion to risk. The Group manages the capital structure and makes adjustments to it in the light of changes in economic conditions and the risk characteristics of the underlying assets. In order to maintain or adjust the capital structure, the Group may adjust the payment of dividends, issue new shares, buy-back shares, raise new debts, redeem existing debts or sell assets to reduce debts.

The Group monitors capital on the basis of the debt-to-adjusted capital ratio. This ratio is calculated as net debt divided by adjusted capital. Net debt is calculated as total debts less cash and cash equivalents. Adjusted capital comprises all components of equity (i.e. share capital, share premium, minority interests, retained earnings and other reserves).

	Group			
		At 31 March		**At 31 October**
	2007	**2008**	**2009**	**2009**
	HK$	*HK$*	*HK$*	*HK$*
Total debt	10,854,010	2,575,834	636,984,757	299,382,173
Less: cash and cash equivalents	(46,185,811)	(119,211,934)	(37,647,050)	(202,880,793)
Net debt	(35,331,801)	(116,636,100)	599,337,707	96,501,380
Adjusted capital	55,616,830	140,314,052	319,195,653	895,376,551
Debt-to-adjusted capital ratio	N/A	N/A	188%	11%

The increase in the debt-to-adjusted capital ratio as at 31 March 2009 as compared to that of 31 March 2008 resulted primarily from the issue of Bonds during the year.

The decrease in the debt-to-adjusted capital as at 31 October 2009 as compared to that of 31 March 2009 resulted primarily from conversion of the Bonds during the period.

The only externally imposed capital requirement is that for the Group to maintain its listing on the Stock Exchange it has to have a public float of at least 25% of the shares. The Group receives a report from the share registrars monthly on substantial share interests showing the non-public float and it demonstrates continuing compliance with the 25% limit throughout the years/periods. As at 31 March 2007, 2008 and 2009 and 31 October 2009, 52%, 59%, 41% and 74.95% of the shares were in public hands.

33. RESERVES

(a) Group

The amounts of the Group's reserves and the movements therein are presented in the consolidated statement of comprehensive income and consolidated statement of changes in equity.

(b) Company

	Share premium *(note(c)(i))*	(Accumulated losses)/ retained profits	Share-based payment reserve *(note (c)(iv))*	Convertible bonds reserve	Total
	HK$	*HK$*	*HK$*	*HK$*	*HK$*
At 1 April 2006	9,536,387	(2,317,480)	–	–	7,218,907
Loss for the year	–	(783,959)	–	–	(783,959)
At 31 March 2007 and 1 April 2007	9,536,387	(3,101,439)	–	–	6,434,948
Profit for the year	–	107,552,925	–	–	107,552,925
Share-based payments	–	–	5,859,236	–	5,859,236
At 31 March 2008 and 1 April 2008	9,536,387	104,451,486	5,859,236	–	119,847,109
Profit for the year	–	29,979,134	–	–	29,979,134
Issue of shares	133,400,000	–	–	–	133,400,000
Share-based payments	–	–	7,391,463	–	7,391,463
Share options forfeited	–	269,905	(269,905)	–	–
At 31 March 2009 and 1 April 2009	142,936,387	134,700,525	12,980,794	–	290,617,706
Loss for the period	–	(237,011,336)	–	–	(237,011,336)
Placing of shares	165,600,000	–	–	–	165,600,000
Issue expenses for placing of shares	(12,310,000)	–	–	–	(12,310,000)
Shares issued in exercise of share options	21,193,972	–	(6,159,372)	–	15,034,600
Share-based payments	–	–	4,595,064	–	4,595,064
Share options forfeited	–	16,276	(16,276)	–	–
Issued of shares for Bonds converted	403,305,272	–	–	–	403,305,272
Recognition of equity component of Replacement Bonds issued *(note 30)*	–	–	–	203,821,441	203,821,441
Issued of shares for Replacement Bonds converted	34,958,245	–	–	(13,810,414)	21,147,831
At 31 October 2009	755,683,876	(102,294,535)	11,400,210	190,011,027	854,800,578

(c) Nature and purpose of reserves

(i) Share premium account

Under the Companies Law of the Cayman Islands, the funds in the share premium account of the Company are distributable to the shareholders of the Company provided that immediately following the date on which the dividend is proposed to be distributed, the Company will be in a position to pay off its debts as they fall due in the ordinary course of business.

(ii) Merger reserve

Merger reserve represents the difference between the nominal value of the shares of subsidiaries acquired and the nominal value of the shares issued by the Company as consideration thereof pursuant to the corporate reorganisation details of which are set out in the Company's prospectus dated 31 December 2003.

(iii) Foreign currency translation reserve

The foreign currency translation 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 policy set out in note 3(d) to the Financial Information.

(iv) Share-based payment reserve

The share-based payment reserve represents the fair value of the actual or estimated number of unexercised share options granted to employees and consultants of the Group recognised in accordance with the accounting policy adopted for equity-settled share-based payments in note 3(p) to the Financial Information.

34. SHARE-BASED PAYMENTS

Equity-settled share option scheme

The Company operates a share option scheme (the "Scheme") for the purpose of providing incentives and rewards to eligible participants who contribute to the success of the Group's operations. Eligible participants include the full-time and part-time employees, executives, officers, directors, business consultants, agents, legal and financial advisers of the Company and the Company's subsidiaries. The Scheme became effective on 9 December 2003 and, unless otherwise cancelled or amended, will remain in force for 10 years from that date.

The maximum number of unexercised share options currently permitted to be granted under the Scheme is an amount equivalent, upon their exercise, to 10% of the Shares in issue at any time. The maximum number of shares issuable under share options to each eligible participant in the Scheme within any 12-month period, is limited to 1% of the Shares in issue at any time. Any further grant of shares options in excess of this limit is subject to shareholders' approval in a general meeting.

Share options granted to a director, chief executive or substantial shareholder of the Company, or to any of their associates, are subject to approval in advance by the independent non-executive directors. In addition, any share options granted to a substantial shareholder or an independent non-executive director of the Company, or to any of their associates, in excess of 0.1% of the Shares in issue at any time or with an aggregate value (based on the price of the Company's shares at the date of the grant) in excess of HK$5 million, within any 12-month period, are subject to shareholders' approval in advance in a general meeting.

The offer of a grant of share options may be accepted within 28 days from the date of the offer, upon payment of a nominal consideration of HK$1 in total by the grantee. The exercise period of the share options granted is determinable by the directors, and commences after a certain vesting period and ends on a date which is not later than ten years from the date of the offer of the share options or the expiry date of the Scheme, if earlier.

The exercise price of the share options is determinable by the directors, but may not be less than the highest of (i) the Stock Exchange closing price of the Company's shares on the date of the offer of the share options; (ii) the average Stock Exchange closing price of the Company's shares for the five trading days immediately preceding the date of the offer; and (iii) the nominal value of the Company's shares on the date of the offer.

Share options do not confer rights on the holder to dividends or to vote at shareholders' meetings.

Details of the specific categories of options are as follows:

	Date of grant	**Exercise period**	**Exercise price**
			HK$
2008	19 February 2008	19 February 2008 – 18 February 2011	0.690
2009A	24 June 2008	24 June 2008 – 23 June 2011	0.780
2009B	8 January 2009	8 January 2009 – 7 January 2012	0.394
2010	11 August 2009	11 August 2009 – 10 August 2012	0.762

If the options remain unexercised after a period of 3 years from the date of grant, the options expire. Options are forfeited if the employee leaves the Group before the options vest.

Details of the share options outstanding during the year/period are as follows:

	Group and Company									
	Year ended 31 March						**Seven months ended 31 October**			
	2007		**2008**		**2009**		**2008**		**2009**	
	Number of share options	**Weighted average exercise price**	**Number of share options**	**Weighted average exercise price**	**Number of share options**	**Weighted average exercise price**	**Number of share options**	**Weighted average exercise price**	**Number of share options**	**Weighted average exercise price**
	'000	*HK$*	*'000*	*HK$*	*'000*	*HK$*	*'000*	*HK$*	*'000*	*HK$*
Outstanding at the beginning of the year/period	–	–	–	–	21,600	0.69	21,600	0.69	53,005	0.60
Granted during the year/period	–	–	21,600	0.69	32,400	0.55	12,700	0.78	13,669	0.76
Exercised during the year/period	–	–	–	–	–	–	–	–	(26,355)	0.58
Forfeited during the year/period	–	–	–	–	(995)	0.69	–	–	(60)	0.69
Outstanding at the end of the year/period	–	–	21,600	0.69	53,005	0.60	34,300	0.72	40,259	0.67
Exercisable at the end of the year/period	–	–	21,600	0.69	53,005	0.60	34,300	0.72	40,259	0.67

The options outstanding at 31 March 2007, 2008 and 2009 and 31 October 2009 have a weighted average remaining contractual life of Nil, 2.9 year, 2.3 years and 2.1 years respectively and the exercise price ranged from Nil, HK$0.69, HK$0.394 to HK$0.780 and HK$0.762 respectively. In 2008, options were granted on 19 February 2008. The estimated fair value of the options granted on that date is HK$5,859,236. In 2009, options were granted on 24 June 2008 and 8 January 2009. The estimated fair values of the options on these dates are HK$4,067,335 and HK$3,324,128 respectively. For the seven months ended 31 October 2009 options were granted on 11 August 2009. The estimated fair values of the options on that date is HK$4,595,064.

In 2008, 2009 and 2010 these fair values were calculated using the Binomial model and Black-Scholes option pricing model respectively. The input into the Models were as follows:

	Group and Company			
	2008	**2009A**	**2009B**	**2010**
Valuation model	Black-Scholes option pricing model	Binomial model	Binomial model	Binomial model
Weighted average share price	HK$0.690	HK$0.780	HK$0.385	HK$0.710
Weighted average exercise price	HK$0.690	HK$0.780	HK$0.394	HK$0.762
Expected volatility	86.14%	79%	92%	85.43%
Expected life	1.5 years	3 years	3 years	3 years
Risk free rate	1.505%	3.279%	0.977%	1.214%
Expected dividend yield	Nil	Nil	Nil	Nil

Expected volatility was determined by calculating the Company's share price over 390 days for 2008; by the historical volatility of five comparable companies with shares listed on the Stock Exchange over 3 years for 2009A and 2009B; and by the historical volatility of the Company over 3 years for 2010. The expected life used in the model has been adjusted, based on the Group's best estimate, for the effects of non transferability, exercise restrictions and behavioural considerations.

In 2009 and 2010, the Group selected to use Binomial model to calculate the fair values of the options as in the opinion of the directors, Binomial model is more appropriate to calculate the fair values of the options granted during the year/period to the directors and executives of the Group.

35. INVESTMENTS IN SUBSIDIARIES

	Company			
	At 31 March			**At 31 October**
	2007	**2008**	**2009**	**2009**
	HK$	*HK$*	*HK$*	*HK$*
Unlisted investments, at cost	200,000	16	23	23

The amounts due from/to subsidiaries are unsecured, interest-free and have no fixed terms of repayment.

Particulars of subsidiaries are as follows:

Name	Place of incorporation/ registration and operation	Issued and paid up capital/ registered capital	Attributable equity interest				Principal activities
			At 31 March			At 31 October	
			2007	2008	2009	2009	
Directly held							
Time Creation Group Limited	British Virgin Islands	US$1 Ordinary	–	100%	100%	100%	Investment holding
High Focus Group Limited	British Virgin Islands	US$1 Ordinary	–	100%	100%	100%	Investment holding
Coastal Kingfold Finance Limited	British Virgin Islands	US$1 Ordinary	–	100%	100%	100%	Investment holding
Indirectly held							
Global On-Line	Hong Kong	HK$10,000 Ordinary	–	51%	51%	51%	Trading of printer accessories and batteries
Long Capital Development Limited ("Long Capital")	British Virgin Islands	US$10,000 Ordinary	–	51%	51%	51%	Investment holding
Challenger Auto Services Limited	Hong Kong	HK$4,090,000 Ordinary	–	51%	51%	51%	Provision of repairs and maintenance services to motor vehicles, operating car accessories shop, car washing, cleaning and beauty services
Imare	British Virgin Islands	US$50,000 Ordinary	–	–	100%	100%	Investment holding
Joy Harvest Holdings Limited	Hong Kong	HK$1,000 Ordinary	–	–	100%	100%	Investment holding
Mengxi Chemical	PRC	Registered capital of RMB80,000,000	–	–	70%	70%	Not yet commenced business

36. NOTES TO CONSOLIDATED STATEMENTS OF CASH FLOWS

(a) Acquisition of subsidiaries

(i) On 3 July 2007, the Group acquired 51% of the issued share capital of Global On-Line for a cash consideration of HK$5,100 and Global On-Line was engaged in the trading of printing accessories and batteries during the year ended 31 March 2008.

On 24 July 2007, the Group acquired 51% of the issued share capital of Long Capital for a cash consideration of HK$10,000,000. Long Capital is an investment holding company and its subsidiary is engaged in the provision of repairs and maintenance services to motor vehicles, operating car accessories shop, car washing, cleaning and beauty services during the year ended 31 March 2008.

