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

(Formerly known as CHALLENGER GROUP HOLDINGS LIMITED 挑戰者集團控股有限公司)
(Incorporated in the Cayman Islands with limited liability)

Stock Code: 8203

ANNUAL REPORT 2009

* For identification purpose only

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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.

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This report, for which the directors (the "Directors") of Kaisun Energy Group Limited (the "Company") collectively and individually accept full responsibility, includes particulars given in compliance with the Rules Governing the Listing of Securities on the GEM ("GEM Listing Rules") for the purpose of giving information with regard to the Company. The Directors, having made all reasonable enquiries, confirm that, to the best of their knowledge and belief:– (1) the information contained in this report is accurate and complete in all material respects and not misleading; (2) there are no other matters the omission of which would make any statement in this report misleading; and (3) all opinions expressed in this report have been arrived at after due and careful consideration and are founded on bases and assumptions that are fair and reasonable.

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CORPORATE INFORMATION

BOARD OF DIRECTORS

Executive Directors

Mr. Chan Nap Kee, Joseph *(Chairman)*
Mr. Yeap Soon P, Jonathan *(Chief Executive Officer)*
Dr. Chow Pok Yu, Augustine
Mr. Wu Kam Hung
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

COMPANY SECRETARY

Mr. Leung Lit For

AUDIT COMMITTEE

Mr. Liew Swee Yean *(Committee Chairman)*
Mr. Siu Siu Ling, Robert
Dr. Wong Yun Kuen
Mr. Anderson Brian Ralph

REMUNERATION COMMITTEE

Dr. Wong Yun Kuen *(Committee Chairman)*
Mr. Chan Nap Kee, Joseph
Mr. Wu Kam Hung
Mr. Liew Swee Yean
Mr. Siu Siu Ling, Robert
Mr. Anderson Brian Ralph

AUTHORISED REPRESENTATIVES

Mr. Chan Nap Kee, Joseph
Mr. Wu Kam Hung

AUDITORS

RSM Nelson Wheeler

COMPLIANCE OFFICER

Mr. Wu Kam Hung

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

HONG KONG BRANCH SHARE REGISTRAR AND TRANSFER OFFICE

Computershare Hong Kong Investor Services Limited
46th Floor
Hopewell Centre
183 Queen's Road East
Wanchai
Hong Kong

PRINCIPAL BANKERS

Hang Seng Bank Limited
Wing Hang Bank Limited
Bank of Communications Co., Limited
China Merchants Bank
China Construction Bank
Bank of China
Bank of Agriculture
Ordos City Commercial Bank

WEBSITE

www.8203.com.hk

STOCK CODE

8203

FINANCIAL HIGHLIGHTS

A summary of the results and of the assets and liabilities of the Group for each of the last five financial years is set out as below:

RESULTS

	Year ended 31 March				
	2009	2008	2007	2006	2005
	HK$'000	HK$'000	HK$'000	HK$'000	HK$'000
Turnover	**51,087**	304,630	299,298	252,033	161,635
Profit before tax	**8,785**	70,635	15,943	20,971	3,052
Income tax (expense)/credit	**(23)**	(531)	(69)	(23)	55
Less: Profit attributable to minority interests	**(53)**	(993)	–	–	–
Profit attributable to equity holders	**8,709**	69,111	15,874	20,948	3,107

ASSETS AND LIABILITIES

	As at 31 March				
	2009	2008	2007	2006	2005
	HK$'000	HK$'000	HK$'000	HK$'000	HK$'000
Total assets	**1,040,403**	152,005	143,168	108,129	70,096
Total liabilities	**(721,207)**	(11,691)	(87,551)	(70,529)	(53,975)
Equity holders' funds	**279,489**	127,962	55,617	37,600	16,121

CHAIRMAN'S STATEMENT

RESULTS

On behalf of the Board of Kaisun Energy Group Limited (the "Company") and its subsidiaries (collectively the "Group"), I am pleased to present the audited consolidated results for the year ended 31 March 2009 (the "Year"). The Group's consolidated turnover for the Year was amounting HK$51.1 million and profit for the Year attributable to equity holders was amounting HK$8.7 million.

BUSINESS REVIEW

On 10 June 2008, the Group repositioned itself as an integrated coke producer in China by completing the Sales and Purchase Agreement to acquire (the "Acquisition"): (i) a 49% interest in Inner Mongolia Mengxi Minerals Limited ("Mengxi Minerals"), a Sino-foreign joint venture company set up to own and to operate a coking coal mine with 99.6 million tonnes of reserve (based on the estimation under the PRC coal reserves standard); and (ii) a 70% stake in Ordos GEM Coal & Chemical Co., Ltd. ("Mengxi Chemical"), another Sino-foreign joint venture company established to build and to operate coal processing plants. Details of the Acquisition are set out in the Circular dated 30 April 2008. The Group's coal reserve consists primarily of hard coking coal (an essential raw material in steel making) and can be mined utilizing both the open pit and underground extraction methods. Being vertically integrated will assure the Group access to precious feed stock and provide the Group with the ability to scale production of upstream, midstream and downstream coal products in accordance to prevailing market trend to optimize profit.

The consideration for the Acquisition (which amounted to HK$900 million) was satisfied by: (i) HK$170 million of Consideration Convertible Bonds; (ii) HK$546 million of cash; and (iii) HK$184 million of consideration shares (through the allotment of 230 million of shares at HK$0.80 each). The HK$546 million cash payment was financed from the proceeds of the HK$600 million Placing Convertible Bonds completed on 10 June 2008.

During the year under review, severe competitions continued to pressure the profit margin of the Group's auto service subsidiary, Challenger Auto Services Limited ("CASL"). However, CASL preserved by offering industry leading products and services at competitive prices. In 2008, CASL's excellence was recognized and celebrated when CASL became a proud recipient of the prestigious 2008 Hong Kong Top Services Brand Award, an event jointly sponsored by the Hong Kong Brand Development Council and the Chinese Manufacturers' Association of Hong Kong. It is to be noted that CASL is the first and only auto service company to have been named as an award recipient in the history of this annual event. On 7 August 2008, CASL launched a co-branded credit card with the Bank of Communications Co., Limited. This campaign is aimed at increasing the Group's market penetration into the auto beauty and repairs industry.

The Group's subsidiary, Global On-Line Distribution Limited will continue to operate as an on-line distributor of office supplies and equipment by providing multi-channel and cross-border trade solutions to both corporate and individual on-line buyers.

CHAIRMAN'S STATEMENT

BUSINESS OUTLOOK

In the last quarter of 2008, the effect of "industrial de-stocking" created an unprecedented price pressure on coal and processed coal products. However, it would appear the worst of this down turn is over. Raw coal prices in the Ordos/Wuhai region have rebounded and stabilized. Raw coal in the region has been trading in the RMB350/tonne range since February of 2009. Given the current uptrend in all key industrial indicators and the continuing influence of the RMB4.0 trillion stimulus package introduced in early November 2008, we are optimistic that the normalized trading range of RMB450/tonne is achievable during the second half of 2009.

The outsourced model that we have adopted for mining the open pit proved to be an excellent strategy for the Group. We terminated our extraction operation in the north open pit mine shortly after activation in October of 2008 when it became apparent that the destocking effect would be longer lasting than we had hoped for. Accordingly, the Group, having eliminated the burden of fixed operating overhead, weathered the financial crisis well. This ability to scale production in response to emerging economic conditions reaffirms the Group's belief that full integration in the production chain is the right business decision for the Group.

Consequential and in accordance to the normalization of market conditions, the Group has re-activated its north open pit operation in May 2009. We are targeting production of 1.5 to 2.0 mt of raw coal in 2009 from our north and south open pits. Accordingly, we have executed 1.9 mt of contracted sales of our raw coal, delivery of which are subjected to acceptable market prices. This provision effectively allows the Group to vary production based on anticipated market prices.

The Group has activated the construction of the 1.5 mt/annum beneficiation (washing) plant. Completion is targeted for December of 2009 with a revised favorable capital expenditure estimate of RMB50 million. We are targeting production of 750,000 tonnes of coking coal for the 2010 calendar year.

Construction of the 1.5 mt/annum underground mine will commence in July of 2009 with the first eleven months being dedicated to the task of building the three underground shafts. Six additional months are required to establish the production work faces, however during this phase of the construction, we will start generating trial production coal. 100,000 tonnes of raw coal is targeted to be produced from our underground mine in the 2010 calendar year. Total capital cost is estimated at approximately RMB380 million.

We have secured a RMB300 million bank loan with an effective term of 89 months to provide partial funding to construct the underground mine and the beneficiation plant. We are one of the only two enterprises in the region to have been approved for a loan allocation on the strength of mining reserves. The balance of capital expenditure requirement will be funded from cashflow generated from our open pit operation.

We are targeting the construction of the 1.0 mt/annum coking plant to start in 2010. Construction will require 12 months to complete at an anticipated capital expenditure of approximately RMB300 million. We anticipate that the bank will provide about RMB200 million of financing with the balance to come from our operating cashflow.

We believe the current retracement in prices in raw coal is presenting the Group with an excellent opportunity to buy high quality coal assets at attractive prices in Inner Mongolia. Accordingly, we are actively seeking out acquisition opportunities to increase our coal reserve and production capacity. This will enable us to achieve greater economies of scale and to become a leading cost effective coking coal producer in China.

CHAIRMAN'S STATEMENT

APPRECIATION

On behalf of the Board, I would like to express my sincere gratitude to our fellow directors, staff members, and business partners throughout the Year. The Company's directors and management will dedicate their best efforts to strive for the best interests for its shareholders and business associates.

Chan Nap Kee, Joseph
Chairman

Hong Kong, 22 June 2009

MANAGEMENT DISCUSSION AND ANALYSIS

The following discussion and analysis should be read in conjunction with our financial statements together with the accompanying notes included in this annual report. The financial statements have been prepared in accordance with Hong Kong Financial Report Standards ("HKFRSs", each a "HKFRS") issued by the Hong Kong Institute of Certified Public Accountants ("HKICPA"), the accounting principles generally accepted in Hong Kong.

SIGNIFICANT INVESTMENTS, ACQUISITION AND DISPOSALS

On 10 June 2008, the Group completed the Sales and Purchase Agreement to acquire (the "Acquisition"): (i) a 49% interest in Inner Mongolia Mengxi Minerals Limited ("Mengxi Minerals"), a Sino-foreign joint venture company set up to own and to operate a coking coal mine with 99.6 million tonnes of reserve (based on the estimation under the PRC coal reserves standard); and (ii) a 70% stake in Ordos GEM Coal & Chemical Co., Limited ("Mengxi Chemical"), another Sino-foreign joint venture company established to build and to operate coal processing plants. Details of the Acquisition are set out in the Circular dated 30 April 2008.

The consideration for the Acquisition (which amounted to HK$900 million) was satisfied by: (i) HK$170 million of Consideration Convertible Bonds; (ii) HK$546 million of cash; and (iii) HK$184 million of consideration shares (through the allotment of 230 million of shares at HK$0.80 each). The HK$546 million cash payment was financed from the proceeds of the HK$600 million Placing Convertible Bond completed on 10 June 2008.