The fair value of the identifiable assets and liabilities of Global On-Line and Long Capital acquired as at its date of acquisition, which has no significant difference from its carrying amount, is as follows:

	Global On-Line	**Long Capital**	**Total**
	HK$	*HK$*	*HK$*
Net assets acquired:			
Fixed assets	9,464	2,398,305	2,407,769
Intangible assets	–	18,234,000	18,234,000
Deferred tax	–	548,526	548,526
Inventories	32,483	273,352	305,835
Trade receivables	36,727	930,855	967,582
Prepayments, deposits and other receivables	7,809	12,094,753	12,102,562
Bank and cash balances	2,064,323	2,244,146	4,308,469
Trade and other payables	(22,741)	(1,727,585)	(1,750,326)
Accrual and other payables	–	(5,394,904)	(5,394,904)
Receipt in advance	–	(4,541,364)	(4,541,364)
Amount due to shareholders	(2,147,000)	(1,878,093)	(4,025,093)
Minority interests	–	(11,359,175)	(11,359,175)
	(18,935)	11,822,816	
Goodwill (note 18)/(Excess of the Group's share of the net fair value of the identifiable assets, liabilities and contingent liabilities over the cost of acquisition of a subsidiary)	24,035	(1,822,816)	
Satisfied by:			
Cash	5,100	10,000,000	
Net cash outflow arising on acquisition:			
Cash consideration paid	(5,100)	(10,000,000)	(10,005,100)
Cash and cash equivalents acquired	2,064,323	2,244,146	4,308,469
	2,059,223	(7,755,854)	(5,696,631)

(i) The goodwill arising on the acquisition of Global On-Line is attributable to the anticipated profitability of the distribution of the Group's products in the new markets and the anticipated future operating synergies from the combination.

Global On-Line and Long Capital contributed approximately HK$1,588,545 and HK$37,584,021 respectively to the Group's turnover and approximately HK$117,171 loss and HK$2,030,839 profit respectively to the Group's profit before tax, for the period between the date of acquisition and 31 March 2008.

If the acquisition of Global On-Line and Long Capital had been completed on 1 April 2007, total Group's turnover for the year ended 31 March 2008 would have been HK$53,870,122, and profit for the year ended 31 March 2008 would have been HK$69,590,346. The proforma information is for illustrative purposes only and is not necessarily an indication of the turnover and results of operations of the Group that actually would have been achieved had the acquisition been completed on 1 April 2007, nor is intended to be a projection of future results.

(ii) On 10 June 2008, the Group acquired the entire issued share capital in Imare with the sale loan at a consideration of HK$881,571,604. Imare is an investment holding company and its subsidiaries are engaged in investment holding and its associate is dormant.

The fair value of the identifiable assets and liabilities of Imare acquired as at its date of acquisition is as follows:

	HK$
Net assets acquired:	
Investment in an associate	757,510,561
Other receivables	390,000
Bank and cash balances	3,750
Accrual and other payable	(1,004,000)
Amount due to shareholders	(258,912,693)
	497,987,618
Goodwill *(note 18)*	124,671,293
	622,658,911
Add: Sale loan and Mengxi debt	258,912,693
	881,571,604
Satisfied by:	
Share capital issued as partial consideration *(note 32)*	135,700,000
Bonds issued as partial consideration *(note 30)*	170,000,000
Cash paid for investment cost	287,087,307
Cash paid for professional expenses	29,871,604
Cash paid for sale loan and Mengxi debt	258,912,693
	881,571,604
Net cash outflow arising on acquisition:	
Cash paid for investment cost	(287,087,307)
Cash paid for sale loan and Mengxi debt	(258,912,693)
	(546,000,000)
Cash paid for professional expenses	(29,871,604)
Cash and cash equivalents acquired	3,750
	(575,867,854)

(ii) The goodwill arising on the acquisition of Imare is attributable to the anticipated profitability of the distribution of the Group's products in the new markets and the anticipated future operating synergies from the combination.

Imare contributed HK$Nil to the Group's turnover and approximately HK$17,586,938 loss to the Group's profit before tax, for the period between the date of acquisition and 31 March 2009.

If the acquisition had been completed on 1 April 2008, total Group's turnover for the year ended 31 March 2009 would have been HK$51,087,316, and profit for the year ended 31 March 2009 would have been HK$4,461,602. The proforma information is for illustrative purposes only and is not necessarily an indication of the turnover and results of operations of the Group that actually would have been achieved had the acquisition been completed on 1 April 2008, nor is intended to be a projection of future results.

(b) Disposal of subsidiaries

As referred to in note 10 to the Financial Information, on 31 October 2007 the Group discontinued its design, manufacture and sale of office furniture business at the time of the disposal of its subsidiary, Ultra Group Company Limited.

Net assets at the date of disposal were as follows:

	HK$
Fixed assets	18,646,278
Prepaid land lease payments	1,409,858
Intangibles assets	289,045
Deferred tax assets	242,425
Inventories	21,043,983
Trade and bills receivables	94,950,353
Deposits, prepayments and other receivables	5,481,450
Current tax assets	842,753
Bank and cash balances	49,921,038
Trade and bills payables	(76,100,605)
Other payables and accruals	(47,583,850)
Sales deposits received	(8,809,307)
Short term borrowings	(1,294,185)
Long term borrowings	(331,424)
Amount due to holding company	(3,471,441)
Current tax liabilities	(410,058)
Net assets disposed of	54,826,313
Release of foreign currency translation reserve	(4,460,716)
Direct cost to the disposal	6,620,225
Gain on disposal of subsidiaries	64,152,125
Total consideration	121,137,947
Cash receivable from escrow agent under deposits, prepayments and other receivables	(7,800,000)
Cash consideration received	113,337,947
Net cash inflow arising on disposal:	
Cash consideration received	113,337,947
Cash paid for direct cost	(6,620,225)
Cash and cash equivalents disposed of	(49,921,038)
	56,796,684

37. BANKING FACILITIES

At 31 March 2007, 2008 and 2009 and 31 October 2009 the Group has been granted banking facilities totaling HK$25.3 million, HK$1.5 million, HK$1.5 million and HK$1.5 million of which HK$17.4 million, HK$Nil, HK$Nil and HK$Nil were utilised at 31 March 2007, 2008 and 2009 and 31 October 2009 and were secured by the following:

(i) Pledge of fixed deposits of approximately HK$3.5 million, HK$Nil, HK$1.5 million and HK$1.5 million at 31 March 2007, 2008 and 2009 and 31 October 2009 respectively plus subsequent accrued interest; and

(ii) Legal charge on prepaid land lease payments and buildings owned by a former subsidiary at 31 March 2007.

At 31 October 2009 the Group pledged its equity interests in Mengxi Minerals to a bank to secure the banking facilities granted to Mengxi Minerals.

38. CONTINGENT LIABILITIES

At 31 March 2007, 2008 and 2009 and 31 October 2009, the Group did not have any significant contingent liabilities.

39. CAPITAL COMMITMENTS

The Group's capital commitments at the end of the reporting period are as follow:

	Group			
	At 31 March			At 31 October
	2007	**2008**	**2009**	**2009**
	HK$	*HK$*	*HK$*	*HK$*
Authorised but not contracted for to acquire additional equity interest in an associate	–	–	19,053,384	19,072,032

40. LEASE COMMITMENTS

The total future minimum lease payments under non-cancellable operating leases are payable as follows:

	Group			
	At 31 March			At 31 October
	2007	**2008**	**2009**	**2009**
	HK$	*HK$*	*HK$*	*HK$*
Within one year	7,564,900	5,122,926	6,135,260	5,220,038
In the second to fifth years inclusive	7,451,312	3,163,757	6,806,750	6,028,016
	15,016,212	8,286,683	12,942,010	11,248,054

Operating lease payments represent rentals payable by the Group for certain of its offices, shops and auto servicing centres. Leases are negotiated for an average term of 1 month to 4 years and rentals are fixed over the lease terms and do not include contingent rentals.

41. EVENTS AFTER THE REPORTING PERIOD

Subsequent to the end of the reporting period the Group disposed its 51% equity interest in Global On-Line at a consideration of HK$250,000.

On 7 July 2009, the Group entered into an agreement to acquire a further 21% equity interest in Mengxi Minerals for a cash consideration of RMB16,800,000. The acquisition was completed on 10 December 2009.

The fair value of the identifiable assets and liabilities of Mengxi Minerals acquired as at its date of acquisition, which has no significant difference from its carrying amount, is as follows:

Net assets acquired:

	HK$
Net assets acquired:	
Fixed assets	23,118,161
Intangible assets	3,100,335,594
Inventories	498,470
Deposits, prepayment and other receivables	141,507,174
Current tax assets	938,414
Bank and cash balances	186,062,773
Other payables and accruals	(7,503,202)
Deferred taxation	(771,887,860)
Long term borrowings	(227,040,000)
49% of net assets shared by the Group	(1,198,554,467)
Minority interests	(733,808,857)
	513,666,200
Excess of the Group's share of the net fair value of the identifiable assets, liabilities and contingent liabilities over the cost of acquisition of a subsidiary	(494,594,840)
Satisfied by:	
Cash	19,071,360
Net cash inflow arising on acquisition:	
Cash consideration paid	(19,071,360)
Cash and cash equivalents acquired	186,062,773
	166,991,413

Subsequent to the end of reporting period, the Group entered into a conditional subscription agreement with an independent third party (the "Subscriber") whereby the Group conditionally agreed to allot and issue 25,000 new shares of US$1 each in the capital of Long Capital to the Subscriber at a consideration of HK$4,500,000. Upon completion of the subscription, the Group's shareholding in Long Capital will be reduced from 51% to 14.57%.

The financial information of Long Capital and its subsidiary (the "Disposal Group") for the Relevant Periods are as follows:

Income statement of Disposal Group

	Year ended 31 March			Seven months ended 31 October	
	2007	**2008**	**2009**	**2008**	**2009**
	HK$	*HK$*	*HK$*	*HK$*	*HK$*
	(unaudited)			(unaudited)	
Turnover	–	51,971,181	47,529,012	29,275,919	26,591,865
Cost of services rendered	–	(11,350,641)	(10,867,510)	(6,925,315)	(6,045,745)
Gross profit	–	40,620,540	36,661,502	22,350,604	20,546,120
Other income	–	137,594	754,105	492,536	104,470
Selling and distribution costs	–	(2,259,628)	(1,561,827)	(1,049,343)	(782,115)
Administrative and other operating expenses	(9,360)	(23,387,772)	(43,710,128)	(20,968,960)	(18,325,595)
(Loss)/profit from operations	(9,360)	15,110,734	(7,856,348)	824,837	1,542,880
Finance costs – interest on bank overdrafts	–	(48,118)	(14,193)	(12,787)	(483)
(Loss)/profit before tax	(9,360)	15,062,616	(7,870,541)	812,050	1,542,397
Income tax credit/(expense)	–	116,674	(23,048)	(103,928)	(250,127)
(Loss)/profit for the year/period and total comprehensive income for the year/period	(9,360)	15,179,290	(7,893,589)	708,122	1,292,270

Statement of Financial Position of Disposal Group

	As at 31 March			As at 31 October
	2007	2008	2009	2009
	HK$	*HK$*	*HK$*	*HK$*
	(unaudited)			
Non-current assets				
Fixed assets	–	1,428,604	383,222	596,943
Intangible assets	–	18,234,000	10,000,000	10,000,000
Deferred tax assets	–	170,503	347,300	341,501
	–	19,833,107	10,730,522	10,938,444
Current assets				
Inventories	–	372,172	330,856	321,500
Trade receivables	–	940,174	956,550	908,639
Deposits, prepayment and other receivables	8	3,623,313	3,122,350	3,155,596
Current tax assets	–	–	171,144	–
Pledged bank deposits	–	–	1,500,485	1,502,339
Bank and cash balances	–	10,024,341	8,396,353	10,613,034
	8	14,960,000	14,477,738	16,501,108
Current liabilities				
Trade and bills payables	–	1,287,101	465,689	568,817
Other payables and accruals	9,360	3,027,276	2,927,923	3,127,999
Sales deposits received and receipts in advance	–	3,948,018	3,331,354	3,893,988
Amounts due to minority shareholders	–	1,268,733	1,168,733	1,168,733
Current tax liabilities	–	53,829	–	73,184
	9,360	9,584,957	7,893,699	8,832,721
Net current (liabilities)/assets	(9,352)	5,375,043	6,584,039	7,668,387
NET (LIABILITIES)/ASSETS	(9,352)	25,208,150	17,314,561	18,606,831
Capital and reserves				
Share capital	8	78,000	78,000	78,000
Reserves	(9,360)	25,130,150	17,236,561	18,528,831
TOTAL EQUITY	(9,352)	25,208,150	17,314,561	18,606,831

Statement of Cash flows of Disposal Group

	Year ended 31 March			Seven months ended 31 October	
	2007	2008	2009	2008	2009
	HK$	*HK$*	*HK$*	*HK$*	*HK$*
	(unaudited)			(unaudited)	
CASH FLOWS FROM OPERATING ACTIVITIES					
(Loss)/profit before tax	(9,360)	15,062,616	(7,870,541)	812,050	1,542,397
Adjustments for:					
Depreciation	–	1,653,395	1,376,142	807,274	275,305
Gain on disposals of fixed assets	–	(1,785)	(18,712)	–	(10,000)
Excess of the Group's share of the net fair value of the identifiable assets, liabilities and contingent liabilities over the cost of acquisition of a subsidiary	–	(13,100,219)	–	–	–
Finance costs	–	48,118	14,193	12,787	483
Impairment of intangible assets	–	–	8,242,350	–	–
Interest income	–	(5,245)	(175,706)	(124,406)	(21,038)
Operating (loss)/profit before working capital changes	(9,360)	3,656,880	1,567,726	1,507,705	1,787,147
(Increase)/decrease in inventories	–	(59,495)	41,316	59,597	9,356
Decrease/(increase) in trade receivables	–	3,114,120	(16,376)	(43,187)	47,911
(Increase)/decrease in deposits, prepayments and other receivables	–	(3,623,305)	500,963	180,770	(33,246)
(Decrease)/increase in trade and bills payables	–	(9,105,676)	(821,412)	(512,310)	103,128
Increase/(decrease) in other payables and accruals	9,360	2,814,201	(99,353)	(368,752)	200,076
Increase/(decrease) in sales deposits received and receipts in advance	–	3,948,018	(616,664)	(346,281)	562,634
Decrease in amounts due to minority shareholders	–	–	(100,000)	–	–
Decrease in amount due to former immediate holding company	–	(600,008)	–	–	–
Cash generated from operations	–	144,735	456,200	477,542	2,677,006
Interest paid	–	(48,118)	(14,193)	(12,787)	(483)
Hong Kong profits tax paid	–	–	(424,818)	–	–
Net cash generated from operating activities	–	96,617	17,189	464,755	2,676,523
CASH FLOWS FROM INVESTING ACTIVITIES					
Interest received	–	5,245	175,706	124,406	21,038
Purchases of fixed assets	–	(203,260)	(337,048)	(359,743)	(489,026)
Additions of intangible assets	–	–	(8,350)	(8,350)	–
Proceeds from disposal of fixed assets	–	17,500	25,000	–	10,000
Acquisition of a subsidiary	–	108,239	–	–	–
Increase in pledged bank deposits	–	–	(1,500,485)	–	(1,854)
Net cash used in investing activities	–	(72,276)	(1,645,177)	(243,687)	(459,842)

	Year ended 31 March			Seven months ended 31 October	
	2007	2008	2009	2008	2009
	HK$	*HK$*	*HK$*	*HK$*	*HK$*
	(unaudited)			(unaudited)	
CASH FLOWS FROM FINANCING ACTIVITIES					
Proceeds from issued of shares	–	10,000,000	–	–	–
Net cash generated from financing activities	–	10,000,000	–	–	–
NET INCREASE/(DECREASE) IN CASH AND CASH EQUIVALENTS	–	10,024,341	(1,627,988)	221,068	2,216,681
CASH AND CASH EQUIVALENTS AT BEGINNING OF YEAR/PERIOD	–	–	10,024,341	10,024,341	8,396,353
CASH AND CASH EQUIVALENTS AT END OF YEAR/PERIOD	–	10,024,341	8,396,353	10,245,409	10,613,034
ANALYSIS OF CASH AND CASH EQUIVALENTS					
Bank and cash balances	–	10,024,341	8,396,353	10,245,409	10,613,034

42. RELATED PARTY TRANSACTIONS

In addition to those related party transactions and balances disclosed elsewhere in the Financial Information, the Group had no material transactions with its related parties during the year/period.

	Group				
	Year ended 31 March			Seven months ended 31 October	
	2007	**2008**	**2009**	**2008**	**2009**
	HK$	*HK$*	*HK$*	*HK$*	*HK$*
				(unaudited)	
Sales to:					
– CHO Yuen Yi, Wendy	30,227	–	–	–	–
– James T. W. Kong & Co.	34,085	–	–	–	–
Bonds issued to Grand Pacific Source Limited, Pacific Top Holding Limited and Glimmer Stone Investments Limited	–	–	770,000,000	770,000,000	–
Placing fee, arrangement fee and advisory fee paid to Oriental Patron Asia Limited in relation to the acquisition of Imare	–	–	38,670,000	38,670,000	–
Interest on Bonds charged by Grand Pacific Source Limited, Pacific Top Holding Limited and Glimmer Stone Investments Limited	–	–	29,758,591	10,739,548	2,435,368

KONG Tze Wing, a former director of the Company, has beneficial interest in James T.W. Kong & Co.

Grand Pacific Source Limited and Pacific Top Holding Limited are shareholders of the Company and which are beneficial owned by ZHANG Gaobo and ZHANG Zhi Ping. Oriental Patron Asia Limited and Glimmer Stone Investments Limited are beneficial owned by ZHANG Gaobo and ZHANG Zhi Ping.

43. SEGMENT INFORMATION

The Group has three reportable segments which is trading of printing accessories and batteries, provision of car repairs and beauty services and exploitation of coal for the years ended 31 March 2008 and 2009 and seven months ended 31 October 2009. The business segment of design and sale of office furniture was discontinued in the year ended 31 March 2008.

The Group's reportable segments are strategic business units that offer different products and services. They are managed separately because each business requires different technology and marketing strategies.

The accounting policies of the operating segments are the same as those described in note 3(u) to the Financial Information.

The Group accounts for intersegment sales and transfers as if the sales or transfers were to third parties, i.e. at current market prices.

Information about reportable segment profit or loss, assets and liabilities:

	(Discontinued operation) Design and sale of office furniture *HK$*	Provision of car repairs and beauty services *HK$*	Trading of printing accessories and batteries *HK$*	Exploitation of coal *HK$*	Total *HK$*
Year ended 31 March 2007					
Revenue from external customers	299,298,481	–	–	–	299,298,481
Segment profit	15,774,561	–	–	–	15,774,561
Interest revenue	587,467	–	–	–	587,467
Interest expense	748,939	–	–	–	748,939
Depreciation and amortisation	2,620,888	–	–	–	2,620,888
Income tax expense	69,000	–	–	–	69,000
Additions to segment non-current assets	7,720,585	–	–	–	7,720,585
As at 31 March 2007					
Segment assets	93,122,545	–	–	–	93,122,545
Segment liabilities	74,869,169	–	–	–	74,869,169
Year ended 31 March 2008					
Revenue from external customers	265,457,003	37,584,021	1,588,545	–	304,629,569
Segment profit/(loss)	8,658,438	2,421,304	(187,709)	–	10,892,033
Interest revenue	368,834	5,245	58,838	–	432,917
Interest expense	265,338	28,535	–	–	293,873
Depreciation and amortisation	2,004,514	1,153,646	2,366	–	3,160,526
Income tax expense	98,633	431,852	–	–	530,485
Additions to segment non-current assets	1,981,985	199,660	–	–	2,181,645
As at 31 March 2008					
Segment assets	–	24,598,264	48,133	–	24,646,397
Segment liabilities	–	8,253,035	108,236	–	8,361,271

	Provision of car repairs and beauty services *HK$*	Trading of printing accessories and batteries *HK$*	Exploitation of coal *HK$*	Total *HK$*
Year ended 31 March 2009				
Revenue from external customers	47,529,012	3,558,304	–	51,087,316
Segment loss	(8,041,414)	(52,993)	–	(8,094,407)
Interest revenue	175,706	15,990	–	191,696
Interest expense	14,193	2	–	14,195
Depreciation and amortisation	1,376,142	2,366	–	1,378,508
Impairment loss on intangible assets	8,242,350	–	–	8,242,350
Share of losses of an associate	–	–	(12,894,394)	(12,894,394)
Income tax expense	23,048	–	–	23,048
Additions to segment non-current assets	337,048	–	–	337,048
As at 31 March 2009				
Segment assets	15,311,422	390,063	–	15,701,485
Segment liabilities	6,724,966	1,288,375	–	8,013,341
Investment in an associate	–	–	761,416,167	761,416,167
Seven months ended 31 October 2008 (unaudited)				
Revenue from external customers	29,275,919	2,126,567	–	31,402,486
Segment profit	802,690	11,407	–	814,097
Interest revenue	124,406	14,404	–	138,810
Interest expense	12,787	–	–	12,787
Share of losses of an associate	–	–	(68,573)	(68,573)
Depreciation and amortisation	807,274	–	–	807,274
Income tax expense	103,928	–	–	103,928
Additions to segment non-current assets	359,743	–	–	359,743
As at 31 October 2008 (unaudited)				
Segment assets	11,032,187	95,147	–	11,127,334
Segment liabilities	7,088,883	1,317,786	–	8,406,669
Investment in an associate	–	–	757,441,988	757,441,988

	Provision of car repairs and beauty services HK$	Trading of printing accessories and batteries HK$	Exploitation of coal HK$	Total HK$
Seven months ended 31 October 2009				
Revenue from external customers	26,591,865	1,059,336	–	27,651,201
Segment profit	1,292,271	948,811	–	2,241,082
Interest revenue	21,038	314	–	21,352
Interest expense	483	–	–	483
Depreciation and amortisation	275,306	1,380	–	276,686
Share of losses of an associate	–	–	(14,834)	(14,834)
Income tax expense	250,127	–	–	250,127
Additions to segment non-current assets	489,026	–	–	489,026
As at 31 October 2009				
Segment assets	15,324,178	230,065	–	15,554,243
Segment liabilities	7,663,987	1,282,096	–	8,946,083
Investment in an associate	–	–	761,401,333	761,401,333

Reconciliations of reportable segment revenue, profit or loss, assets and liabilities:

	Year ended 31 March			Seven months ended 31 October	
	2007 HK$	2008 HK$	2009 HK$	2008 HK$ (unaudited)	2009 HK$
Revenue					
Total revenue of reportable segments	299,298,481	304,629,569	51,087,316	31,402,486	27,651,201
Other revenue	–	–	–	–	–
Consolidated revenue	299,298,481	304,629,569	51,087,316	31,402,486	27,651,201
Profit or loss					
Total profit or loss of reportable segments	15,774,561	10,892,033	(8,094,407)	814,097	2,241,082
Other profit or loss	99,234	59,212,273	16,856,767	33,330,794	(238,123,716)
Consolidated profit/(loss) for the year/period	15,873,795	70,104,306	8,762,360	34,144,891	(235,882,634)

	At 31 March			At 31 October
	2007	2008	2009	2009
	HK$	*HK$*	*HK$*	*HK$*
Assets				
Total assets of reportable segments	93,122,545	24,646,397	777,117,652	776,955,576
Other assets	50,045,643	127,358,481	263,284,853	428,946,134
Consolidated total assets	143,168,188	152,004,878	1,040,402,505	1,205,901,710
Liabilities				
Total liabilities of reportable segments	74,869,169	8,361,271	8,013,341	8,946,083
Other liabilities	12,682,189	3,329,555	713,193,511	301,579,076
Consolidated total liabilities	87,551,358	11,690,826	721,206,852	310,525,159

Geographical information:

	Year ended 31 March			Seven months ended 31 October	
	2007	2008	2009	2008	2009
	HK$	*HK$*	*HK$*	*HK$* (unaudited)	*HK$*
Revenue					
Hong Kong	92,466,330	104,473,016	47,529,012	29,275,919	26,591,865
United States	–	1,588,545	3,558,304	2,126,567	1,059,336
The PRC	145,060,229	139,310,047	–	–	–
Overseas (other than United States and the PRC)	61,771,922	59,257,961	–	–	–
Discontinued	(299,298,481)	(265,457,003)	–	–	–
Consolidated total	–	39,172,566	51,087,316	31,402,486	27,651,201

	At 31 March			At 31 October
	2007	2008	2009	2009
	HK$	*HK$*	*HK$*	*HK$*
Non-current assets				
Hong Kong	2,325,497	19,840,205	11,300,997	11,467,588
United States	–	–	4,732	3,352
The PRC	17,711,762	–	886,197,240	886,092,327
Overseas (other than United States and the PRC)	–	–	–	–
Discontinued	(20,037,259)	–	–	–
Consolidated total	–	19,840,205	897,502,969	897,563,267

In presenting the geographical information, revenue is based on the locations of the customers.

C. SUBSEQUENT FINANCIAL STATEMENTS

No audited financial statements have been prepared by the Company and its subsidiaries in respect of any period subsequent to 31 October 2009.

Yours faithfully,
RSM Nelson Wheeler
Certified Public Accountants
Hong Kong

2. MANAGEMENT DISCUSSION AND ANALYSIS ON THE RESULTS OF THE REMAINING GROUP

Following Completion, the Remaining Group will be principally engaged in investments in mining, sale and processing of coking coal in the PRC. For the avoidance of doubt, the management discussion and analysis on the results of the Remaining Group in this section excludes those of the Disposal Group and companies which were subsidiaries of the Company during the relevant period but had ceased to be subsidiaries of the Company as at the Latest Practicable Date.