PROSPECTS

As the coking coal industry is closely connected to steel production, we look toward crude steel production forecast as a barometer of the health of our industry.

China's steel industry (which accounts for 48% of the world crude steel output) was resilient in its ability to withstand the global economic downturn. According to the "Analysis of World Steel Production (January to April 2009)" released by the Ministry of Industry Information and Technology of China, China registered a relatively mild 7.5% MoM drop from its peak production month in 2008 while some other member nations experienced a drop of up to 48% during the same period. It is therefore of no surprise that China produced more crude steel in 2008, ending the year with a 10 million tonnes increase over 2007's level of 490 million tonnes. This momentum continued into the first four months of 2009 with production for the period managing a small but significant increase of 0.1% over the same period

MANAGEMENT DISCUSSION AND ANALYSIS

in 2008. We are optimistic that China's steel industry, fueled by the continuing effect of the RMB4.0 trillion stimulus package, will maintain its strong performance into 2009.

The Group chose the autonomous region of Inner Mongolia to launch our coking coal business in China because it is to our advantage to locate close to the steel manufacturers, our ultimate off-takers. Inner Mongolia, which has outperformed the nation's impressive GDP growth in the last few years, has the necessary industrial strength to sustain a robust steel manufacturing sector (Baotou Iron & Steel (Group) Co. Ltd., the area's largest steel producer ended 2008 with an YoY increase of 11.3%) and hence continue to generate a healthy demand for our coking coal.

In order to counteract weakening consumer spending in auto repairs and beautification, the Group's auto division will introduce a new touchless car washing service whereby vehicles can be externally cleaned without the typical abrasive effect of traditional brush based car wash machines. We believe this advanced technology will attract new customers and help generate traffic for the Group's auto repair and beautification business.

FINANCIAL REVIEW

Turnover of the Group for the Year amounted to approximately HK$51.1 million (2008: HK$304.6 million), representing a decrease of approximately 83.2% as compared to last year.

Correspondingly, gross profit of the Group for the Year amounted to approximately HK$37.0 million (2008: HK$29.9 million). The gross profit margin increase to 72.4%.

For the Year, the total administrative and other operating expenses amounted to approximately HK$62.4 million (2008: HK$34.6 million). These expenses included (i) the impairment of intangible assets (HK$8.2 million) and (ii) the recognition of share options issued on 24 June 2008 and 8 January 2009 to the officers of the Group as share payment (independently valued at HK$4.07 million and HK$3.32 million respectively) in accordance with HKFRS 2 (Share Based Payment). These share payments did not represent cash outflows; however, they had to be charged against the Group's earnings.

For the Year, the total finance costs amounted to approximately HK$32.8 million (2008: HK$28,535), which mainly included an accrued bond interest payable on the Convertible Bonds and cost of Convertible Bonds placement were amounted approximately to HK$29.8 million and HK$3.0 million respectively.

MANAGEMENT DISCUSSION AND ANALYSIS

During the period, as there was a significant decrease in the share price of the Company, the fair value of derivative components of the convertible notes increased accordingly, resulting in a fair value gain of HK$79.3 million which was credited in the consolidated income statement.

Net profit attributable to equity holders of the Company for the Year amounted to approximately HK$8.7 million (2008: HK$69.1 million). The results incorporated the effect of noncash charges included the stock option payments, an accrued bond interest payable on the Convertible Bonds, impairment of intangible assets and fair value gain on derivative components of convertible bonds.

LIQUIDITY AND FINANCIAL RESOURCES

As at 31 March 2009, the Group's bank and cash balances amounted to approximately HK$37.7 million (2008: HK$119.2 million). There are no short term bank loans and current portion of bank loan and obligations under finance leases at the year ended 31 March 2009.

To finance the acquisition of the Group's coal business in Inner Mongolia of the PRC ("the Acquisition"), on 10 June 2008, the Group issued: (1) in aggregate HK$770 million of Convertible Bonds and (2) 230 million Shares as consideration shares (at HK$0.8 per share to raise a net capital fund of HK$184 million). The Convertible Bonds are unsecured, carry a maturity date of 10 June 2013 and bear interest at the rate of 1% per annum.

As at 31 March 2009, the Group has been granted banking facilities in the aggregate amount of HK$1.5 million (2008: HK$1.5 million).

During the year under review, the Group pledged its fixed deposit to a bank to secure banking facilities totaling HK$1.5 million (2008: Nil).

Detailed information of the Convertible Bonds are provided in note 28 to the Financial Statements of this report.

FINAL DIVIDEND

In order to retain resources for the Group's business development, the Board does not recommend the payment of a final dividend for the Year (2008: HK$Nil).

GEARING RATIO

The Group's gearing ratio, which represents the ratio of the Group's total liabilities over the Group's total assets, was 0.69 as at 31 March 2009 (2008: 0.08).

MANAGEMENT DISCUSSION AND ANALYSIS

CAPITAL STRUCTURE

On 10 June 2008, the Group increased its share capital from 540 million ordinary shares of HK$0.01 each ("Share(s)") to 770 million Shares as a result of the issuance of 230 million of consideration Shares to satisfy the Acquisition. Total equity attributable to equity holders of the Group as at 31 March 2009 was approximately HK$279.5 million (2008: HK$128.0 million).

FOREIGN EXCHANGE EXPOSURE

Most of the trading transactions, assets and liabilities of the Group were denominated in Hong Kong dollars and Renminbi ("RMB"). As at 31 March 2009, the Group had no significant exposure under foreign exchange contracts, interest, currency swaps or other financial derivatives.

INCOME TAX

Details of the Group's income tax expense for the Year are set out in note 9 to the Financial Statements.

HUMAN RESOURCES

As at 31 March 2009, the Group had approximately 161 (2008: 135) staff in Hong Kong and China. The Group continues to employ, promote and reward its staff with reference to their performance and experience. In addition to their basic salaries, the Group's employees are also entitled to other fringe benefits such as provident fund. The management will continue to closely monitor the human resources requirements of the Group, and will also put emphasis on the staff quality. During the Year, the Group had not experienced any significant labour disputes which led to the disruption of its normal business operations. The Directors consider the Group's relationship with its employees to be good.

The total staff costs, including Directors' emoluments, amounted to approximately HK$31.5 million (2008: HK$56.0 million) for the Year.

SEGMENT REPORT

The detailed segmental analysis are provided in note 41 to the Financial Statements of this report.

CONTINGENT LIABILITIES

The Group did not have any significant contingent liabilities as at 31 March 2009.

LITIGATION

As at 31 March 2009, the Group had no significant pending litigation.

BIOGRAPHY OF DIRECTORS AND SENIOR MANAGEMENT

EXECUTIVE DIRECTORS

Mr. Chan Nap Kee, Joseph, aged 48, is the Chairman of the Group. He was appointed as an executive Director in September 2008. He received his master's degree majoring in international marketing from the University of Strathclyde and a diploma in China Investment and Trade Study from Peking University. He holds licenses respectively of Type 1 (dealing in securities), Type 6 (advising on corporate finance), and Type 9 (asset management) under the Securities and Futures Ordinance (cap. 571 of the Laws of Hong Kong) ("SFO"). Mr. Chan was the deputy manager of Credit Agricole Bank from 1986 to 1994, where he was also in charge of the bank's China business. From 1992 to 1994, he was also the co-head of Credit Agricole Asset Management South East Asia Limited. Mr. Chan has more than twenty years of experience in commercial and investment banking, and asset management. Mr. Chan is a non-executive director of Hainan Meilan International Airport Company Limited (stock code: 357), a company listed on the Main Board of the Stock Exchange, since October 2007.

From 1994 to now, Mr. Chan has been an executive director of Oriental Patron Asia Limited, the investment manager of OP Financial Investments Limited (Stock Code: 1140), a company listed on the Main Board of the Stock Exchange. OP Financial Investments Limited holds 100% shareholding in Profit Raider Investments Limited. Profit Raider Investments Limited holds 29.9% of the total ordinary shares in Glimmer Stone Investments Limited. Glimmer Stone Investments Limited holds 100% shareholding in Grand Pacific Source Limited. Grand Pacific Source Limited owns 110,727,250 Shares in the Company and is a substantial Shareholder of the Company. Mr. Chan has been a director of Grand Pacific Source Limited since May 2008 and Glimmer Stone Investments Limited since June 2008.

The Securities and Futures Commission (the "Commission") had suspended the above licences granted to Mr. Chan under the SFO for four (4) months from 30 October 2003 to 29 February 2004 as a result of his failure to have regard to the Guidance Note issued by the Commission on the Prevention of Money Laundering then in force when he was acting as the principal supervisor of a sponsor to the listing of a company on GEM in April 2001. Mr. Chan has confirmed that save as disclosed above, there has never been any other regulatory actions, including but not limited to suspension of licence, public or private reprimand, warning letters etc. against him or any of those companies (both private and public companies) in which Mr. Chan is presently serving and/or in which he has served as a director during the period of his directorship.

No service contract has been entered into between the Company and Mr. Chan and there is no proposed length of service of Mr. Chan with the Company. He is subject to retirement by rotation and re-election at annual general meetings of the Company in accordance with the articles of association of the Company ("the Articles"). He is not entitled to receive any director's fee from the Company.

Save as disclosed above, as at the date of this report, Mr. Chan did not have other major appointments and professional qualifications, did not hold any positions in the Group and did not have any directorships held in the last three years in public companies the securities of which are listed on any securities market in Hong Kong or overseas.

Save as disclosed above, Mr. Chan did not have any relationships with any directors, senior management, management shareholders or substantial or controlling shareholders of the Company as at the date of this report. As at the date of this report, Mr. Chan was interested in share options of the Company with the right to subscribe for 4,925,000 Shares at an exercise price of HK$0.394 each, representing approximately 0.64% of the issued share capital of the Company. Save as disclosed above, as at the date of this report, Mr. Chan did not have any interest in shares of the Company within the meaning of Part XV of the SFO.

BIOGRAPHY OF DIRECTORS AND SENIOR MANAGEMENT

Mr. Yeap Soon P, Jonathan, aged 47, is the Chief Executive Officer of the Group. He was appointed as an executive Director in February 2008. He has over 25 years' experience in energy and natural resources industries. He has led the expansion of a number of United States companies into the Asia Pacific especially China.

Mr. Yeap was the chief executive officer of the China region and the managing director of the Asia Pacific region of Enron Corporation, a global energy group, from 1997 to 2001. During this period, he was instrumental in the developments, constructions and acquisitions of over 20 companies in upstream oil and gas exploration and downstream power plants and natural gas distribution.

From 1993 to 1996, Mr. Yeap was the chief executive officer of a subsidiary of a large oil, gas, coal and power company in the United States. During this period, he had the management oversight for its China operations.

From 1992 to 1993, Mr. Yeap was a project director of a large United States power generating company assigned to the PRC. He was the lead developer for a foreign-invested integrated coal mine, power plant, DC transmission line project transporting electricity from Shanxi province, the PRC to Jiangsu province/Shanghai, the PRC.