For the year ended 31 March 2007

Financial review

According to the unaudited consolidated management accounts of the Remaining Group prepared under the Hong Kong Financial Reporting Standards, for the year ended 31 March 2007, the Remaining Group had revenue in the form of management fee amounting to approximately HK$3.7 million, the net loss before taxation amounted to approximately HK$10.6 million.

Operational review

The Remaining Group was principally engaged in investment holdings.

Liquidity, financial resources and gearing

The Remaining Group financed its operation and expenditure mainly through internally generated fund. It maintained a healthy liquidity position with a current ratio of approximately 2.1 and total cash and bank balances amounted to HK$3.7 million. As at 31 March 2007, the gearing ratio based on total debts over total assets was zero.

Capital structure and fluctuation in exchange

The capital of the Remaining Group comprised only ordinary shares as at 31 March 2007. During the period, transactions of the Remaining Group were mainly transacted in United States dollars and Hong Kong dollars. As at 31 March 2007, substantial portion of the assets and liabilities of the Remaining Group were current in nature, and the amounts were principally denominated in United States dollars and Hong Kong dollars. As such, foreign exchange risk was considered to be minimal.

Employees

As at 31 March 2007, there was a total of 2 full-time staff (including Directors) employed by the Remaining Group. The staff costs for the year including Directors' remuneration were approximately HK$3.7 million.

Significant investments and materials acquisitions

During the year under review, the Remaining Group did not have any significant investment or material acquisitions.

Charge, contingent liabilities and commitments

As at 31 March 2007, the Remaining Group did not have any commitment and there were no charges on any assets of the Remaining Group.

For the year ended 31 March 2008

Financial review

According to the unaudited consolidated management accounts of the Remaining Group prepared under the Hong Kong Financial Reporting Standards, for the year ended 31 March 2008, the Remaining Group had revenue in the form of management fee and recorded a gain on disposal of office furniture business amounted to approximately HK$1.4 million and HK$114.3 million respectively, the net profit before taxation amounted to approximately HK$112.4 million.

Operational review

The Remaining Group was principally engaged in investment holdings. In view of the keen competition in the office furniture industry, the Company had been contemplating various corporate exercises to diversify the business portfolio of the Group through acquisitions and restructuring of existing business operations. Accordingly, in July 2007, the Company acquired the Disposal Group and disposed of its furniture subsidiary in October 2007.

On 18 June 2007, the Group entered into a share subscription agreement with Global On-Line Distribution Limited ("**Global On-Line**"), an on-line distributor of office supplies and equipments providing multi-channel and cross-border trade solutions to both corporate and individual on-line buyers.

In early 2008, the Group was presented with an opportunity to become an integrated coking coal producer in Inner Mongolia, China. Coking coal, driven by strong demand and limited supply, experienced robust price appreciation in 2007. By becoming an integrated producer, the Group has control over the entire production chain (from raw coal to coke) thereby has a greater latitude to react to possible market pricing shifts in any of the coal products.

On 1 February 2008, the Group entered into a sales and purchase agreement to acquire a 49% interest in Mengxi Minerals and a 70% stake in Mengxi Chemical, details of which were set out in the circular dated 30 April 2008.

Liquidity, financial resources and gearing

The Remaining Group continued to finance its operation and expenditure mainly through internally generated fund and sales proceeds from the disposal of its office furniture business. The Remaining Group maintained a healthy liquidity position with a current ratio of approximately 166.4 and total cash and bank balances amounted to HK$107.0 million. As at 31 March 2008, the gearing ratio based on total debts over total assets was zero.

Capital structure and fluctuation in exchange

The capital of the Remaining Group comprised only ordinary shares as at 31 March 2008. During the period, transactions of the Remaining Group were mainly transacted in United States dollars and Hong Kong dollars. As at 31 March 2008, substantial portion of the assets and liabilities of the Remaining Group were current in nature, and the amounts were principally denominated in United States dollars and Hong Kong dollars, foreign exchange risk was considered to be minimal.

Employees

As at 31 March 2008, there was a total of 5 full-time staff (including Directors) employed by the Remaining Group. The staff costs for the year including Directors' remuneration were approximately HK$1.9 million. During the period, 21,600,000 Share Options were granted and the estimated fair value of the Share Options on this date was approximately HK$5.9 million.

Significant investments and materials acquisitions and disposal

On 3 July 2007, the Remaining Group acquired 51% of the issued share capital of Global On-Line at a cash consideration of HK$5,100 and Global On-Line was engaged in trading of printer accessories and batteries during the year.

On 24 July 2007, the Remaining Group subscribed for 51% of the enlarged share capital of Long Capital at HK$10 million. Long Capital and its subsidiary was engaged in provision of repairs and maintenance services to motor vehicles, operating car accessories shop, car washing, cleaning and beauty services.

Pursuant to an agreement dated 20 August 2007 (as supplemented by the amended agreement dated 14 September 2007) entered into between the Company and an independent third party, the Company disposed of 100% interest in a wholly-owned subsidiary, Ultra Group Company Limited.

Ultra Group Company Limited was an investment holding company and its subsidiaries were engaged in the design, manufacture and sale of office furniture during the period. The disposal was completed on 31 October 2007 and the Group discontinued its design, manufacture and sale of office furniture business.

Charge, contingent liabilities and commitments

As at 31 March 2008, the Remaining Group did not have any commitment and there were no charges on any assets of the Remaining Group.

For the year ended 31 March 2009

Financial review

According to the unaudited consolidated management accounts of the Remaining Group prepared under the Hong Kong Financial Reporting Standards, for the year ended 31 March 2009, there was no revenue of the Remaining Group. The total comprehensive income and the net loss before taxation amounted to approximately HK$15.8 million and HK$56.3 million respectively.

Operational review

The Remaining Group was principally engaged in investment holdings.

On 10 June 2008, the Remaining Group indirectly acquired (i) a 49% interest in Mengxi Minerals; and (ii) a 70% stake in Mengxi Chemical, through the acquisition (the "**Imare Acquisition**") of the entire issued share capital in Imare Company Limited and the aggregate amount of all advances, loans and indebtedness which shall remain due or owing from Joy Harvest Holdings Limited to Grand Pacific Source Limited as at the date of completion of the Imare Acquisition. Details of the Imare Acquisition were set out in the circular of the Company dated 30 April 2008.

Liquidity, financial resources and gearing

The Remaining Group financed its operation and expenditure through internally generated fund and part of the net proceeds from the placing of the Convertible Bonds in the principal amount of HK$600 million. The Remaining Group maintained a healthy liquidity position with a current ratio of approximately 1.6 and total cash and bank balances amounted to HK$27.6 million. As at 31 March 2009, the gearing ratio based on total debts over total assets was 0.62.

On 10 June 2008, the Remaining Group completed the placing of the Convertible bonds in the principal amount of HK$600 million to a then independent third party. It also issued Convertible Bonds in the principal amount of HK$170 million for settlement of part of the consideration of the Imare Acquisition.

The fair value of the derivative component of the Convertible Bonds estimated at the issuance using an option pricing model and the change in fair value gain of that component is recognised in the other comprehensive income amounted to approximately HK$79.3 million.

Capital structure and fluctuation in exchange

On 10 June 2008, the Company issued 230,000,000 new Shares at an issue price of HK$0.59 per new Share for settlement of part of the consideration of the Imare Acquisition.

The capital of the Remaining Group comprised only ordinary shares as at 31 March 2009. During the period, most of the trading transactions, assets and liabilities of the Remaining Group were denominated in Hong Kong dollars and RMB. As at 31 March 2009, the Remaining Group had no significant exposure under foreign exchange contracts, interest, currency swaps or other financial derivatives.

Employees

As at 31 March 2009, there was a total of 14 full-time staff (including Directors) employed by the Remaining Group. The staff costs for the year including Directors' remuneration were approximately HK$6.2 million. During the year, 32,400,000 Share Options were granted and the estimated fair value of the Share Options as at the date of issue was approximately HK$7.1 million.

Significant investments and materials acquisitions and disposal

On 10 June 2008, the Group completed the Imare Acquisition, details of which are set out in note 36(a)(ii) to the Financial Information in this appendix.

Charge, contingent liabilities and commitments

As at 31 March 2009, the Remaining Group did not have any commitment and there were no charges on any assets of the Remaining Group.

For the period ended 31 October 2009

Financial review

According to the unaudited consolidated management accounts of the Remaining Group prepared under the Hong Kong Financial Reporting Standards, for the period ended 31 October 2009, there was no revenue of the Remaining Group. The total comprehensive income and the net loss before taxation was approximately HK$238.1 million and 96.2 million respectively.

For the seven months ended 31 October 2009, the total financial costs was HK$87.6 million, which included (i) interest of the Convertible Bonds realised for the period of approximately HK$11.7 million; (ii) accrued interest of the Replacement Bonds of approximately HK$6.2 million; and (iii) expenses on conversion of Convertible Bonds realised for the period of approximately HK$69.7 million.

Operational review

The Remaining Group was principally engaged in investment holdings. As disclosed in the announcement of the Company dated 15 October 2009, the Company has also signed the MOU in respect of the Proposed Acquisition of Nobel Holdings, a company which engages in oil and gas exploration and production in Russia.

Liquidity, financial resources and gearing

The Remaining Group financed its operation and expenditure mainly through internally generated funds and the proceeds from placing of new Shares. The Remaining Group maintained a healthy liquidity position with a current ratio of approximately 83.5 and total cash and bank balances of approximately HK$190.4 million. As at 31 October 2009, the gearing ratio calculated basing on total debts over total assets was 0.25.

During the period, the entire outstanding principal amount of the Convertible Bonds of HK$770,000,000 in aggregate was converted to 770,000,000 new Shares and the Replacement Bonds in the principal amount of HK$426,680,000 were issued to the holders of the Convertible Bonds to settle the cash payment obligations of the Company pursuant to the terms and conditions of the Variation Agreement.

Capital structure and fluctuation in exchange

During the period, the entire outstanding principal of the Convertible Bonds of HK$770,000,000 in aggregate was converted to 770,000,000 new Shares.

During the period, 26,155,000 new Shares were issued pursuant to the Share Options.

On 27 August 2009, the Remaining Group completed the placing of 240,000,000 new Shares at a price of HK$0.70 per new Share with net proceeds of approximately HK$159 million pursuant to a placing agreement dated 14 August 2009 made between the Company and Kingston Securities Limited, the placing agent.

The capital of the Remaining Group comprised only ordinary shares as at 31 October 2009. During the period, most of the trading transactions, assets and liabilities of the Group were denominated in Hong Kong dollars and RMB. As at 31 October 2009, the Remaining Group had no significant exposure under foreign exchange contracts, interest, currency swaps or other financial derivatives.

Employees

As at 31 October 2009, there was a total of 14 full-time staff (including Directors) employed by the Remaining Group. The staff costs for the year including Directors' remuneration were approximately HK$4.4 million. During the period, 13,668,750 Share Options were granted and the estimated fair value of the Share Options on the date of issue was approximately HK$4.6 million. 26,155,000 Share Options and 60,000 Share Options were exercised and lapsed respectively during the period.

Significant investments and materials acquisitions and disposal

On 7 July 2009, the Group entered into a sale and purchase agreement for the acquisition of an additional 21% equity interest of Mengxi Minerals, details of which are set out in the circular of the Company dated 17 August 2009. Mengxi Minerals became a subsidiary of the Group upon completion of the acquisition in December 2009. The Group's coking coal business is conducted through Mengxi Minerals. Mengxi Minerals holds the mining rights of a coal mine with a site area of approximately 7.946 sq. km in the district of Qian Li Gou (千里溝) in Ordos, Inner Mongolia. The estimated coal reserves of the mine are approximately 99.6 mt as at 30 November 2007. The Group estimated that about 8 mt of the 99.6 mt of reserve can be mined using the open pit mining method. The open pit area is divided into North and South fields. The North field is approximately 300,000 square meters and the South field is approximately 700,000 square meters. The Group's open pit mine design is to target extraction of 2.2 mt from the North field and the Group estimates that South field will yield about 5.8 mt. The North field commenced operation in August 2009.

During the period from 1 April 2009 to 31 October 2009, around 15,730 tonnes of raw coal extracted from the mine were sold, generating revenue of approximately RMB4.24 million (equivalent to approximately HK$4.81 million).

The Group anticipates production of about 0.9 mt of raw coal from the North field in 2010. The North field operations are outsourced. The outsourced contractor ("**Contractor**") is responsible for all aspects of the operations including equipment allocation. The Contractor has so far allocated 8 excavators, 24 trucks and 8 drilling machines and 130 personnel for the Group's North field operations. Mengxi Minerals has about 50 personnel on site to administer the sales, oversee the works and management of the mine by the Contractor and construction activities of the Group's underground mine and beneficiation plant as well as to perform all associated accounting and regulatory functions. The Contractor's works and management of the mine is closely supervised by the Group. At present, the Board does not foresee any event which may lead to a suspension or interruption of the Group's coking coal operation resulting in the inability to meet the Group's production target.

The South field is anticipated to start extraction activity in August 2010 with anticipated production of 0.5 mt in 2010. Most of the coal extracted from the North field were sold to a number of local operators in 2009. The Group have secured three one-year supply contracts with local downstream coal operators for 2010. The Group's targeted production for 2010 could be fully taken up pursuant to the three supply contracts.

Further details of the future prospects of Mengxi Minerals are set out under the paragraph headed "Financial and trading prospect" in this appendix.

On 15 October 2009, the Remaining Group executed the MOU in respect of the Proposed Acquisition of Nobel Holdings which is a company engaged in oil and gas exploration and production in Russia and owns all the assets of Nobel Oil in Russia consisting of three producing oil fields. The Group has been informed by Nobel Holdings that since the signing of the MOU, Nobel Holdings has acquired four additional oil fields in Russia. As at the Latest Practicable Date, no formal agreement in relation to the Proposed Acquisition has been entered into. Further announcement(s) will be made if and when definitive documentation regulating the Proposed Acquisition has been entered into by the parties.

The Directors consider the Proposed Acquisition a milestone in implementing the Remaining Group's plan to become a premier global exploration and production energy company listed in Hong Kong.

Charge, contingent liabilities and commitments

The mining license held by Mengxi Minerals in respect of a coal mine in the district of Ordos Inner Mongolia and the equity interests in Mengxi Minerals, a then associate company of the Group, were pledged to a bank to secure the banking facilities granted to Mengxi Minerals. As at 31 October 2009, the Group held 49% equity interest in Mengxi Minerals. Save for the aforesaid, the Remaining Group had not have any commitment and there were no charges on any assets of the Remaining Group as at 31 October 2009.

3. MATERIAL ADVERSE CHANGE

The Directors are not aware of any material adverse change in the financial or trading position of the Group since 31 October 2009, being the date up to which the latest audited financial statements of the Group were made up.

4. INDEBTEDNESS

As at the close of business on 31 January 2010, being the latest practicable date for the purpose of ascertaining the indebtedness of the Group prior to the printing of this circular, the Group had total outstanding borrowings of approximately HK$452.0 million, comprising the Replacement Bonds of approximately HK$223.8 million, amount due to minority shareholders of approximately HK$1.2 million and secured long-term borrowings of approximately HK$227.0 million and which are not guaranteed. The secured long-term borrowing was secured by the mining license held by Mengxi Minerals in respect of a coal mine in the district of Ordos Inner Mongolia and 100% equity shares of Mengxi Minerals. This borrowing is used to finance construction of the underground mine and the benefication plant.

Save as aforesaid and apart from intra-group liabilities and normal trade payables in the ordinary course of the business, as at the close of business on 31 January 2010, the Group did not have other outstanding mortgages, charges, debentures or other loan capital, bank overdrafts or loans, other similar indebtedness, finance lease or hire purchase commitments, liabilities under acceptance or acceptance credits, guarantees or other material contingent liabilities.

5. WORKING CAPITAL

After taking into account the internally generated funds and available banking facilities of the Group, the Directors are of the opinion that, following the completion of the Disposal, the Remaining Group have sufficient working capital to satisfy its present requirement for the next twelve months from the date of this circular.

6. FINANCIAL AND TRADING PROSPECT

Subsequent to Completion, the Remaining Group will be principally engaged in mining, sale and processing of coking coal in the PRC. The Group has also signed the MOU for the Proposed Acquisition to expand into the oil and gas exploration and production business.

(i) Coking coal business

The Group's raw coal production is anticipated to be 1.5 mt, 2.5 mt and 3.0 mt in 2010, 2011 and 2012 respectively.

Construction of the underground mine commenced in October 2009 and is expected to be completed in 2011 at an estimated capital expenditure of RMB480 million. The designed capacity for the underground mine is 1.2 mtpa, however, the Group is working with the design institute to enhance annual production to about 1.6 mtpa. The Group's 1.5 mtpa beneficiation plant is targeted for completion in May of 2010. Capital expenditure for the plant is estimated to be RMB50 million. The Group plans to increase its beneficiation capacity to 3.0 mtpa in 2012 at an additional capex of RMB50 million. The Group's targeted beneficiation yield rate is 45% which is achievable using coal blending in the beneficiation process. Typical unblended beneficiation yield rate in the Ordos/Wuhai region is about 35%.

China Construction Bank has provided a RMB300 million loan to the Group to partially fund the construction of the beneficiation plant and the underground mine. The Group is funding the balance of the capex requirements with its internal resources.

Construction of the 0.96 mtpa coking plant is targeted to commence in 2011. The Group has been granted a license to build and operate a 0.80 mtpa coking plant, however, because of equipment obsolescence and pollution control consideration, only 0.96 mtpa plants are currently being built. Reapplication for the license is an administrative formality and we do not anticipate any difficulty in completing this process. Construction of the coking plant will require 12 months to complete at an anticipated capital expenditure of approximately RMB700 million. We anticipate the majority of the capex will be satisfied from our operating cash flow with the bank providing the remaining capex financing requirement.

The Group's mine, located in the district of Qian Li Gou (千里溝) in Ordos, Inner Mongolia, is one of the thirteen mines in the district. The majority of these mines are not in production because they cannot meet the current minimum 0.6 mtpa production quota in Ordos (the highest minimum production standard to have been introduced in Inner Mongolia to address safety and environmental concerns). The Group's mine, the largest in the district and the only one to be owned by listed company, is favorably received by the local government and we are viewed as the possible white knight that has the financial resources and technical capability to acquire and consolidate these small mines so that they can start producing to provide the necessary economic benefit to the district.

It is well known that the coking coal industry is closely linked to steel production; accordingly, crude steel production forecast is a good barometer of our industry's health. China's steel industry performed exceptionally well during the recent global economic downturn producing YTD 519 mt of crude steel at the end of November 2009 (a 13% YoY increase). An industry insider was quoted as saying China's crude steel output in 2 009 should register a historical high of 570 mt. The expert also predicts China will set yet another new high in 2010 by exceeding the 600 mtpa production ceiling. This sentiment is equally shared by a prominent international bank stating that steel demand growth in China will outpace supply in 2010.

Recently released leading indicators confirmed China's continuing economic vigor:

1. Purchasing Manager Index ("**PMI**") – November PMI came in at 55.2 reinforcing China's return to an expansion track. *(Of note, US PMI and Eurozone PMI have moved above the critical 50 mark (US since July and Eurozone shortly thereafter) signaling a sustained global economic recovery).*

2. China Industrial Production – Up 19.2% YoY in November.

3. Fixed Assets Investment ("**FAI**") – November Chinese FAI registered over 30% YoY growth, with YTD totaling over RMB16.8 trillion, while real estate FAI grew over 17% YoY.

4. Power Consumption – Chinese electricity consumption grew 27% YoY in November to 323 bn KWh.

5. Monthly Auto Production – November auto production was up over 100% YoY.

6. Floor Space ("**FS**") Trends – Floor space under construction (which includes previously stalled projects) grew 39% YoY, while FS started grew 24% YoY in October. FS sold was up 82% YoY, while FS completed was up 28% YoY.

Raw coal and cleaned coking coal are trading around RMB350/tonne and RMB1,000/tonne respectively in the Ordos/Wuhai region while coke is being sold at around RMB1,800/tonne. However, recent market dynamics suggest that coking coal prices in China are on the rise:

1. Citigroup Inc. forecasted a 14% rise in coking coal prices in China in 2010 because of supply deficit.

2. China's coking coal imports rose 12-fold in 2009 as the government closed smaller, unsafe mines. According to Macquarie Securities Group, JPMorgan Chase & Co. and Morgan Stanley, prices may jump by between 23% and 38% in 2010 as global demand rebounds from the deepest recession since the 1930s intensifying global supply shortages. (Macquarie expects in 2010 Japan's coking coal purchases may jump 14% to 58 mt while South Korea's demand may rise 17% to 21 mt.)

3. Industry associations in China's main coking coal producing provinces, including Shanxi and Hebei, have raised benchmark prices for coking coal in December of 2009.

4. China's GDP is forecasted to grow by 10% in 2010 creating continuing pressure on demand for resources.

(ii) Oil and gas business

On 15 October 2009, the Group executed the MOU to acquire the entire interest of Nobel Holdings, details of which are set out in the announcements of the Company dated 15 October 2009 and 28 January 2010 respectively.

As of the date of the MOU, Nobel Holdings, a company engaged in oil and gas exploration and production in Russia, owns all the assets of Nobel Oil in Russia which consists of three producing oil fields (Severo-Kostyukskoye and Yuzhno-Oshskoye oilfields, as well as an oilfield in the Osokinskaya area of Timano-Pechorsky oil and gas region in Komi Republic, Russia). Nobel Oil is a Russian independent oil and gas production company established in 1991. According to the report prepared by an international technical adviser in June 2009, the existing three oil fields have a total 2 P (proven reserve + probable reserve) of 100 million barrels. According to Nobel Holdings, the total production in 2008 was 5.3 million barrels.

The Group has been informed by Nobel Holdings that since the signing of the MOU, Nobel Holdings has acquired four additional oil fields in Russia, three of which are located in Western Siberia and one is located in the Komi Republic. According to Nobel Holdings, the total reserve of the four newly acquired oil fields under Russian standard is around 317 million barrels. Nobel Holdings has engaged an international oil and gas technical company to work on the development and production plan for the four newly acquired oil fields.

Nobel Holdings has appointed two international investment banks as joint financial advisors and an internationally renowned law firm as legal advisor. Nobel Holdings has also arranged for an international accounting firm as its auditor to prepare the audited financial statements of Nobel Holdings under the Hong Kong Financial Reporting Standards.

The Directors consider the Proposed Acquisition a milestone in implementing the Group's plan to become a premier global exploration and production energy company listed in Hong Kong. Nobel Holdings chose to be aligned with the Group because the Company understands their needs and aspirations and the Company understands the Hong Kong capital market. Nobel Holdings needs a partner that can help them maximize their growth potential and the Company believes it has the experience and expertise to do so.

The Group is now unique amongst Hong Kong listed energy companies for the Group is the first to introduce Russian oil and gas asset acquisition opportunity into the Hong Kong capital market. The Proposed Acquisition will provide the necessary credentials and impetus to propel the Group to become an international energy exploration and production player.

As at the Latest Practicable Date, no formal agreement in relation to the Proposed Acquisition has been entered into. Further announcement(s) will be made if and when definitive documentation regulating the Proposed Acquisition has been entered into by the parties.

A. INTRODUCTION TO THE UNAUDITED PRO FORMA FINANCIAL INFORMATION OF THE REMAINING GROUP

The accompanying unaudited pro forma financial information of the Remaining Group has been prepared to illustrate the effect of the proposed deemed disposal of the equity interest in Long Capital Development Limited (the "Disposal") might have affected the financial information of the Group.

The unaudited pro forma consolidated income statement and statement of cash flows of the Remaining Group for the year ended 31 March 2009 are prepared based on the audited consolidated income statement and statement of cash flows of the Group for the year ended 31 March 2009 as extracted from Appendix I as if the Disposal had been completed on 1 April 2008.

The unaudited pro forma consolidated statement of financial position of the Remaining Group as at 31 October 2009 is prepared based on the audited consolidated statement of financial position of the Group as at 31 October 2009 as extracted from Appendix I as if the Disposal had been completed on 31 October 2009.

The unaudited pro forma financial information of the Remaining Group is prepared based on a number of assumptions, estimates, uncertainties and currently available information, and is provided for illustrative purposes only. Accordingly, as a result of the nature of the unaudited pro forma financial information of the Remaining Group, it may not give a true picture of the actual financial position, results of operation or cash flows of the Remaining Group that would have been attained had the Disposal actually occurred on the dates indicated herein. Furthermore, the unaudited pro forma financial information of the Remaining Group does not purport to predict the Remaining Group's future financial position, results of operation or cash flows.

The unaudited pro forma financial information of the Remaining Group should be read in conjunction with the financial information of the Group as set out in Appendix I and other financial information included elsewhere in this circular.