From 1983 to 1992, Mr. Yeap held various engineering and financial positions with a Canadian company specializing in development, construction, and operation of independent power plants worldwide.

Mr. Yeap holds a bachelor's degree in electrical engineering from the University of Alberta.

Mr. Yeap is subject to retirement by rotation and re-election at annual general meetings in accordance with the Articles. Mr. Yeap has entered into a director's service agreement with the Company commencing on 10 June 2008 for a term of three years. The service contract may be terminated by the Company in accordance with the terms of the service agreement. 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. Due to the global financial crises in late 2008, Mr. Yeap deferred to receive his remuneration and housing allowance accrued as from August 2008. The deferred remuneration and housing allowance will be paid back to Mr. Yeap until the rebounce of the economy or as agreed between the Board and Mr. Yeap. As at 31 March 2009, the outstanding remuneration and allowance amounted to approximately HK$2,709,997.

Save as disclosed above, as at the date of this report, Mr. Yeap did not have other major appointments and professional qualifications, did not hold any positions in the Group and did not have any directorships held in the last three years in public companies the securities of which are listed on any securities market in Hong Kong or overseas.

Save as disclosed above, Mr. Yeap did not have any relationships with any directors, senior management, management shareholders or substantial or controlling shareholders of the Company as at the date of this report. As at the date of this report, Mr. Yeap was interested in share options of the Company with the right to subscribe for 7,700,000 Shares at an exercise price of HK$0.78 each, representing approximately 1.00% of the issued share capital of the Company. Save as disclosed above, as at the date of this report, Mr. Yeap did not have any interest in shares of the Company within the meaning of Part XV of the SFO.

BIOGRAPHY OF DIRECTORS AND SENIOR MANAGEMENT

Dr. Chow Pok Yu, Augustine, aged 56, was appointed as an executive Director in November 2008. He is a director of Harmony Asset Limited (stock code: 0428), a publicly listed investment company specializing in China and Hong Kong and the shares of which are listed on the Stock Exchange. He is also a director of Harmony Asset Management Limited which is the investment manager of Harmony Asset Limited. Dr. Chow is a non-executive director of Jian ePayment Systems Ltd. (stock code: 8165) the shares of which are listed on the GEM. He is also a director and independent director of two overseas listed companies namely Celsion Corporation (AMEX: CLN) and Augyva Mining Resources Inc. (CDNX: AUV.V) respectively.

Dr. Chow has vast experience in managing public listed companies that are involved in manufacturing, marketing and financial services, and specializes in mergers and acquisitions.

Dr. Chow holds professional membership in the Institute of Marketing (HK), Institute of Financial Accountants (UK), and Hong Kong Securities Institute. He also holds an Honorary Fellowship from Bolton University. In addition, he serves on the Regional Advisory Board of London Business School.

Dr. Chow's qualifications include a number of bachelor's, master's and doctoral degrees. Among them include a MSc from London Business School, a PhD in the Transfer of Technology from the University of South Australia, a DBA in Internet Research from Southern Cross University, and an Engineering Doctorate in the Commercialization of Radical Innovation from City University of Hong Kong.

Save as disclosed above, as at the date of this report, Dr. Chow did not have other major appointments and professional qualifications, did not hold any positions in the Group and did not have any directorships held in the last three years in public companies the securities of which are listed on any securities market in Hong Kong or overseas.

Dr. Chow is interested in 30% of the issued shares of Sino Path Consultants Limited which is interested in 18.46% of the issued share capital of Harmony Asset Limited. Plowright Investments Limited, one of the substantial shareholders of the Company holding 80,000,000 Shares, is a wholly-owned subsidiary of Harmony Asset Limited. Save as disclosed above, Dr. Chow is not connected with any directors, senior management, management shareholders, substantial shareholders or controlling shareholders of the Company within the meaning of the GEM Listing Rules.

No service contract has been entered into between the Company and Dr. Chow and there is no proposed length of service of Dr. Chow with the Company. He is subject to retirement by rotation and re-election at annual general meetings of the Company in accordance with the Articles. He is not entitled to receive any director's fee from the Company.

Save as disclosed above, Dr. Chow did not have any relationships with any directors, senior management, management shareholders or substantial or controlling shareholders of the Company. As at the date of this report, Dr. Chow was interested in share options of the Company with the right to subscribe for 4,925,000 Shares at an exercise price of HK$0.394 each, representing approximately 0.64% of the issued share capital of the Company. Save as disclosed above, as at the date of this report, Dr. Chow did not have any interest in shares of the Company within the meaning of Part XV of the SFO.

BIOGRAPHY OF DIRECTORS AND SENIOR MANAGEMENT

Mr. Wu Kam Hung, aged 48, joined the Group in July 2007 as an executive Director. Mr. Wu is the compliance officer ("Compliance Officer") of the Group. He holds a bachelor's degree in business administration from the University of East Asia, Macau. Mr. Wu is the financial controller of Guce Technology Park Ltd. He has over 20 years of experience in management accounting, corporate administration and financial management.

It is the requirement of Rule 5.19 of the GEM Listing Rules to appoint one of the executive Directors as Compliance Officer. The Compliance Officer is responsible for advising and assisting the board of directors in implementing procedures to ensure that the GEM Listing Rules are complied with. Moreover, he must respond promptly and efficiently to all enquiries directed at him by the Stock Exchange concerning the affairs of the Company.

Mr. Wu is subject to retirement by rotation and re-election at annual general meetings in accordance with the Articles. Mr. Wu has entered into a director's service agreement with the Company commencing from 6 July 2007. The service contract may be terminated by either party thereto by giving to the other not less than three months' prior notice in writing. Mr. Wu is entitled to a director's fee of HK$10,000 per month as determined by the remuneration committee of the Company and subject to shareholders' approval with reference to his duties and responsibilities with the Company, the Company's performance and the prevailing market situation and the Company's remuneration policy.

Save as disclosed above, as at the date of this report, Mr. Wu did not have other major appointments and professional qualifications and did not have any directorships held in the last three years in public companies the securities of which are listed on any securities market in Hong Kong or overseas.

As at the date of this report, Mr. Wu did not have any relationships with any directors, senior management, management shareholders or substantial or controlling shareholders of the Company.

As at the date of this report, Mr. Wu was interested in share options of the Company with the right to subscribe for 5,400,000 Shares at an exercise price of HK$0.69 each, representing approximately 0.7% of the issued share capital of the Company. Save as disclosed above, as at the date of this report, Mr. Wu did not have any interest in shares of the Company within the meaning of Part XV of the SFO.

Mr. Yang Geyan, aged 41. He was appointed as an executive Director in August 2008. Mr. Yang studied in the Shanghai Lixin Accounting Institute in 2001. Mr. Yang is also a holder of EMBA degree from Phoenix International University. He engaged in financial work in Shanghai Marine Transportation Bureau before 1995. He has been a director of Shanghai Hastings Investment Management Co., Ltd. and Shanghai Hastings Real Estate Development Co., Ltd. since 2000 and he was responsible for real estate development, sale and lease. Mr. Yang was one of the founders of Inner Mongolia Yong Feng Wei Ye Industry and Commerce Development Group Co., Ltd. ("Inner Mongolia Development Co.") and has been named as its managing director since December 2004. Inner Mongolia Development Co. is mainly involved in the purchase of different types of mineral resources in Inner Mongolia of the PRC and is currently the holder of ten or so ore production permits and ore exploration permits and explores mineral resources like iron, manganese, lead, zinc, gold, tungsten, fluorite and erbium.

No service contract has been entered into between the Company and Mr. Yang and there is no proposed length of service of Mr. Yang with the Company. He is subject to retirement by rotation and re-election at annual general meetings of the Company in accordance with the Articles. He is not entitled to receive any director's fee from the Company.

BIOGRAPHY OF DIRECTORS AND SENIOR MANAGEMENT

Save as disclosed above, as at the date of this report, Mr. Yang did not have other major appointments and professional qualifications, did not hold any positions in the Group and did not have any directorships held in the last three years in public companies the securities of which are listed on any securities market in Hong Kong or overseas.

Save as disclosed above, Mr. Yang did not have any relationships with any directors, senior management, management shareholders or substantial or controlling shareholders of the Company as at the date of this report. As at the date of this report, Mr. Yang was interested in 9,800,000 Shares, representing approximately 1.27% of the issued share capital of the Company and share options of the Company with the right to subscribe for 4,925,000 Shares at an exercise price of HK$0.394 each, representing approximately 0.64% of the issued share capital of the Company. Save as disclosed above, as at the date of this report, Mr. Yang did not have any interest in shares of the Company within the meaning of Part XV of the SFO.

Mr. Yang Yongcheng, aged 40. He was appointed as an executive Director in February 2009. He graduated from the Yikezhao League School of Finance (伊盟財經學校) in Inner Mongolia of the PRC and the China Central Radio & TV University, majoring in financial accounting. He is currently studying at the Zhongnan University of Economics and Law, majoring in EMBA.

Mr. Yang was appointed as the chief of the finance division of Inner Mongolia Hangjinqi Materials Company (內蒙古杭錦旗物資公司) in September 1989; a manager of Eqianqi Coke-oven Plant of Inner Mongolia Yimei Group (內蒙古伊煤集團鄂前旗焦化廠) in January 2001; a deputy general manager of Inner Mongolia Mengxi Building Materials Company (內蒙古蒙西建材公司) in July 2003; the chairman of Inner Mongolia Mengxi Kaolin Co., Ltd. in August 2005; and the chairman and general manager of Inner Mongolia Mengxi Coal Limited (內蒙古蒙西煤炭有限公司) in January 2008. He has been serving as a director and general manager of the joint venture Inner Mongolia Mengxi Minerals Co., Limited since the joint venture was established in September 2008.

Mr. Yang has been involved in senior positions for corporate management for a long period of time, has profound knowledge of the human and economic development environment in the Mengxi region of Inner Mongolia of the PRC, and possesses extensive experience in corporate investment, product and market development as well as operation of minerals enterprises.

No service contract has been entered into between the Company and Mr. Yang and there is no proposed length of service of Mr. Yang with the Company. He is subject to retirement by rotation and re-election at annual general meetings of the Company in accordance with the Articles. He is not entitled to receive any director's fee from the Company.

Save as disclosed above, as at the date of this report, Mr. Yang did not have other major appointments and professional qualifications and did not have any directorships held in the last three years in public companies the securities of which are listed on any securities market in Hong Kong or overseas.

Save as disclosed above, Mr. Yang did not hold any position with the Company and other members of the Group and did not have any relationship with any directors, senior management, management or substantial or controlling shareholders of the Company as at the date of this report. As at the Latest Practicable Date, Mr. Yang did not have any interests in shares of the Company within the meaning of Part XV of the SFO.