B. UNAUDITED PRO FORMA CONSOLIDATED INCOME STATEMENT OF THE REMAINING GROUP

	The Group	Pro forma adjustments	Notes	The Remaining Group
	HK$	*HK$*	*Notes*	*HK$*
Turnover	51,087,316	(47,529,012)	*1*	3,558,304
Cost of goods sold and services rendered	(14,101,423)	10,867,510	*1*	(3,233,913)
Gross profit	36,985,893			324,391
Other income	81,411,206	(754,105)	*1*	80,657,101
Selling and distribution costs	(1,570,289)	1,561,827	*1*	(8,462)
Administrative and other operating expenses	(62,392,215)	43,710,128	*1*	(18,682,087)
Loss on deemed disposal of a subsidiary	–	(11,337,263)	*2*	(11,337,263)
Profit from operations	54,434,595			50,953,680
Finance costs	(32,754,793)	14,193	*1*	(32,740,600)
Share of losses of an associate	(12,894,394)			(12,894,394)
Profit before tax	8,785,408			5,318,686
Income tax expense	(23,048)	23,048	*1*	–
Profit for the period from continuing operations	8,762,360			5,318,686

C. UNAUDITED PRO FORMA CONSOLIDATED STATEMENT OF FINANCIAL POSITION OF THE REMAINING GROUP

	The Group	Pro forma adjustments	Notes	The Remaining Group
	HK$	*HK$*	*Notes*	*HK$*
Non-current assets				
Fixed assets	1,149,140	(596,943)	*3*	552,197
Goodwill	124,671,293			124,671,293
Intangible assets	10,000,000	(10,000,000)	*3*	–
Investment in an associate	761,401,333			761,401,333
Deferred tax assets	341,501	(341,501)	*3*	–
Other investment	–	10,000,000	*4*	3,877,181
		(6,122,819)	*4*	
	897,563,267			890,502,004
Current assets				
Inventories	321,500	(321,500)	*3*	–
Trade and bills receivables	1,135,352	(908,639)	*3*	226,713
Deposits, prepayments and other receivables	75,252,699	(3,155,596)	*3*	72,097,103
Amount due from a minority shareholder	27,245,760			27,245,760
Pledged bank deposits	1,502,339	(1,502,339)	*3*	–
Bank and cash balances	202,880,793	(10,613,034)	*3*	192,267,759
	308,338,443			291,837,335
Current liabilities				
Trade and bills payables	568,817	(568,817)	*3*	–
Other payables and accruals	6,606,997	(3,127,999)	*3*	16,316,998
		2,838,000	*5*	
		10,000,000	*4*	
Sales deposits received and receipts in advance	3,893,988	(3,893,988)	*3*	–
Amount due to minority shareholders	1,168,733	(1,168,733)	*3*	–
Current tax liabilities	73,184	(73,184)	*3*	–
	12,311,719			16,316,998

	The Group	Pro forma adjustments		The Remaining Group
	HK$	*HK$*	*Notes*	*HK$*
Net current assets	296,026,724			275,520,337
Total assets less current liabilities	1,193,589,991			1,166,022,341
Non-current liabilities				
Loan from a minority shareholder	1,273,875			1,273,875
Convertible bonds	296,939,565			296,939,565
	298,213,440			298,213,440
NET ASSETS	895,376,551			867,808,901
Capital and reserves				
Share capital	18,480,850			18,480,850
Reserves	836,582,917	(5,414,805)	*3*	822,207,293
		(6,122,819)	*6*	
		(2,838,000)	*5*	
Equity attributable to owners of the Company	855,063,767			840,688,143
Minority interests	40,312,784	(13,192,026)	*3*	27,120,758
TOTAL EQUITY	895,376,551			867,808,901

D. UNAUDITED PRO FORMA CONSOLIDATED STATEMENT OF CASH FLOWS OF THE REMAINING GROUP

	The Group	Pro forma adjustments	Notes	The Remaining Group
	HK$	*HK$*		*HK$*
CASH FLOWS FROM OPERATING ACTIVITIES				
Profit before tax	8,785,408	7,870,541	*1*	5,318,686
		(11,337,263)	*2*	
Adjustments for:				
Depreciation	1,582,552	(1,376,142)	*7*	206,410
Gain on disposals of fixed assets	(18,712)	18,712	*7*	–
Equity-settled share-based payments	7,391,463			7,391,463
Impairment loss on intangible assets	8,242,350	(8,242,350)	*7*	–
Finance costs	32,754,793	(14,193)		32,740,600
Interest income	(1,550,570)	175,706		(1,374,864)
Fair value gain on derivative component of convertible bonds	(79,280,875)			(79,280,875)
Share of losses of an associate	12,894,394			12,894,394
Loss on deemed disposal of a subsidiary		11,337,263	*2*	11,337,263
Operating loss before working capital changes	(9,199,197)			(10,766,923)
Decrease in inventories	41,316	(41,316)	*7*	–
Increase in trade and bills receivables	(173,481)	16,376	*7*	(157,105)
Decrease/(increase) in deposits, prepayments and other receivables	338,528	(500,963)	*7*	(162,435)
Decrease in trade and bills payables	(881,933)	821,412	*7*	(60,521)
Increase in other payables and accruals	1,735,529	99,353	*7*	1,834,882
Decrease in sales deposits received and receipts in advance	(616,664)	616,664	*7*	–
Increase in amounts due to former minority shareholders	–	100,000	*7*	100,000
Cash used in operations	(8,755,902)			(9,212,102)
Interest paid	(11,769)	14,193	*7*	2,424
Hong Kong profits tax paid	(424,818)	424,818	*7*	–
Net cash used in operating activities	(9,192,489)			(9,209,678)

	The Group	Pro forma adjustments	Notes	The Remaining Group
	HK$	*HK$*		*HK$*
CASH FLOWS FROM INVESTING ACTIVITIES				
Increase in amount due from a minority shareholder	(27,219,120)			(27,219,120)
Increase in deposits, prepayments and other receivables	(63,225,361)			(63,225,361)
Capital contributions to an associate	(16,800,000)			(16,800,000)
Capital contributions from a minority shareholder	27,300,838			27,300,838
Interest received	1,550,570	(175,706)	7	1,374,864
Purchases of fixed assets	(1,221,347)	337,048	7	(884,299)
Additions of intangible assets	(8,350)	8,350	7	–
Proceeds from disposal of fixed assets	25,000	(25,000)	7	–
Increase in pledged bank deposits	(1,500,485)	1,500,485	7	–
Deemed disposal of a subsidiary	–	(10,024,341)	7	(10,024,341)
Acquisition of subsidiaries	(575,867,854)			(575,867,854)
Net cash used in investing activities	(656,966,109)			(665,345,273)
CASH FLOWS FROM FINANCING ACTIVITIES				
Repayment to minority shareholders	(133,226)			(133,226)
Placing fees paid	(15,000,000)			(15,000,000)
Proceeds from convertible bonds	600,000,000			600,000,000
Net cash generated from financing activities	584,866,774			584,866,774
NET DECREASE IN CASH AND CASH EQUIVALENTS	(81,291,824)			(89,688,177)
EFFECT OF FOREIGN EXCHANGE RATE CHANGES	(273,060)			(273,060)
	(81,564,884)			(89,961,237)
CASH AND CASH EQUIVALENTS AT BEGINNING OF PERIOD	119,211,934			119,211,934
CASH AND CASH EQUIVALENTS AT END OF PERIOD	37,647,050			29,250,697
ANALYSIS OF CASH AND CASH EQUIVALENTS				
Bank and cash balances	37,647,050			29,250,697

E. NOTES TO THE UNAUDITED PRO FORMA FINANCIAL INFORMATION OF THE REMAINING GROUP

1. The adjustments represent the exclusion of the consolidated operating results of Long Capital Development Limited for the year ended 31 March 2009 as if the Disposal had been completed on 1 April 2008.

2. The adjustments represent the loss on Disposal being the aggregate of the estimated expenses related to Disposal of approximately HK$2,838,000 and the net asset value of Long Capital Development Limited and its subsidiary as at 1 April 2008 of HK$8,499,263 disposed of.

3. The adjustments represent the exclusion of the net assets of Long Capital Development Limited and its subsidiary of HK$18,606,831 as at 31 October 2009 as if the Disposal had been completed on 31 October 2009.

   The adjustments represent the exclusion of the reserves of Long Capital Development Limited and its subsidiary attributed to the Group of HK$5,414,805 since Long Capital Development Limited and its subsidiary acquired by the Group and the minority interests of Long Capital Development Limited of HK$13,192,026 as at 31 October 2009 as if the Disposal had been completed on 31 October 2009.

4. The adjustment represents the investment cost in Long Capital Development Limited of HK$10,000,000 less the impairment loss of HK$6,122,819 as at 31 October 2009 as if the Disposal had been completed on 31 October 2009.

5. The adjustment represents the estimated expenses related to Disposal of approximately HK$2,838,000 as at 31 October 2009 as if the Disposal had been completed on 31 October 2009.

6. The adjustment represents the loss on Disposal being the net asset value of Long Capital Development Limited and its subsidiary as at 31 October 2009 of HK$6,122,819 disposed of.

7. The adjustments represent the exclusion of the cash flows of Long Capital Development Limited and its subsidiary for the year ended 31 March 2009 as if the Disposal had been completed on 1 April 2008.

F. ACCOUNTANTS' REPORT ON UNAUDITED PRO FORMA FINANCIAL INFORMATION

The following is the text of a report, prepared for the sole purpose of inclusion in this circular, from the independent reporting accountants, RSM Nelson Wheeler, Certified Public Accountants, Hong Kong.

RSM Nelson Wheeler
中瑞岳華(香港)會計師事務所
Certified Public Accountants

29th Floor
Caroline Centre
Lee Gardens Two
28 Yun Ping Road
Hong Kong

12 March 2010

The Board of Directors
Kaisun Energy Group Limited

Dear Sirs,

We report on the unaudited pro forma financial information of Kaisun Energy Group Limited (the "Company") and its subsidiaries (hereinafter collectively referred to as the "Group"), which has been prepared by the directors of the Company, for illustrative purposes only, to provide information about how the proposed deemed disposal of the equity interest in Long Capital Development Limited might have affected the financial information of the Group presented, for inclusion in Appendix II to the circular of the Company dated 12 March 2010 (the "Circular"). The basis of preparation of the unaudited pro forma financial information is set out on page 106 to the Circular.

Respective Responsibilities of Directors of the Company and Reporting Accountants

It is the responsibilities solely of the directors of the Company to prepare the unaudited pro forma financial information in accordance with paragraph 31 of Chapter 7 of the Rules Governing the Listing of Securities on the Growth Enterprise Market of The Stock Exchange of Hong Kong Limited (the "GEM Listing Rules") and with reference to Accounting Guideline 7 "Preparation of Pro Forma Financial Information for Inclusion in Investment Circulars" issued by the Hong Kong Institute of Certified Public Accountants (the "HKICPA").

It is our responsibility to form an opinion, as required by paragraph 31(7) of Chapter 7 of the GEM Listing Rules, on the unaudited pro forma financial information and to report our opinion to you. We do not accept any responsibility for any reports previously given by us on any financial information used in the compilation of the unaudited pro forma financial information beyond that owed to those to whom those reports were addressed by us at the dates of their issue.

Basis of opinion

We conducted our engagement in accordance with Hong Kong Standard on Investment Circular Reporting Engagements 300 "Accountants' Reports on Pro Forma Financial Information in Investment Circulars" issued by the HKICPA. Our work consisted primarily of comparing the unadjusted financial information with source documents, considering the evidence supporting the adjustments and discussing the unaudited pro forma financial information with the directors of the Company. The engagement did not involve independent examination of any of the underlying financial information.

We planned and performed our work so as to obtain the information and explanations we considered necessary in order to provide us with sufficient evidence to give reasonable assurance that the unaudited pro forma financial information has been properly compiled by the directors of the Company on the basis stated, that such basis is consistent with the accounting policies of the Group and that the adjustments are appropriate for the purposes of the unaudited pro forma financial information as disclosed pursuant to paragraph 31(1) of Chapter 7 of the GEM Listing Rules.

The unaudited pro forma financial information is for illustrative purposes only, based on the judgements and assumptions of the directors of the Company, and, because of its hypothetical nature, does not provide any assurance or indication that any event will take place in the future and may not be indicative of:

- the financial position of the Group as at 31 October 2009 or any future date; or
- the results and cash flows of the Group for the year ended 31 March 2009 or any future periods.

Opinion

In our opinion:

(a) the unaudited pro forma financial information has been properly compiled by the directors of the Company on the basis stated;

(b) such basis is consistent with the accounting policies of the Group; and

(c) the adjustments are appropriate for the purposes of the unaudited pro forma financial information as disclosed pursuant to paragraph 31(1) of Chapter 7 of the GEM Listing Rules.

Yours faithfully,

RSM Nelson Wheeler
Certified Public Accountants
Hong Kong

1. RESPONSIBILITY STATEMENT

This circular, for which the Directors collectively and individually accept full responsibility, includes particulars given in compliance with the GEM Listing Rules for the purpose of giving information with regard to the issuer. The Directors, having made all reasonable enquiries, confirm that, to the best of their knowledge and belief:

(a) the information contained in this circular is accurate and complete in all material respects and not misleading;

(b) there are no other matters the omission of which would make any statement in this circular misleading; and

(c) all opinions expressed in this circular have been arrived at after due and careful consideration and are founded on bases and assumptions that are fair and reasonable.