BIOGRAPHY OF DIRECTORS AND SENIOR MANAGEMENT

INDEPENDENT NON-EXECUTIVE DIRECTORS

Mr. Liew Swee Yean, aged 46. He was appointed as an independent non-executive Director on 8 November 2006 under a service contract commencing on the same date for a term of one year and thereafter may be extended for such period as the Company and Mr. Liew may agree in writing. Mr. Liew had been an independent non-executive director of Byford International Limited (Stock Code: 8272), the shares of which are listed on the GEM. He is a director of Autism Recovery Network Limited. He is also the director of business development of eBroker Systems Limited.

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. Mr. Liew is also appointed the chairman of the audit committee and a member of the remuneration committee of the Board. Mr. Liew satisfies the criteria as set out in Rule 5.05(2) of the GEM Listing Rules.

Mr. Liew is subject to retirement by rotation and re-election at annual general meetings of the Company in accordance with the Articles. Mr. Liew's director's fee is fixed at HK$25,000 per annum, which is commensurate with his duties and responsibilities as an independent non-executive Director of the Company and the prevailing market situation and subject to Shareholders' approval. Save as disclosed above, Mr. Liew did not hold any position within the Group as at the Latest Practicable Date. Save as disclosed above, he did not have any relationships with any directors, senior management, management shareholders or substantial or controlling shareholders of the Company as at the date of this report.

Save as disclosed above, as at the date of this report, Mr. Liew did not have other major appointments and professional qualifications and did not have any directorships held in the last three years in public companies the securities of which are listed on any securities market in Hong Kong or overseas.

As at the date of this report, Mr. Liew was interested in share options of the Company with the right to subscribe for 540,000 Shares at an exercise price of HK$0.69 each, representing approximately 0.07% of the issued share capital of the Company. Save as disclosed above, as at the date of this report, Mr. Liew did not have any interest in shares of the Company within the meaning of Part XV of the SFO.

Mr. Siu Siu Ling, Robert, aged 51, joined the Group in December 2002 as an independent non-executive Director. He is a partner of the firm Messrs. Robert Siu & Co., Solicitors. Mr. Siu had been an executive director of Maxx Bioscience Holdings Limited (stock code: 512) until 28 June 2006 and is now an independent non-executive director of Incutech Investments Limited (stock code: 356), both of which are listed on the Main Board of the Stock Exchange. Mr. Siu holds a bachelor's degree in laws and a postgraduate certificate in laws from the University of Hong Kong. He has been admitted as a solicitor in Hong Kong since 1992 and has been admitted as a solicitor in England and Wales since 1993. His legal practice is mainly in the field of commercial and corporate finance.

Mr. Siu is subject to retirement by rotation and re-election at annual general meetings of the Company in accordance with the Articles. Mr. Siu's director's fee is fixed HK$25,000 per annum, which is commensurate with his duties and responsibilities as an independent non-executive Director of the Company and the prevailing market situation and subject to shareholders' approval. Save as disclosed above, Mr. Siu did not hold any position within the Group as at the date of this report. Save as disclosed above, he did not have any relationships with any directors, senior management, management shareholders or substantial or controlling shareholders of the Company as at the date of this report.

BIOGRAPHY OF DIRECTORS AND SENIOR MANAGEMENT

Save as disclosed above, as at the date of this report, Mr. Siu did not have other major appointments and professional qualifications and did not have any directorships held in the last three years in public companies the securities of which are listed on any securities market in Hong Kong or overseas.

As at the date of this report, Mr. Siu was interested in share options of the Company with the right to subscribe for 540,000 Shares at an exercise price of HK$0.69 each, representing approximately 0.07% of the issued share capital of the Company. Save as disclosed above, as at the date of this report, Mr. Siu did not have any interest in shares of the Company within the meaning of Part XV of the SFO.

Dr. Wong Yun Kuen, aged 51, joined the Group in September 2004 as an independent non-executive Director. Dr. Wong received his Ph.D. degree from Harvard University in the United States of America, and was a "Distinguished Visiting Scholar" in finance at the Wharton School of the University of Pennsylvania. He has worked in the financial industries in the United States and Hong Kong for more than 10 years, and has considerable experience in corporate finance, investment and derivative products. He is a member of Hong Kong Securities Institute. Dr. Wong is also an executive director of UBA Investments Limited, and independent non-executive director of Grand Field Group Holdings Limited (stock code: 115), Harmony Asset Limited (stock code: 428), Bauhaus International (Holdings) Limited (stock code: 483), Climax International Company Limited (stock code: 439), China Yunnan Tin Minerals Group Company Limited (stock code: 263), Superb Summit International Timber Company Limited (stock code: 1228), Kong Sun Holdings Limited (stock code: 295) and Golden Resorts Group Limited (stock code: 1031), all of which are listed on the Main Board of the Stock Exchange, and of China E-Learning Group Limited (stock code: 8055) which is listed on the GEM of the Stock Exchange.

Dr. Wong is subject to retirement by rotation and re-election at annual general meetings of the Company in accordance with the Articles. Mr. Wong's director's fee is fixed at HK$25,000 per annum, which is commensurate with his duties and responsibilities as an independent non-executive Director of the Company and the prevailing market situation and subject to shareholders' approval. Save as disclosed above, Dr. Wong did not hold any position within the Group as at the date of this report. Save as disclosed above, he did not have any relationships with any directors, senior management, management shareholders or substantial or controlling shareholders of the Company as at the date of this report.

Save as disclosed above, as at the date of this report, Dr. Wong did not have other major appointments and professional qualifications and did not have any directorships held in the last three years in public companies the securities of which are listed on any securities market in Hong Kong or overseas.

As at the date of this report, Dr. Wong was interested in share options of the Company with the right to subscribe for 540,000 Shares at an exercise price of HK$0.69 each, representing approximately 0.07% of the issued share capital of the Company. Save as disclosed above, as at the date of this report, Dr. Wong did not have any interest in shares of the Company within the meaning of Part XV of the SFO.

BIOGRAPHY OF DIRECTORS AND SENIOR MANAGEMENT

Mr. Anderson Brian Ralph, aged 66. He was appointed as an independent non-executive Director on 23 January 2009 under a service contract commencing on the same date for a term of one year and thereafter may be extended for such period as the Company and Mr. Anderson may agree in writing.

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. During his tenure as a Chairman of Royal Dutch/Shell Group of Companies ("the Shell") in North East Asia, he was responsible for developing the Shell's future business, in particular through the formation of important strategic alliances with two of the major state-owned Chinese petroleum corporations, which have since led to multi-billion dollar investment commitments in the petroleum and petrochemicals sectors in China, including important new business opportunities in coal gasification.

Mr. Anderson's China experience also includes a 6-year involvement with the prestigious China Council for International Co-operation on the Environment and Development and which includes Ministerial and Vice-Ministerial level appointees from within the PRC government, and top-level international members from government and global multilateral organization and businesses. He represented the Shell's group of companies as a council member for 4 years, and has participated as a member of two taskforces involved with energy and sustainable development policy for China.

Mr. Anderson is a founding member and a director of Acura Limited, a Hong Kong registered energy marketing and consulting firm, a director of the Addax Petroleum Corporation, a oil and gas exploration and production company registered in Canada, and is currently the Chairman and Managing Director of Anderson Energy (Hong Kong) Limited, an energy consulting firm advising corporate clients globally.

Mr. Anderson is subject to retirement by rotation and re-election at annual general meetings of the Company in accordance with the Articles. Mr. Anderson's director's fee is fixed at HK$25,000 per annum, which is commensurate with his duties and responsibilities as independent non-executive Director, member of the audit committee and the remuneration committee of the Board and the prevailing market situation and subject to shareholders' approval. Save as disclosed, Mr. Anderson did not hold any position within the Group as at the date of this report. Save as disclosed, he did not have any relationships with any directors, senior management, management shareholders or substantial or controlling shareholders of the Company as at the date of this report.

Save as disclosed above, as at the date of this report, Mr. Anderson does not have other major appointments and professional qualifications and does not have any directorships held in the last three years in public companies the securities of which are listed on any securities market in Hong Kong or overseas. As at the date of this report, Mr. Anderson does not have any interest in the Shares within the meaning of Part XV of the SFO.

BIOGRAPHY OF DIRECTORS AND SENIOR MANAGEMENT

SENIOR MANAGEMENT

Mr. Tan Bob Leng Chooi, aged 56, joined the Group in June 2008. Mr. Tan is the Chief Operating Officer of the Group. He is also an executive director of Joy Harvest Holdings Limited, a wholly-owned subsidiary of the Company. He holds a bachelor of commerce degree from the University of Alberta, Canada. Mr. Tan has 30 years of finance and administration experience in various industries. Before joining the Group, Mr. Tan was a business consultant advising clients on the development of infra-structure projects in China and North America. From 1998 to 2000, he worked as a consultant in asset management for Enron Corporation and from 1994 to 1997, he was the vice president in charge of asset management for Coastal Power, a US-based energy company. Before 1994, Mr. Tan worked for Alberta Environment Protection, a government ministry regulating environmental protection in the province of Alberta, Canada.

Mr. Hung Shui Chak, aged 40. Mr. Hung primarily engaged in the investment and the operation of automobile and catering businesses in Hong Kong prior to 1990. He turned to mainland China for investment and venturing in 1990, specializing in the mining of resources, automobile services and catering sectors. He served as the Chairman of Inner Mongolia Mengxi Minerals Limited ("Mengxi Minerals"), a large-scale coal mining enterprise of which 49% of its equity interest is owned by the Group, and the Chairman of Ordos GEM Coal & Chemical Co., Limited, a direct 70%-owned subsidiary of the Company. He is also an executive director of Joy Harvest Holdings Limited, a wholly-owned subsidiary of the Company. He has extensive experience in corporate operation and management.

Mr. Leung Lit For, aged 40, joined the Group in June 2008. Mr. Leung is the Financial Controller and the Company Secretary of the Group. He is an associate member of the Hong Kong Institute of Certified Public Accountants and the Association of Chartered Certified Accountants, United Kingdom. He holds a Bachelor's degree in Accountancy from The University of Bolton. Mr. Leung has over 20 years of experience in auditing, accounting and financial management.

Mr. Liu Yunhong, aged 42, joined Mengxi Minerals as a Deputy General Manager in October 2008. Mr. Liu graduated from the China University of Petroleum, majoring in Management Engineering, and attained a MBA from Huazhong University of Science and Technology. He is a Senior Economist and a Senior Accountant in the PRC, who had served as a workshop supervisor and a Director of Sinopec Jianghan Petroleum Administration, a Secretary to director and a Chief of Finance Division of Zhongke Life Science & Technology Co., Ltd., a Deputy General Manager of Shanghai Tangcheng Industrial Company, a Financial Controller and Assistant to General Manager of Shanghai Zhongyou Tipo Steel Pipe Corporation, and a Financial Controller of Shanghai Yueyuechao (Group) Co., Ltd. He has 22 years of experience in corporate accounting, production, finance, legal and operational management.

Mr. Han Wenzhan, aged 51, joined Mengxi Minerals as a Deputy General Manager in October 2008. Mr. Han graduated from the Party School of the Central Committee of the Communist Party, majoring in Economics and Management. He is an Assistant to the Coal Quality Engineer as well as a Political Engineer in the PRC, holding the qualification certificate of mine manager. He had served as a mining leader, Chief of Coal Quality Division, and Deputy Manager of Laoshidan Mine of Mining Bureau of Haibo Bay, Inner Mongolia, the President of the Staff Union of Mengxi Cement Co., Ltd., and a Production Manager and a Deputy General Manager of Mengxi Coal Limited. He has 30 years of working experience in coal mining and coal quality management.

BIOGRAPHY OF DIRECTORS AND SENIOR MANAGEMENT

Mr. Zhao Liang, aged 36, joined Mengxi Minerals as a Chief Engineer in October 2008. Mr. Zhao graduated from Xi'an Mining Institute, majoring in mining. He is a Mining Engineer, holding the qualification certificate of mine manager. He has served as the Chief of Safety and Technical Division and a Director of Dispatching Office of Qipanjing Mine in Inner Mongolia, the Mine Manager of Aerbasi Mine in Edos and a Chief Engineer of Mengxi Coal Limited. He had been involved in the construction of two mechanized mines. He has 15 years of working experience in coal mining and mine management.

Mr. Zhang Shizhong, aged 35, joined Mengxi Minerals as a Financial Controller in September 2008. Mr. Zhang graduated from Harbin Polytechnic University, majoring in Accountancy. He is an accountant in the PRC and had served as a Chief of Financial Section of Inner Mongolia Jingcheng Heavy Industries Co., Ltd., and as a head of corporate planning department and a head of finance department of Mengxi Building Materials Company. He has 14 years of working experience in accounting, financial management and corporate planning.

Mr. Feng Qi, aged 36, joined Mengxi Minerals as a Chief Internal Auditor in October 2008. Mr. Feng graduated from Shanghai Lixin Accounting College, majoring in Accountancy. He is a Certified Public Accountant in the PRC and had served as an Auditing Manager of Ernst & Young Hua Ming of Shanghai, a Partner of Shanghai Changxin CPA Co., Ltd., and Partner of Shanghai Oukemeng CPA Co., Ltd. He has 14 years of working experience in auditing and consulting.

REPORT OF THE DIRECTORS

The board ("Board") of directors ("Directors") of the Company is pleased to submit its report together with the audited consolidated financial statements ("Financial Statements") of the Company and its subsidiaries (collectively as "the Group") for the year ended 31 March 2009.

PRINCIPAL ACTIVITIES AND SEGMENT ANALYSIS OF OPERATIONS

The principal activity of the Company is investment holding. The activities of the subsidiaries are set out in note 34 to the Financial Statements.

An analysis of the Group's performance for the year ended 31 March 2009 by segments is set out in note 41 to the Financial Statements.

RESULTS AND APPROPRIATIONS

The results of the Group for the year ended 31 March 2009 are set out in the consolidated income statement on page 43.

The Directors do not recommend the payment of a dividend in respect of the year ended 31 March 2009.

RESERVES

Movements in the reserves of the Group during the year ended 31 March 2009 are set out in the consolidated statement of changes in equity of the Group on page 45.

DONATIONS

Charitable and other donations made by the Group during the year ended 31 March 2009 amounted to HK$20,000 (2008: HK$42,545).

FIXED ASSETS

Details of the movements in fixed assets of the Group are set out in note 16 to the Financial Statements.

SHARE CAPITAL

Particulars of the share capital of the Company are set out in note 30 to the Financial Statements.

DISTRIBUTABLE RESERVES

Distributable reserves of the Company as at 31 March 2009 amounted to HK$277,636,912 (2008: HK$113,987,873). Under Section 34 of the Companies Law of the Cayman Islands, the reserves are available for distribution to shareholders subject to the provisions of the articles of association of the Company (the "Articles") and no distribution shall be paid to shareholders of the Company ("Shareholders") out of the reserves unless the Company shall be able to pay its debts as they fall due in the ordinary course of business of the Group.

REPORT OF THE DIRECTORS

FIVE YEAR FINANCIAL SUMMARY

A summary of the published results and the assets and liabilities of the Group for each of the last five financial years is set out on page 4.

PURCHASE, SALE OR REDEMPTION OF SHARES

The Company has not redeemed any of the shares of the Company ("Shares") during the year under review. Neither the Company nor any of its subsidiaries has purchased or sold any Shares during the year under review.

PENSION SCHEME

According to the legislation of Hong Kong relating to the Mandatory Provident Fund ("MPF"), with effect from 1 December 2000, the Group is required to participate in the MPF scheme operated by approved trustees in Hong Kong and to make contributions for its eligible employees. The contributions borne by the Group are calculated at 5% of the salaries and wages (monthly contributions is limited to HK$1,000 for each eligible employee) as calculated under the MPF legislation.

Employees of the Group in the PRC participated in retirement benefit plans (社會保險基金) under which the Group is required to make monthly defined contributions to the plans at the rate of 20% of the employee's basic salary.

The detailed information of the Group's pension scheme are set out in note 15 to the Financial Statements.

SHARE OPTIONS

A share option scheme (the "Scheme") was adopted by the Shareholders by way of written resolutions passed on 9 December 2003. Details of the Scheme are as follows:

The principal purpose of the Scheme is to enable the Company to grant options to subscribe for Shares ("Options") to the following eligible persons as incentives or rewards for their contributions to the Group:

(1) any full time employee or director of any member of the Group;

(2) any part time employee of any member of the Group who has spent not less than 10 hours per week in providing services to such member of the Group, determined by averaging out the total number of hours so spent in a period of four weeks immediately preceding the week in which the Options are offered to such part time employee; or

(3) any consultant or adviser of or to any member of the Group who has provided technical know-how and consultancy services to such member of the Group in accordance with the terms of a contractual relationship entered into between the consultant or adviser with such member of the Group.

The existing maximum number of Shares which may be issued upon the exercise of all Options to be granted under the Scheme and any other share option schemes of the Company is 54,000,000 Shares, being 10% of the Company's issued share capital as at the date on which the dealings in the Shares first commenced on the Stock Exchange and about 7.01% of the Company's issued share capital as at the date of this annual report.

REPORT OF THE DIRECTORS

The total number of Shares issued and to be issued upon exercise of the Options granted to a participant ("Participant") (including both exercised or outstanding Options), being any eligible person who accepted the offer of any Option, under the Scheme in any 12-month period must not exceed 1% of the Shares in issue from time to time unless prior approval is obtained from the independent Shareholders of the Company in a general meeting. If a grant of Options to a substantial Shareholder of the Company (as defined in the Rules ("GEM Listing Rules") Governing the Listing of Securities on the Growth Enterprise Market of The Stock Exchange of Hong Kong Limited) or an independent non-executive Director of the Company or any of their respective associates (as defined in the GEM Listing Rules) will result in the total number of the Shares issued and to be issued upon exercise of the Options granted or to be granted (including both exercised and outstanding Options) to such person in any 12-month period up to and including the proposed dated of the grant exceeding 0.1% of the Shares in issue and having an aggregate value, based on the closing price of the Shares at the proposed date of such each grant, in excess of HK$5 million, then the proposed grant of Options must be subject to Shareholders' approval in general meeting with all connected persons (as defined in the GEM Listing Rules) abstained from voting.

The Options may be exercised in accordance with the terms of the Scheme at any time during the option period. The Scheme does not require a minimum period for which the Options must be held or a performance target which must be achieved before any Option can be exercised. The Board shall be entitled at its absolute discretion to decide the option period subject to the Scheme, provided that it shall not exceed 10 years from the date on which the Option is deemed to be granted and accepted in accordance with the rules of the Scheme.

The Options will be offered for acceptance for a period of 28 days from the date on which the Options are offered to an eligible person. Upon acceptance of the Options, the eligible person shall pay HK$1 to the Company as consideration for the grant.

The subscription price for each Share subject to and upon the exercise of the Options will be a price determined by the Board and notified to each Participant and shall be at least the highest of (i) the closing price of each Share on Growth Enterprise Market of the Stock Exchange ("GEM") as stated in the daily quotations sheet of The Stock Exchange of Hong Kong Limited ("Stock Exchange") on the date of grant of the Options, which must be a business day; (ii) the average closing price of each Share on GEM as stated in the Stock Exchange's daily quotation sheets for the five business days immediately preceding the date of grant of the Option; and (iii) the nominal value of one Share.

The Scheme will remain valid for a period of 10 years commencing from 9 December 2003.

On 24 June 2008, as approved by the Board, a total of 12,700,000 Options have been granted to the Participants with the right to subscribe for a total of 12,700,000 Shares at an exercise price of HK$0.78 per Share. On 8 January 2009, as approved by the Board, a total of 19,700,000 Options have been granted to the Participants with the right to subscribe for a total of 19,700,000 Shares at an exercise price of HK$0.394 per Share. No Options have been exercised by the Participants since 1 April 2008 and up to the date of this report. Due to the resignation of three employees of our subsidiary, 995,000 Options had lapsed during the year under review. As at 31 March 2009, Options with the right to subscribe for a total of 995,000 Shares, representing approximately 0.13% of the existing issued share capital of the Company, may be granted under the Scheme. Details of the Scheme are set out in note 33 to the Financial Statements.

REPORT OF THE DIRECTORS

Details of the Options granted under the Scheme during the year ended 31 March 2009 are as follows:–

			Number of Options								
	Date of Grant	Exercise Period	Outstanding as at 1 April 2008	Granted during the year ended 31 March 2009	Exercised during the year ended 31 March 2009	Cancelled during the year ended 31 March 2009	Lapsed during the year ended 31 March 2009	Reallocated during the year ended 31 March 2009	Outstanding as at 31 March 2009	Exercise Price (HK$)	Closing Price of Shares immediately before the date of grant (HK$)
Directors											
Tse Chun Sing (Resigned as director on 7/11/2008)	19/2/2008	19/2/2008-18/2/2011	5,400,000	–	–	–	–	(5,400,000)	–	0.69	
Wu Kam Hung	19/2/2008	19/2/2008-18/2/2011	5,400,000	–	–	–	–	–	5,400,000	0.69	
Liew Swee Yean	19/2/2008	19/2/2008-18/2/2011	540,000	–	–	–	–	–	540,000	0.69	
Siu Siu Ling, Robert	19/2/2008	19/2/2008-18/2/2011	540,000	–	–	–	–	–	540,000	0.69	
Wong Yun Kuen	19/2/2008	19/2/2008-18/2/2011	540,000	–	–	–	–	–	540,000	0.69	
Yeap Soon P, Jonathan	24/6/2008	24/6/2008-23/6/2011	–	7,700,000	–	–	–	–	7,700,000	0.78	0.81
Chan Nap Kee, Joseph	8/1/2009	8/1/2009-7/1/2012	–	4,925,000	–	–	–	–	4,925,000	0.394	0.385
Chow Pok Yu, Augustine	8/1/2009	8/1/2009-7/1/2012	–	4,925,000	–	–	–	–	4,925,000	0.394	0.385
Yang Geyan	8/1/2009	8/1/2009-7/1/2012	–	4,925,000	–	–	–	–	4,925,000	0.394	0.385
		Sub-total	12,420,000	22,475,000	–	–	–	(5,400,000)	29,495,000		
Employees in aggregate	19/2/2008	19/2/2008-18/2/2011	2,700,000	–	–	–	(995,000)	–	1,705,000	0.69	
	24/6/2008	24/6/2008-23/6/2011	–	5,000,000	–	–	–	–	5,000,000	0.78	0.81
	8/1/2009	8/1/2009-7/1/2012	–	4,925,000	–	–	–	–	4,925,000	0.394	0.385
Other participants in aggregate	19/2/2008	19/2/2008-18/2/2011	6,480,000	–	–	–	–	5,400,000	11,880,000	0.69	
		Grand-total	21,600,000	32,400,000	–	–	(995,000)	–	53,005,000		

Notes:

(1) These Options represent personal interest held by the relevant directors as beneficial owners.