2. INTERESTS AND SHORT POSITIONS OF DIRECTORS AND CHIEF EXECUTIVE IN THE SHARE CAPITAL OF THE COMPANY

As at the Latest Practicable Date, the interests or short position in the Shares, underlying Shares and debentures of the Company or any of its associated corporations (within the meaning of Part XV of the SFO) held by the Directors or chief executive of the Company which is required to be notified to the Company and the Stock Exchange pursuant to Divisions 7 and 8 of Part XV of the SFO (including interests and short positions which they were taken or deemed to have under such provisions of the SFO), or any interests required to be entered in the register maintained in accordance with Section 352 of the SFO, or as otherwise required to be notified to the Company and the Stock Exchange pursuant to Rules 5.46 to 5.67 of the GEM Listing Rules relating to securities transactions by Directors are as follow:

Long positions in Shares and underlying Shares

Name of Directors	Capacity and nature of interest	Number of Shares	Number of underlying Shares *(Note 1)*	Approximate percentage of the total issued Shares as at Latest Practicable Date
Chan Nap Kee, Joseph	Beneficial owner	200,000	24,981,750	1.26%
Yeap Soon P, Jonathan	Beneficial owner	300,000	7,700,000	0.40%
Chow Pok Yu, Augustine	Beneficial owner	700,000	4,925,000	0.28%
Liew Swee Yean	Beneficial owner	540,000	–	0.03%
Siu Siu Ling, Robert	Beneficial owner	540,000	–	0.03%
Wong Yun Kuen	Beneficial owner	–	540,000	0.03%
Yang Geyan *(Note 2)*	Beneficial owner/interest of a controlled corporation	118,345,000	–	5.90%
Yang Yongcheng	Beneficial owner	–	4,925,000	0.25%
Anderson Brian Ralph	Beneficial owner	–	1,200,000	0.06%

Notes:

1. The long position in the underlying Shares mentioned above represent the Shares to be issued and allotted upon the exercise in full of the options granted by the Company to the above mentioned Directors pursuant to the Share Option Scheme.

2. Zhong Well Enterprises Limited is wholly-owned by Yang Geyan who is deemed to be interested in the 103,620,000 Shares held by Zhong Well Enterprises Limited under the SFO.

Save as disclosed above, as at the Latest Practicable Date, none of the Directors or chief executive of the Company had any interest or short position in any Shares, underlying Shares and debentures of the Company or any of its associated corporations (as defined in Part XV of the Ordinance) which is required to be notified to the Company and the Stock Exchange pursuant to Divisions 7 and 8 of Part XV of the SFO (including interests and short positions which they were taken or deemed to have under such provisions of the SFO), or any interests required to be entered in the register maintained in accordance with Section 352 of the SFO, or as otherwise required to be notified to the Company and the Stock Exchange pursuant to Rules 5.46 to 5.67 of the GEM Listing Rules relating to securities transactions by Directors.

3. INTERESTS AND SHORT POSITIONS OF SUBSTANTIAL SHAREHOLDERS IN SHARES AND UNDERLYING SHARES

(a) As at the Latest Practicable Date, the register of substantial shareholders maintained by the company pursuant to Section 336 of the SFO shows that other than the interest disclosed above in respect of the Directors, the following shareholders had notified the Company of relevant interests and short positions in the Shares and underlying Shares:

Long positions in Shares and underlying Shares

Name of Shareholders	Capacity and nature of interest	Number of Shares	Number of underlying Shares *(Note 6)*	Total Interest	Approximate percentage of the total issued Shares as at the Latest Practicable Date
Substantial shareholders					
Mak Siu Hang, Viola	Interest of a controlled corporation	160,040,000	78,100,000	238,140,000 *(Note 1)*	11.87%
VMS Investment Group Limited	Beneficial owner	160,040,000	78,100,000	238,140,000 *(Note 1)*	11.87%
Zhang Zhi Ping	Interest of controlled corporations	215,640,000	314,820,000	530,460,000 *(Note 2)*	26.45%
Zhang Gaobo	Interest of controlled corporations	215,640,000	314,820,000	530,460,000 *(Note 2)*	26.45%
Oriental Patron Financial Group Limited ("**OPFGL**")	Interest of controlled corporations	215,640,000	314,820,000	530,460,000 *(Note 2)*	26.45%
OP Financial Investments Limited ("**OPFIL**")	Interest of a controlled corporation	129,260,000	206,280,000	335,540,000 *(Note 2)*	16.73%
Profit Raider Investments Limited ("**PRIL**")	Beneficial owner	129,260,000	206,280,000	335,540,000 *(Note 2)*	16.73%

Other persons who had interests in the Shares and underlying Shares

Oriental Patron Financial Services Group Limited ("**OPFSGL**")	Interest of a controlled corporation	86,380,000	108,540,000	194,920,000 *(Note 2)*	9.72%
Pacific Top Holding Limited ("**PTHL**")	Beneficial owner	86,380,000	108,540,000	194,920,000 (Note 2)	9.72%
Yang Geyan	Beneficial owner/ Interest of a controlled corporation	118,345,000	–	118,345,000 *(Note 3)*	5.90%
Zhong Well Enterprises Limited	Beneficial owner	103,620,000	–	103,620,000 *(Note 3)*	5.17%
Hung Shui Chak	Beneficial owner/ Interest of a controlled corporation	113,615,000	–	113,615,000 *(Note 4)*	5.66%
Dragonfair International Limited	Beneficial owner	103,390,000	–	103,390,000 *(Note 4)*	5.15%
GEM Global Yield Fund Limited ("**GEM Global**")	Beneficial owner/ Interest of a controlled corporation	230,000,000	791,000,000	1,021,000,000 *(Note 5)*	50.91%

Notes:

1. VMS Investment Group Limited is wholly-owned by Mak Siu Hang, Viola, who is deemed to be interested in the 160,040,000 Shares and 78,100,000 underlying Shares held by VMS Investment Group Limited under the SFO.

2. OPFGL holds 215,640,000 Shares and 314,820,000 underlying Shares. OPFGL is 51% owned by Zhang Zhi Ping and is 49% owned by Zhang Gaobo.

   Of these 215,640,000 Shares and 314,820,000 underlying Shares of the Company, 86,380,000 Shares and 108,540,000 underlying Shares are held by PTHL. PTHL is wholly owned by OPFSGL, OPFSGL is 95% held by OPGFL. Zhang Zhi Ping, Zhang Gaobo, OPFGL and OPFSGL are deemed to be interested in the interests held by PTHL under the SFO.

   Of these 215,640,000 Shares and 314,490,000 underlying Shares, 129,260,000 Shares and 206,280,000 underlying Shares are held by PRIL. PRIL is wholly owned by OPFIL, OPFIL is 42.07% held by Ottness Investments Limited ("**OIL**"). Zhang Zhi Ping, Zhang Gaobo, OPFGL, OIL and OPFIL are deemed to be interested in the interests held by PRIL under the SFO.

3. Zhong Well Enterprises Limited is wholly-owned by Yang Geyan who is deemed to be interested in the 103,620,000 Shares held by Zhong Well Enterprises Limited under the SFO.

4. Dragonfair International Limited is wholly-owned by Hung Shui Chak who is deemed to be interested in the 103,390,000 Shares held by Dragonfair International Limited under the SFO.

5. These 1,021,000,000 Shares and underlying Shares represent the aggregate of: (i) the 230,000,000 Shares held by Grand Pacific Source Limited ("**Grand Pacific**"), which was a wholly-owned subsidiary of GEM Global; and (ii) 170,000,000 underlying Shares held by Grand Pacific and 621,000,000 underlying Shares held by GEM Global. Accordingly, GEM Global is deemed to be interested in those Shares and underlying Shares held by Grand Pacific under the SFO.

   The Directors are unable to ascertain the interests of GEM Global as at the Latest Practicable Date, and confirm whether the interests of GEM Global as at the Latest Practicable Date, have been accurately shown. The interest of GEM Global as shown was disclosed in the corporate substantial notice of GEM Global filed on 3 April 2008 and recorded in the register of substantial shareholders maintained by the Company under Section 336 of the SFO. As set out in the Company's announcement dated 3 June 2008, the Company received default notification from GEM Global in relation to HK$540 Million Placing Convertible Bonds (as defined in such announcement). Theoretically, the interests of GEM Global should have decreased and updated corporate substantial notice should have been filed with the Company and the Stock Exchange by GEM Global as a result of such default. In addition to the default of the Placing Convertible Bonds mentioned above, as set out in the Company's announcements dated 3 June 2008 and 11 June 2008, on 10 June 2008, 230 million Consideration Shares (as defined in such announcements) were allotted and issued to Grand Pacific, the entire equity interests of which were acquired by Glimmer Stone Investments Limited ("**Glimmer**") from GEM Global on the same day, and 60 million Consideration Shares were transferred from Grand Pacific to GEM Global as consideration for such acquisition. Theoretically, the interests of GEM Global should have decreased and updated corporate substantial notice should have been filed with the Company and the Stock Exchange by GEM Global as a result of the acquisition of Grand Pacific by Glimmer mentioned above. The Company has not received any updated corporate substantial notice of GEM Global after 3 April 2008. However, the Directors cannot exclude the possibility that GEM Global may have acquired or disposed of any interests in shares or underlying shares of the Company after the above announcements.

   The Directors are also unable to ascertain the shareholding of GEM Global from the register of members of the Company as the information contained therein may not reflect the actual beneficial shareholdings of the shareholders (i.e. the registered shareholders may be have trustee or holding some shares of the Company on behalf of the others and this kind of interest is not required to be disclosed under the SFO).

6. The long positions in underlying Shares mentioned above represent the interests held by such Bondholders as at the Latest Practicable Date in the convertible bonds in the principal amount of HK$273,330,000 convertible into 392,920,000 new Shares issued by the Company on and subject to the terms of the Variation Agreement.

Save as disclosed above, the Directors were not aware of any other person (other than the Directors and the chief executives of the Company) who, as at the Latest Practicable Date, had, or was deemed to have, interests or short positions in the Shares or underlying Shares, which would fall to be disclosed to the Company and the Stock Exchange under the provisions of Divisions 2 & 3 of Part XV of the SFO.

(b) As at the Latest Practicable Date, Zhong Well Enterprises Limited had interest in the Shares which would fall to be disclosed to the Company under the provisions of Divisions 2 and 3 of Part XV of the SFO. As at the Latest Practicable Date, Yang Geyan is a director of Zhong Well Enterprises Limited.

4. SERVICE AGREEMENT

Mr. Yeap Soon P, Jonathan has entered into a director's service agreement with the Company commencing on 10 June 2008 for a term of three years. Mr. Yeap is entitled to Director's remuneration together with housing allowance of HK$4,200,000 per annum together with other benefits as determined by the remuneration committee of the Company and subject to Shareholders' approval with reference to his duties and responsibilities with the Company's performance and the prevailing market situation and the Company's remuneration policy.

Save as disclosed, as at the Latest Practicable Date, none of the Directors had entered or proposed to enter into a service agreement with any member of the Group (excluding contracts expiring or determinable by the employer within one year without payment of compensation (other than statutory compensation)).

5. INTEREST IN ASSETS

As at the Latest Practicable Date, save for the agreements set out below, none of the Directors had any interest, direct or indirect, in any asset which had been since 31 October 2009, being the date to which the latest published audited financial statements of the Group were made up, acquired or disposed of by or leased to any member of the Group or are proposed to be acquired or disposed of by or leased to any member of the Group:

(a) the supply agreement dated 1 February 2008 entered into between Mengxi Minerals and Mengxi Chemical, pursuant to which Mengxi Minerals shall supply (on an exclusive basis) and Mengxi Chemical shall purchase the raw coal extracted by Mengxi Minerals from the mine located in the district of Qian Li Gou (千里溝) in Ordos, Inner Mongolia, the mining rights of which is owned by Mengxi Minerals, and all related coal products and derivative products (collectively, "**Raw Coal**"). Details of the supply agreement are set out in the Company's circular dated 30 April 2008. Mr. Yang Geyan, an executive Director, was a controlling shareholder of上海意歐汽車銷售有限公司(Shanghai Yiou Auto Sales Limited) ("**Yiou Auto**"), which in turn held 21% equity interest in Mengxi Minerals until completion of the 2009 Mengxi Minerals Agreement (as defined in paragraph (b) below) on 10 December 2009, details of which are set out in the circular and announcement of the Company dated 17 August 2009 and 15 December 2009 respectively. With the written consent of Mengxi Chemical, during the period from 31 October 2009 (being the date to which the latest published audited accounts of the Group were made up) up to 10 December 2009, about 18,495 tonnes of Raw Coal were sold by Mengxi Minerals to local coal operators in accordance with the terms of the supply agreement, generating revenue of approximately RMB1.73 million (equivalent to approximately HK$1.96 million).

(b) the sale and purchase agreement dated 7 July 2009 ("**2009 Mengxi Minerals Agreement**") entered into between Joy Harvest Holdings Limited ("**Joy Harvest**"), an indirect wholly owned subsidiary of the Company, and Yiou Auto in relation to the acquisition of 21% equity interest of Mengxi Minerals by Joy Harvest from Yiou Auto for a total cash consideration of RMB16.80 million (equivalent to approximately HK$19.07 million). The acquisition was completed on 10 December 2009. Mr. Yang Geyan, an executive Director, was a controlling shareholder of Yiou Auto. Details of the agreement are set out in the circular of the Company dated 17 August 2009;

(c) the Variation Agreement. As at the date of the Variation Agreement, Mr. Chan Nap Kee, Joseph was a director of Glimmer and Grand Pacific and a director of an associate of PTHL; and Mr. Yang Geyan was a substantial shareholder of Glimmer and Grand Pacific.