(2) 995,000 Options lapsed during the year under review.

REPORT OF THE DIRECTORS

DIRECTORS

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

Executive Directors:

Mr. Chan Nap Kee, Joseph *(Chairman)*	(Appointed on 19 September 2008)
Mr. Yeap Soon P, Jonathan *(Chief executive officer)*	
Dr. Chow Pok Yu, Augustine	(Appointed on 7 November 2008)
Mr. Wu Kam Hung	
Mr. Yang Geyan	(Appointed on 19 August 2008)
Mr. Yang Yongcheng	(Appointed on 6 February 2009)
Mr. Tse Chun Sing	(Resigned on 7 November 2008)

Independent Non-executive Directors

Mr. Liew Swee Yean	
Mr. Siu Siu Ling, Robert	
Dr. Wong Yun Kuen	
Mr. Anderson Brian Ralph	(Appointed on 23 January 2009)

According to Article 86 of the articles of association of the Company ("the Articles"), the Directors shall have the power from time to time and at any time to appoint any person as a Director to fill a casual vacancy on the Board or, as an addition to the existing Board provided that the number of Directors so appointed by the Board shall not exceed any maximum number determined from time to time by the Shareholders in general meeting. Any Director so appointed by the Board shall hold office only until the next following general meeting of the Company (in the case of filling a casual vacancy) or until the following annual general meeting of the Company ("AGM") (in the case of an addition to the Board), and shall then be eligible for re-election at that meeting.

According to Article 87 of the Articles, one-third of the Directors for the time being (or, if the number of Directors is not three (3) or a multiple of three (3), the number nearest to but not less than one-third), shall retire at each AGM by rotation, provided that every Director shall be subject to retirement by rotation at least once every three (3) years. The retiring Directors shall then be eligible for re-election at the AGM.

In accordance with Article 86 of the Articles, Mr. Chan Nap Kee, Joseph, Dr. Chow Pok Yu, Augustine, Mr. Yang Yongcheng and Mr. Anderson Brian Ralph will hold office until the next following general meeting of the Company and being eligible, offer themselves for re-election at the forthcoming AGM.

In accordance with Article 87 of the Articles, Mr. Liew Swee Yean, Mr. Yeap Soon P, Jonathan and Mr. Yang Geyan will retire from offices by rotation at the forthcoming AGM, and being eligible, offer themselves for re-election at the forthcoming AGM.

The Company has received from each of Mr. Liew Swee Yean, Mr. Siu Siu Ling, Robert, Dr. Wong Yun Kuen and Mr. Anderson Brian Ralph, being the independent non-executive Directors, an annual confirmation of his independence pursuant to Rule 5.09 of the GEM Listing Rules and the Company still considers each of the independent non-executive Directors to be independent.

REPORT OF THE DIRECTORS

DIRECTORS' SERVICE CONTRACTS

Two of the executive Directors namely, Mr. Yeap Soon P, Jonathan and Mr. Wu Kam Hung, has entered into a service contract with the Company commencing on 10 June 2008 and 6 July 2007 respectively. The contract of Mr. Wu Kam Hung may be terminated by either party thereto giving to the other prior notice in writing.

The term of office for each of Mr. Liew Swee Yean, Mr. Siu Siu Ling, Robert, Dr. Wong Yun Kuen and Mr. Anderson Brian Ralph, being the independent non-executive Directors, is for a term of one year and may be extended for such period as agreed in writing by the Directors concerned and the Company. Currently, Mr. Liew Swee Yean has been appointed as an independent non-executive Director up to 7 November 2009, Mr. Siu Siu Ling, Robert has been appointed as an independent non-executive Director up to 31 December 2009, Dr. Wong Yun Kuen has been appointed as an independent non-executive Director up to 29 September 2009, while Mr. Anderson Brian Ralph has been appointed as an independent non-executive Director up to 22 January 2010.

Save as disclosed above, none of the Directors has a service contract with the Company which is not determinable within one year without payment of compensation, other than statutory compensation.

Details of the Directors' emoluments are set out in note 12 to the Financial Statements.

DIRECTORS' REMUNERATION

It is proposed that the Board be authorised to fix the Directors' remuneration at the forthcoming AGM. The remuneration, including any bonus payments, housing allowance and share options, to be paid to the Directors, are recommended by the remuneration committee of the Board ("Remuneration Committee") with reference to the Directors' duties, responsibilities and performance and the results of the Group.

DIRECTORS' INTERESTS IN CONTRACTS

There were no contracts of significance in relation to the Group's business to which the Company, its subsidiaries or its holding company was a party and in which a Director had a material interest, whether directly or indirectly, subsisting as at the end of the year or at any time during the year under review.

CONTINUING CONNECTED TRANSACTIONS

The independent non-executive Directors have reviewed and confirmed that the continuing connected transactions undertaken by the Group were entered into (i) in the ordinary and usual course of business of the Group; (ii) either on normal commercial terms or on terms no less favourable to the Group than terms available to or from independent third parties; and (iii) in accordance with the relevant agreements governing the transactions on terms that are fair and reasonable and in the interests of the shareholders of the Company as a whole. The Board confirms that the Company's auditors have confirmed the matters stated in Rule 20.38 of the GEM Listing Rules.

During the year under review, the Group had conducted the following continuing connected transactions which were required to be disclosed pursuant to Rules 20.45 and 20.46 of the GEM Listing Rules:

REPORT OF THE DIRECTORS

The Supply Agreement Dated 1 February 2008

On 1 February 2008, Ordos GEM Coal & Chemical Co., Ltd. (鄂爾多斯市啟杰蒙西煤化有限公司) ("Mengxi Chemical"), a Sino-foreign equity joint venture established in the PRC and a 70%-owned indirect subsidiary of the Company, entered into a supply agreement ("Supply Agreement") with Inner Mongolia Mengxi Minerals Limited (內蒙古蒙西礦業有限公司) ("Mengxi Minerals"), a Sino-foreign equity joint venture established in the PRC, 49% equity interest of which is indirectly owned by Company, in relation to the purchase by Mengxi Chemical from Mengxi Minerals of raw coal ("Raw Coal") extracted from the coal mines owned by Mengxi Minerals in Inner Mongolia of the PRC and all related coal products and derivative products. Raw coal is the principal raw material used by Mengxi Chemical for its production of coking coal, thermal coal, coke and coking by-products. The Supply Agreement grants to Mengxi Chemical a right to purchase Raw Coal from Mengxi Minerals at a price that is capped at the prevailing market price and thus ensuring the competitiveness of its products in the market place.

Inner Mongolia Mengxi Gaoxing High Tech Limited ("Mengxi HT") holds 30% of the equity interests in each of Mengxi Minerals and Mengxi Chemical. Mengxi HT is therefore a connected person of the Company at subsidiary level. Thus, the continuing transaction pursuant to the Supply Agreement entered into between Mengxi Chemical and Mengxi Minerals constitute a continuing connected transaction for the Company under the GEM Listing Rules.

Pursuant to the Supply Agreement, Mengxi Minerals shall supply, on an exclusive basis, and Mengxi Chemical shall purchase the Raw Coal extracted by Mengxi Minerals. Within one month upon the Supply Agreement becoming effective and in the first month of each calendar year during the term of the Supply Agreement, parties to the Supply Agreement shall agree on the annual plan of Mengxi Minerals for that calendar year (including but not limited to its quantity of the Raw Coal to be extracted or produced, type of products, its specification and quality, expected production timetable and time of delivery, etc.). Without the prior consent of Mengxi Chemical in writing, the quantity of the Raw Coal as produced or extracted by Mengxi Minerals shall not exceed the quantity specified in the annual plan as agreed by the parties to the Supply Agreement.

The Supply Agreement provides that Mengxi Chemical may assign part or all of the said agreement to third party to purchase the Raw Coal at a price no less than the applicable price offered by Mengxi Minerals under the Supply Agreement. The Supply Agreement is for a term of three years effective upon the Acquisition Completion Date (i.e. 10 June 2008). At the end of each three-year term, Mengxi Chemical has the right (but not the obligation) to renew the Supply Agreement for a further term of three years. The applicable price of the Raw Coal is determined on a cost-plus basis, which is determined as the cost of production of the Raw Coal plus a value added rate of 10%, subject to the condition that the applicable price shall not be higher than the market price of the Raw Coal.

Mengxi Chemical shall pay Mengxi Minerals for the Raw Coal purchased within one month from the date of delivery of the Raw Coal to Mengxi Chemical by way of cash.

No Raw Coal and related products were purchased by Mengxi Chemical from Mengxi Minerals under the Supply Agreement for the year ended 31 March 2009, and accordingly the annual cap of RMB180 million (approximately HK$192.2 million) for the year ended 31 March 2009 as set out in the Company's circular dated 30 April 2008 has not been exceeded.

REPORT OF THE DIRECTORS

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

As at 31 March 2009, the interests and short positions of the Directors and the chief executives in the Shares, underlying Shares and debentures of the Company or any associated corporation (within the meaning of Part XV of the Securities and Futures Ordinance (Cap 571 of the Laws of Hong Kong) ("SFO") which were 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 or short positions which he is taken or deemed to have under such provisions of the SFO), or which were required pursuant to section 352 of the SFO to be entered in the register maintained by the Company referred to therein, or which were 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 the securities transactions by the Directors:

Long Position in Shares and underlying Shares

Name of Directors	Capacity and nature of interest	Number of Shares	Number of underlying Shares *(Note)*	Approximate percentage of the total issued Shares as at 31 March 2009
Chan Nap Kee, Joseph	Beneficial owner	–	4,925,000	0.64%
Yeap Soon P, Jonathan	Beneficial owner	–	7,700,000	1.00%
Chow Pok Yu, Augustine	Beneficial owner	–	4,925,000	0.64%
Wu Kam Hung	Beneficial owner	–	5,400,000	0.70%
Liew Swee Yean	Beneficial owner	–	540,000	0.07%
Siu Siu Ling, Robert	Beneficial owner	–	540,000	0.07%
Wong Yun Kuen	Beneficial owner	–	540,000	0.07%
Yang Geyan	Beneficial owner	9,800,000 ordinary Shares	4,925,000	1.91%

Note: The long position in the underlying Shares mentioned above represent the ordinary 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 Scheme.

Details of the Options granted to the above Directors are set out in the section headed "SHARE OPTIONS".

Save as disclosed above, none of the Directors or the chief executives of the Company had any interests or short positions in the Shares, underlying Shares and debentures of the Company or any associated corporation (within the meaning of Part XV of the SFO) which were required to be notified to the Company and the Stock Exchange pursuant to Divisions 7 and 8 of Part XV of the SFO, or which were required pursuant to Section 352 of the SFO to be entered in the register maintained by the Company referred to therein, or which were 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 the securities transactions by the Directors.

REPORT OF THE DIRECTORS

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

As at 31 March 2009, the register of substantial shareholders maintained by the Company pursuant to Section 336 of the SFO shows that other than the interests 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 Position		
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 31 March 2009
Plowright Investments Limited	Beneficial owner	80,000,000	–	80,000,000 *(Note 1)*	10.39%
Harmony Asset Limited	Interest of a controlled corporation	80,000,000	–	80,000,000 *(Note 1)*	10.39%
Excel Formation Limited	Beneficial owner	53,444,000	–	53,444,000 *(Note 2)*	6.94%
Cheng Yu Tung	Interest of a controlled corporation	53,444,000	–	53,444,000 *(Note 2)*	6.94%
Gold Master Business Limited	Beneficial owner	81,000,000	–	81,000,000 *(Note 3)*	10.52%
Wong Wai Keung Dennis	Interest of a controlled corporation	81,000,000	–	81,000,000 *(Note 3)*	10.52%
Glimmer Stone Investments Limited ("Glimmer")	Interest of a controlled corporation	110,727,250	170,000,000	280,727,250 *(Note 4)*	36.46%
	Beneficial owner	–	461,000,000	461,000,000	59.87%
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)*	132.59%
Oriental Patron Financial Services Group Limited ("OPFSG")	Interest of a controlled corporation	170,000,000	830,000,000	1,000,000,000 *(Note 6)*	129.87%
Oriental Patron Financial Group Limited ("OPFG")	Interest of a controlled corporation	170,000,000	830,000,000	1,000,000,000 *(Note 6)*	129.87%
Zhang Gaobo	Interest of a controlled corporation	170,000,000	830,000,000	1,000,000,000 *(Note 6)*	129.87%
Zhang Zhi Ping	Interest of a controlled corporation	170,000,000	830,000,000	1,000,000,000 *(Note 6)*	129.87%

REPORT OF THE DIRECTORS

Notes:

1. Plowright Investments Limited is a wholly-owned subsidiary of Harmony Asset Limited, the shares of which are listed on the Main Board of the Stock Exchange. Harmony Asset Limited is deemed to be interested in the 80,000,000 Shares held by Plowright Investments Limited under the SFO.

2. Excel Formation Limited is wholly-owned by Cheng Yu Tung, who is deemed to be interested in the 53,444,000 Shares held by Excel Formation Limited under the SFO.

3. Gold Master Business Limited is wholly-owned by Wong Wai Keung, Dennis, who is deemed to be interested in the 81,000,000 Shares held by Gold Master Business Limited under the SFO.

4. These Shares and underlying Shares are held by Grand Pacific Source Limited ("Grand Pacific"), which is wholly-owned by Glimmer. Glimmer is deemed to be interested in the Shares and underlying Shares held by Grand Pacific 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, which was a wholly-owned subsidiary of GEM Global Yield Fund Limited ("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 31 March 2009 and confirm whether the interests of GEM Global as at 31 March 2009 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 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. These 1,000,000,000 Shares and underlying Shares represent the aggregate of: (i) the 110,727,250 Shares held by Grand Pacific, a wholly-owned subsidiary of Glimmer, and 59,272,750 Shares held by Pacific Top Holding Limited ("Pacific Top") a wholly-owned subsidiary of Oriental Patron Financial Services Group Limited ("OPFSG"); and (ii) 170,000,000 underlying Shares held by Grand Pacific, 461,000,000 underlying Shares held by Glimmer, a company which is held 43.8% by OPFSG, and 199,000,000 underlying Shares held by Pacific Top Holding Limited ("Pacific Top"). OPFSG is a 95% subsidiary of Oriental Patron Financial Group Limited ("OPFG"). Mr. Zhang Gaobo and Mr. Zhang Zhi Ping are respectively interested in 49% and 51% of OPFG. Accordingly, OPFSG, OPFG, Mr. Zhang Gaobo and Mr. Zhang Zhi Ping are deemed to be interested in those Shares and underlying Shares held by Grand Pacific, Glimmer and Pacific Top under the SFO.

REPORT OF THE DIRECTORS

7. The long positions in underlying Shares mentioned above represent the Shares to be issued and allotted upon the exercise in full of the Convertible Bonds issued by the Company on 10 June 2008.

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 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, or who was directly or indirectly interested in 5% or more of the nominal value of any class of share capital carrying rights to vote in all circumstances at general meeting of the Company.

MANAGEMENT CONTRACTS

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

MAJOR CUSTOMERS AND SUPPLIERS

The percentage of purchases attributable to the Group's five largest suppliers and the percentage of sales attributable to the Group's five largest customers are less than 30% respectively.

COMPLIANCE WITH THE CODE ON CORPORATE GOVERNANCE PRACTICES

The Company has complied with most of the code provisions as set out in the Code of Corporate Governance Practices contained in Appendix 15 to the GEM Listing Rules during the year ended 31 March 2009. Details of compliance and deviation are set out in the Corporate Governance Report on pages 34 to 40.

DIRECTORS' INTEREST IN COMPETING BUSINESS

None of the Directors or their respective associates (as defined in GEM Listing Rules) had any interests in any business which compete or may compete with the Group or any other conflicts of interest with the Group.

PRE-EMPTIVE RIGHTS

There is no provision for pre-emptive rights under the Articles and there are no restrictions against such rights under the laws in the Cayman Islands.

SUBSIDIARIES

Particulars of the Company's subsidiaries are set out in note 34 to the Financial Statements.

SUFFICIENCY OF PUBLIC FLOAT

Based on the information that is publicly available to the Company and within the knowledge of the Directors as at the latest practicable date prior to the issue of this annual report, the Company has maintained a sufficient public float in accordance with the GEM Listing Rules.

REPORT OF THE DIRECTORS

EVENTS AFTER THE BALANCE SHEET DATE

Subsequent to the balance sheet date, the Group does not have any significant subsequent events.

AUDITORS

A resolution to re-appoint the retiring auditors, RSM Nelson Wheeler, will be proposed at the forthcoming AGM.

There is no change of auditors of the Company since its incorporation.

For and on behalf of the Board

Chan Nap Kee, Joseph
Chairman

Hong Kong, 22 June 2009

CORPORATE GOVERNANCE REPORT

CODE ON CORPORATE GOVERNANCE PRACTICES

The Company is committed to achieving high standards of corporate governance that properly protect and promote the interest of its Shareholders.

Save for the breach of Code Provision A.4.2, the Company has complied with all the code provisions (each a "Code Provision") as set out in Appendix 15, Code on Corporate Governance Practices ("the Code") of the GEM Listing Rules during the Year.

CODE OF CONDUCT REGARDING SECURITIES TRANSACTIONS BY DIRECTORS

The Company has adopted a code of conduct regarding securities transactions by directors ("Directors") of the Company on terms no less exacting than the required standard of dealings as set out in Rules 5.48 to 5.67 of the GEM Listing Rules throughout the Year. The Company has also made specific enquiry of all Directors and the Company was not aware of any non-compliance with the required standard of dealings and its code of conduct regarding securities transactions by Directors.

THE BOARD OF DIRECTORS

Composition of the Board of Directors (the "Board")

As at 31 March 2009, the Board comprised ten Directors, including six executive Directors, namely Mr. Chan Nap Kee, Joseph, Mr. Yeap Soon P, Jonathan, Dr. Chow Pok Yu, Augustine, Mr. Wu Kam Hung, Mr. Yang Geyan and Mr. Yang Yongcheng and 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. Chan Nap Kee, Joseph is the Chairman of the Board and Mr. Yeap Soon P, Jonathan is the Chief Executive Officer. One of the independent non-executive Directors has appropriate professional qualifications, or accounting or related financial management expertise. Biographical details of the Directors are set out on pages 12 to 20 of this annual report.

Each of the independent non-executive Directors has entered into a service contract with the Company for a term of one year, which may be extended for such period as agreed in writing between the Director concerned and the Company.

There is no financial, business, family or other material or relevant relationship among the Directors.

Independent Non-executive Directors

The Company has received from each of its independent non-executive Directors an annual confirmation of his independence pursuant to Rule 5.09 of the GEM Listing Rules. The Company is of the view that all the independent non-executive Directors meet the independence guidelines as set out in Rule 5.09 of the GEM Listing Rules and still considers that they are independent.

Role and Function of the Board

The principal role of the Board is to formulate the operational strategies and establish an internal control system together with a high standard of corporate governance to ensure proper management of the Group. The daily operational matters of the Group are delegated by the Board to the management.

CORPORATE GOVERNANCE REPORT

Board Meetings

Four regular Board meetings were held during the year ended 31 March 2009. The Board meetings involved the active participation of the Directors either in person or through other electronic means of communication.

At least 14 days notice has been given to all Directors of each of the Board meetings.

Attendance of each of the Directors at Board meetings during the year ended 31 March 2009 is set out as follows:

Number of Board Meetings	**4**	
Executive Directors:		
Mr. Tse Chun Sing *(Chairman)* (up to 7 November 2008)	2/2	100%
Mr. Chan Nap Kee, Joseph *(Chairman)* (from 19 September 2008 onwards)	2/2	100%
Mr. Yeap Soon P, Jonathan *(Chief Executive Officer)*	4/4	100%
Dr. Chow Pok Yu, Augustine (from 7 November 2008 onwards)	2/2	100%
Mr. Wu Kam Hung	4/4	100%
Mr. Yang Geyan (from 19 August 2008 onwards)	1/2	50%
Mr. Yang Yongcheng (from 6 February 2009 onwards)	1/1	100%
Independent Non-Executive Directors:		
Mr. Siu Siu Ling, Robert	4/4	100%
Dr. Wong Yun Kuen	4/4	100%
Mr. Liew Swee Yean	4/4	100%
Mr. Anderson Brian Ralph (from 23 January 2009 onwards)	0/1	0%
Average attendance rate	93.3%	

INTERNAL CONTROL

The Board has overall responsibilities for maintaining and reviewing the effectiveness of the system of internal control of the Group. The internal control system is to safeguard the assets of the Group and the shareholders' investment and to ensure the reliability of financial reporting as well as compliance with the relevant requirements of the GEM Listing Rules. During the year ended 31 March 2009, the Board had reviewed the effectiveness of the system of internal control of the Group. The review had covered all material aspects of internal control including financial, operational and compliance controls and risk management functions of the Group. The board also consider the adequacy of resources, qualifications and experience of staff of the Group's accounting and financial reporting function, and their training programme and budget.