6. MATERIAL INTEREST IN CONTRACTS

As at the Latest Practicable Date, save for the agreements set out under the paragraph headed "Interest in assets" in this appendix, none of the Directors was materially interested in any contracts or arrangement subsisting as at the Latest Practicable Date which was significant in relation to the business of the Group.

7. COMPETING INTEREST

As at the Latest Practicable Date, none of the Directors or their respective associates had any interest in any business apart from the Company's business which competes or is likely to compete, either directly or indirectly, with the Company's business.

8. LITIGATION

As at the Latest Practicable Date, no member of the Group was engaged in any litigation or claims of material importance and no litigation or claim of material importance is known to the Directors to be pending or threatened by or against any member of the Group.

9. EXPERT AND CONSENT

(a) The following are the qualifications of the experts who have given their opinions and advice which are included in this circular:

Name	**Qualification**
RSM Nelson Wheeler	Certified Public Accountants

(b) As at the Latest Practicable Date, RSM Nelson Wheeler did not have any shareholding, directly or indirectly, in any member of the Group or any right (whether legally enforceable or not) to subscribe for or to nominate persons to subscribe for securities in any member of the Group.

(c) RSM Nelson Wheeler has given and has not withdrawn its written consent to the issue of this circular, with the inclusion of the references to its name and/or its report in the form and context in which they are included.

(d) As at the Latest Practicable Date, RSM Nelson Wheeler did not have any direct or indirect interest in any asset which had been acquired, or disposed of by, or leased to any member of the Group, or was proposed to be acquired, or disposed of by, or leased to any member of the Group since 31 October 2009, the date to which the latest published audited financial statements of the Group were made up.

10. MATERIAL CONTRACTS

The following contracts, not being contracts entered into in the ordinary course of business, were entered into by the Group within the two years immediately preceding the Latest Practicable Date and are or may be material:

(a) the sale and purchase agreement dated 1 February 2008 and entered into among Coastal Kingfold Finance Limited (a wholly owned subsidiary of the Company) as purchaser, Grand Pacific as vendor and GEM Global as guarantor of Grand Pacific (as amended and supplemented by the supplemental agreement dated 25 April 2008) in relation to the acquisition (i) of 50,000 shares of US$1.00 each in the issued share capital of Imare Company Limited ("**Imare**"), representing the entire issued share capital of Imare, and (ii) the aggregate amount of all advances, loans and indebtedness which shall remain due or owing from Joy Harvest to Grand Pacific as at the date of completion of the acquisition, for an aggregate consideration of up to HK$900 million. Details of the agreement are set out in the Company's circular dated 30 April 2008;

(b) the conditional convertible bonds placing agreement dated 1 February 2008 entered into between the Company and Oriental Patron Asia Limited (as amended and supplemented by the supplemental agreement dated 25 April 2008) in relation to the placing by Oriental Patron Asia Limited, on a best effort basis, of the Convertible Bonds with an aggregate principal amount of up to HK$750 million. Details of the agreement are set out in the Company's circular dated 30 April 2008;

(c) the conditional placing agreement dated 1 February 2008 entered into between the Company and Oriental Patron Asia Limited (as amended and supplemented by the supplemental agreement dated as of 25 April 2008) in relation to the placing by Oriental Patron Asia Limited, on a best effort basis, of up to 108 million new Shares at a price of HK$0.80 per Share. Details of the agreement are set out in the Company's circular dated 30 April 2008;

(d) the agreement dated 26 March 2008 (as amended and supplemented by the supplemental agreement dated 25 April 2008) entered into by the Company and GEM Global in relation to the conditional subscription by GEM Global of the Convertible Bonds in the aggregate principal amount of HK$540 million. Details of the agreement are set out in the Company's circular dated 30 April 2008;

(e) the agreement dated 3 June 2008 entered into between the Company and Glimmer in relation to the conditional subscription by Glimmer of the Convertible Bonds in the aggregate principal amount of HK$600 million. Details of the agreement are set out in the Company's announcement dated 3 June 2008;

(f) the 2009 Mengxi Minerals Agreement;

(g) the Variation Agreement;

(h) the conditional placing agreement dated 14 August 2009 entered into between the Company and Kingston Securities Limited in relation to the placing by Kingston Securities Limited, on a fully underwritten basis, of 240 million new Shares at a price of HK$0.70 per Share. Details of the agreement are set out in the Company's announcement dated 14 August 2009;

(i) the agreement dated 27 November 2009 and entered into between Time Creation Group Limited (a wholly owned subsidiary of the Company) as vendor and Mr. Wong Kwan Sham as purchaser for the sale and purchase of the 5,100 shares of nominal value HK$1 each in the issued capital of Global On-Line Distribution Limited, being 51% of the entire issued capital of Global On-Line Distribution Limited, at a consideration of HK$250,000. Details of the agreement are set out in the Company's announcement dated 30 November 2009; and

(j) the Agreement.

11. GENERAL

(a) The registered office of the Company is located at Cricket Square, Hutchins Drive, P.O. Box 2681, Grand Cayman KY1-1111, Cayman Islands.

(b) The head office and principal place of business of the Company in Hong Kong is at 5/F, 31C-D Wyndham Street, Central, Hong Kong.

(c) The company secretary of the Company is Mr. Leung Lit For. He is an associate member of the Hong Kong Institute of Certified Public Accountants and the Association of Chartered Certified Accountants, United Kingdom. Mr. Leung has over 20 years of experience in auditing, accounting and financial management.

(d) The compliance officer of the Company is Dr. Chow Pok Yu, Augustine, an executive Director. Dr. Chow holds professional membership in the Institute of Financial Accountants (UK) and Hong Kong Securities Institute and has vast experience in managing public listed companies.

(e) The Company has established an audit committee on 9 December 2003 with written terms of reference in compliance with Rules 5.28 to 5.33 of the GEM Listing Rules. The primary duties of the audit committee are to review and supervise the financial reporting process and internal control system of the Group. The audit committee comprises four independent non-executive Directors, namely Mr. Liew Swee Yean, Mr. Siu Siu Ling, Robert, Dr. Wong Yun Kuen and Mr. Anderson Brian Ralph. Mr. Liew Swee Yean is the chairman of the audit committee.

Mr. Liew Swee Yean joined the Group in November 2006. Mr. Liew is a fellow member of the Association of Chartered Certified Accountants and the Hong Kong Institute of Certified Public Accountants. Mr. Liew holds a Master of Business Administration (Executive) Degree from the City University of Hong Kong. He is an independent non-executive director of Siberian Mining Group Company Limited, a company listed on the main board of the Stock Exchange and has been an independent non-executive director of Byford International Limited, a company listed on the GEM of the Stock Exchange from 28 March 2006 to 7 September 2007. Mr. Liew is also an executive director of Autism Recovery Network Limited and a director of business development of eBroker Systems Limited.

Mr. Siu Siu Ling, Robert joined the Group in December 2002 and is a partner of the firm Messrs. Robert Siu & Co., Solicitors. Mr. Siu has been an executive director of Maxx Bioscience Holdings Limited until 28 June 2006 and is now an independent non-executive director of Incutech Investments Limited, both of which are listed on the Main Board of the Stock Exchange. Mr. Siu holds a bachelor degree in laws and a postgraduate certificate in laws. He has been a solicitor of Hong Kong since 1992 and has been admitted as solicitor of England and Wales since 1993. His practice is mainly in the field of commercial and corporate finance.

Dr. Wong Yun Kuen joined the Group in September 2004. He holds a Ph.D. degree from Harvard University and was the "Distinguished Visiting Scholar" at Wharton School of the University of Pennsylvania. Dr. Wong has worked in the financial industries in the United States and Hong Kong for many years, and has over 10 years of experience in corporate finance, investment and derivative products. He is a member of Hong Kong Securities Institute. Dr. Wong is an executive director of UBA Investments Limited, and an independent non-executive director of Grand Field Group Holdings Limited, Harmony Asset Limited, Golden Resorts Group Limited, Bauhaus International (Holdings) Limited, Superb Summit International Timber Company Limited (formerly known as Tak Shun Technology Group Limited), Kong Sun Holdings Limited, Climax International Company Limited, China Yunnan Tin Minerals Group Company Limited and Hua Yi Copper Holdings Limited. All the aforesaid companies are listed on the main board of the Stock Exchange. Dr. Wong is also an independent non-executive director of China E-Learning Group Limited, a company listed on GEM.

Mr. Anderson Brian Ralph was appointed as an independent non-executive Director on 23 January 2009. Mr. Anderson holds a Bachelor of Science Degree in Metaliferous Mining Engineering from the Camborne School of Mines, the University of Exeter and a Master of Science Degree in Petroleum Reservoir Engineering from the University of London. Mr. Anderson has more than 30 years of experience in mining and resources industries.

(f) The branch share registrar and transfer office of the Company is Computershare Hong Kong Investor Services Limited at Shops 1712-1716, 17th Floor, Hopewell Centre, 183 Queen's Road East, Wanchai, Hong Kong.

(g) In the event of inconsistency, the English text of this circular shall prevail over the Chinese text.

12. DOCUMENTS AVAILABLE FOR INSPECTION

Copy of each of the following documents will be available for inspection at the head office and principal place of business in Hong Kong of the Company at 5/F, 31C-D Wyndham Street, Central, Hong Kong during normal business hours from the date of this circular up to and including the date of the EGM:

(a) the memorandum and articles of association of the Company;

(b) the annual reports of the Company for each of the two years ended 31 March 2009;

(c) the accountants' report of the Group, the text of which is set out in Appendix I to this circular;

(d) the unaudited pro forma financial information of the Remaining Group, the text of which is set out in Appendix II to this circular;

(e) the letter from RSM Nelson Wheeler setting out their opinions on the unaudited pro forma financial information of the Remaining Group, the text of which is set out in Appendix II to this circular;

(f) the material contracts referred to in the paragraph headed "Material Contracts" in this appendix;

(g) the written consents referred to in the paragraph headed "Experts and Consents" in this appendix; and

(h) the circulars of the Company issued pursuant to the requirements set out in Chapters 19 and/or 20 of the GEM Listing Rules since 31 March 2009.

KAISUN ENERGY GROUP LIMITED
凱順能源集團有限公司*

(incorporated in the Cayman Islands with limited liability)
(Stock Code: 8203)

NOTICE IS HEREBY GIVEN THAT the extraordinary general meeting of Kaisun Energy Group Limited (the "**Company**") will be held at 27th Floor, Two Exchange Square, 8 Connaught Place, Central, Hong Kong, on Tuesday, 30 March 2010 at 10:30 a.m. for the purpose of considering and, if thought fit, passing, with or without modification, the following resolution as an ordinary resolution of the Company:

Ordinary Resolution

"**THAT**:

(a) the conditional subscription agreement dated 8 February 2010 (the "**Agreement**", copy of which has been produced to the meeting marked "A" and signed by the Chairman of the meeting for the purpose of identification) entered into between Long Capital Development Limited ("**Long Capital**"), an indirect 51% owned subsidiary of the Company, and Dayrich Group Limited ("**Dayrich**") in relation to the subscription of 25,000 new shares of US$1.00 each in the capital of Long Capital by Dayrich at a consideration of HK$4,500,000, as set out in the circular (the "**Circular**") of the Company dated 12 March 2010 (copy of which has been produced to the meeting marked "B" and signed by the chairman of the meeting for the purpose of identification) and all the transactions contemplated thereby be and they are hereby approved; and

(b) the directors of the Company (the "**Directors**") (or a duly authorised committee thereof) be and they are hereby authorised to do all such acts and things, to sign and execute all such further documents and to take such steps which, in the opinion of the Directors (or a duly authorised committee thereof), are necessary, appropriate, desirable or expedient to give effect to or implement the terms of the Agreement or any of the transactions contemplated thereunder and to agree to such variation, amendments or waiver of matters relating thereto as are, in the opinion of the Directors (or a duly authorised committee hereof), in the interests of the Company."

By Order of the Board
LEUNG Lit For
Secretary

12 March 2010

Notes:

1. Any member of the Company entitled to attend and vote at the meeting is entitled to appoint one or more proxies to attend and vote in his stead. A proxy need not be a member of the Company.

2. To be valid, the proxy form, together with any power of attorney or other authority (if any) under which it is signed, or a certified copy thereof, must be deposited with the Hong Kong branch share registrars of the Company, Computershare Hong Kong Investor Services Limited, at Shops 1712-1716, 17th Floor, Hopewell Centre, 183 Queen's Road East, Wan Chai, Hong Kong not less than 48 hours before the time appointed for holding the meeting or any adjournment thereof.

3. As of the date of this notice, the executive Directors of Kaisun Energy Group Limited are Mr. Chan Nap Kee Joseph, Mr. Yeap Soon P Jonathan, Dr. Chow Pok Yu Augustine, Mr. Yang Geyan and Mr. Yang Yongcheng and the independent non-executive Directors are Mr. Liew Swee Yean, Mr. Siu Siu Ling Robert, Dr. Wong Yun Kuen and Mr. Anderson Brian Ralph.

* *For identification purpose only*