CHAIRMAN AND CHIEF EXECUTIVE OFFICER

Subsequent to the resignation of Mr. Tse Chun Sing, the chairman and executive Director, on 7 November 2008, Mr. Chan Nap Kee Joseph, an executive Director, filled the vacancy of chairmanship on the same day. The role of the Chairman is separated from that of the Chief Executive Officer, Mr. Yeap Soon P Jonathan. Such division of responsibilities allows a balance of power between the Board and the management of the Group, and ensures their independence and accountability.

The Chairman is the leader of the Board and he oversees the Board so that its acts in the best interests of the Group. The Chairman is responsible for deciding the agenda of each Board meeting, taking into account, where appropriate, matters proposed by other Directors for inclusion in the agenda. The Chairman has overall responsibility for providing leadership, vision and direction in the development of the business of the Company.

CORPORATE GOVERNANCE REPORT

The Chief Executive Officer, assisted by other executive Directors, is responsible for the day to-day management of the business of the Group, attends to formulation and successful implementation of policies, and assumes full accountability to the Board for all operations of the Group. Working with the Chairman and the executive management team of each core business division, he ensures smooth operations and development of the Group. He maintains continuing dialogue with the Chairman and all Directors to keep them fully informed of all major business developments and issues. He is also responsible for building and maintaining an effective executive team to support him in his role.

REMUNERATION COMMITTEE

Composition of the Remuneration Committee

The Code Provision B.1.1 stipulates that listed issuers should establish a remuneration committee with specific written terms of reference.

The Company has established the Remuneration Committee in March 2006. The existing Remuneration Committee comprised two executive Directors and four independent non-executive Directors, namely Mr. Chan Nap Kee Joseph, Mr. Wu Kam Hung, Mr. Liew Swee Yean, Mr. Siu Siu Ling Robert, Dr. Wong Yun Kuen and Mr. Anderson Brian Ralph. Dr. Wong Yun Kuen is the Chairman of the Remuneration Committee.

The Board has adopted the terms of reference of the Remuneration Committee in alignment with the mandatory provisions as set out in the Code Provision B.1.3.

Role and Function of the Remuneration Committee

The role and function of the Remuneration Committee includes making recommendations to the Board on Company's policy and structure for all remuneration packages of Directors and senior management, establishing formal and transparent procedures for formulating policy on such remuneration packages and determining the specific remuneration packages of all executive Directors and senior management staff of the Company.

Remuneration Policy

The formulation of the Group's remuneration strategy and policy is based on the principles of equity and market competitiveness so as to drive staff to work towards the mission of the Group and to retain talents. As a long-term incentive plan and with the aim at motivating Directors and employees in the continued pursuit of the Company's goal and objectives, the Company has adopted a share option scheme under which the Company may grant share options to the Directors/employees to subscribe for the shares of the Company.

Remuneration Committee Meetings

The Remuneration Committee has held four meetings during the year ended 31 March 2009. During the meetings, the Remuneration Committee had reviewed and approved the increment in salary, housing allowance, bonus payment and share options for the executive Directors and the senior management by way of resolutions passed by all committee members. However, the executive Directors did not participate in determining their own remuneration.

During the year under review, the Remuneration Committee had undertaking the following duties:

(i) approved the salary, housing allowance and bonus payment for an executive Director and the senior management of the Company; and

(ii) authorised the Board to grant share options to the executive Directors and the senior management of the Company in accordance with the rules of the share option scheme of the Company.

CORPORATE GOVERNANCE REPORT

Attendance of each of the Directors at the Remuneration Committee meetings during the year ended 31 March 2009 is set out as follows:

Number of Remuneration Committee Meetings		**4**	
Dr. Wong Yun Kuen *(Committee Chairman)*	4/4		100%
Ms. Tse Chun Sing (up to 7 November 2008)	3/3		100%
Mr. Chan Nap Kee, Joseph (from 7 November 2008 onwards)	1/1		100%
Mr. Wu Kam Hung	4/4		100%
Mr. Siu Siu Ling, Robert	4/4		100%
Mr. Liew Swee Yean	4/4		100%
Mr. Anderson Brian Ralph (from 23 January 2009 onwards)	0/0		N/A
Average attendance rate		100%	

NOMINATION OF DIRECTORS

The Company does not have a Nomination Committee, and the power to nominate or appoint additional Directors is vested on the Board according to the Articles, in addition to the power of the shareholders of the Company to nominate any person to become a Director in accordance with the Articles and the laws of the Cayman Islands.

In assessing the nomination of new directors, the Board has taken into consideration the nominee's qualification, ability and potential contributions to the Company. The Company also follows a formal, fair and transparent procedure for the appointment of new directors to the Board. The Board constantly reviews its own structure, size and composition and when necessary instructs the management of the Company to identify suitably qualified candidates which then makes recommendations to the Board for decisions.

During the year ended 31 March 2009, the Board has reviewed its own structure, size and composition and has nominated and appointed Mr. Chan Nap Kee Joseph, Dr. Chow Pok Yu Augustine, Mr. Yang Geyan and Mr. Yang Yongcheng to be executive Directors, and Mr. Anderson Brian Ralph to be independence non-executive Director.

The Board held five meetings during the year under review for appointment of Directors. Attendance of each of the Directors at Board meetings for appointment of Directors during the year ended 31 March 2009 is set out as follows:

Number of Board Meetings		**5**	
Executive Directors:			
Mr. Tse Chun Sing *(Chairman)* (up to 7 November 2008)	3/3		100%
Ms. Chan Nap Kee, Joseph *(Chairman)* (from 19 September 2008 onwards)	3/3		100%
Mr. Yeap Soon P, Jonathan *(Cheif Executive Officer)*	5/5		100%
Dr. Chow Pok Yu, Augustine (from 7 November 2008 onwards)	2/2		100%
Mr. Wu Kam Hung	5/5		100%
Mr. Yang Geyan (from 19 August 2008 onwards)	1/4		25%
Mr. Yang Yongcheng (from 6 February 2009 onwards)	0/1		0%
Average attendance rate		82.6%	

The Code Provision A.4.2 stipulates that all directors appointed to fill a casual vacancy should be subject to election by shareholders at the first general meeting after their appointment. Every director, including those appointed for a specific term, should be subject to retirement by rotation at least once every three years.

CORPORATE GOVERNANCE REPORT

The following is a summary of work regarding nominations of Directors performed by the Board for the year ended 31 March 2009:

(i) approved the list of retiring Directors for re-election at the annual general meeting;

(ii) reviewed the independence of all independent non-executive Directors; and

(iii) reviewed its own structure, size and composition; and

(iv) instructed the management of the Company to identify suitable candidates to fill casual vacancies on the Board and reviewed such nominations.

Each of Mr. Chan Nap Kee, Joseph, Dr. Chow Pok Yu, Augustine, Mr. Yang Yongcheng, Mr. Anderson Brian Ralph were appointed as Directors on 19 September 2008, 7 November 2008, 6 February 2009 and 23 January 2009 respectively pursuant to article 86 of the articles of association ("Articles") of the Company to fill casual vacancies of the Board. Accordingly, in accordance with Code Provision A.4.2, each of them shall be subject to election by Shareholders at the first general meeting of the Company after their respective appointments, being the extraordinary general meeting of the Company held on 27 February 2009.

However, each of Mr. Chan Nap Kee, Joseph, Dr. Chow Pok Yu, Augustine, Mr. Yang Yongcheng, Mr. Anderson Brian Ralph will instead stand for re-election at the forthcoming annual general meeting of the Company.

The Company regrets the inadvertent breach of the Code and will strive to improve its corporate governance in the future.

AUDITORS' REMUNERATION

For the year ended 31 March 2009, the fee paid or payable to external auditors in respect of audit and non-audit services amounted to HK$685,500 and HK$1,089,000 respectively.

PREPARATION OF ACCOUNTS

The Directors are responsible for overseeing the preparation of the annual accounts which give a true and fair view of the Group's state of affairs of the results and cash flow for the year under review. In preparing the accounts for the year ended 31 March 2009, the Directors have approved adoption of all the applicable accounting standards of Hong Kong Financial Reporting Standards ("HKFRSs").

The quarterly, interim and annual results of the Company are announced in a timely manner after the end of the relevant periods.

AUDIT COMMITTEE

Composition of the Audit Committee

The Company has established the audit committee ("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 and Code Provision C3.3 of the Code. The primary duties of the Audit Committee are to review and supervise the financial reporting process and internal control system of the Group.

CORPORATE GOVERNANCE REPORT

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, and Mr. Liew Swee Yean is the chairman of the Audit Committee.

During the year under review, the audit committee held four meetings to review and supervise the financial reporting process. The annual results for the year have been reviewed by the Audit Committee who was of the opinion that the preparation of such results complied with the applicable accounting standards and requirements and adequate disclosures have been made.

Role and Function of the Audit Committee

The written terms of reference which describe the authority and duties of the Audit Committee were prepared and adopted with reference to "A Guide for The Formation of An Audit Committee" published by the Hong Kong Institute of Certified Public Accountants, Rules 5.28 to 5.33 of the GEM Listing Rules and Code Provision C.3.3 of the Code.

The primary duties of the Audit Committee are to review and supervise the financial reporting process and internal control system of the Group and provide an important link between the Board and the Company's auditors on those matters within the scope of the Group's audit. It also reviews the effectiveness of the external and internal audit and conducts risk evaluation.

The Audit Committee is provided with sufficient resources to discharge its responsibilities and is supported by the Finance Department of the Company. The Audit Committee is accountable to the Board.

Audit Committee Meetings

During the year ended 31 March 2009, the Audit Committee has held four meetings to review and supervise the financial reporting process and Audit Committee has reviewed the quarterly, interim and annual results and system of internal controls. The Audit Committee was of the opinion that the preparation of such results complied with the applicable accounting standards and requirements and that adequate disclosures have been made. The Audit Committee also carried out and discharged its other duties as set out in the Code.

Attendance of each of the independent non-executive Directors at the Audit Committee meetings during the year ended 31 March 2009 is set out as follows:

Number of Audit Committee Meetings		**4**	
Mr. Liew Swee Yean *(Committee Chairman)*	4/4		100%
Mr. Siu Siu Ling, Robert	4/4		100%
Dr. Wong Yun Kuen	4/4		100%
Mr. Anderson Brian Ralph (from 23 January 2009 onwards)	0/1		0%
Average attendance rate		92.3%	

During the year under review, the Audit Committee had undertaken the following duties:

(i) made recommendations to the Board on the appointment, reappointment or removal of the external auditors (the "Auditors") and approved the audit fees and terms of engagement of the Auditors, or any questions of resignation or dismissal of the Auditors;

(ii) reviewed the quarterly, interim and annual financial statements prior to recommending them to the Board for approval;

CORPORATE GOVERNANCE REPORT

(iii) reviewed the Auditors' management letter and the management's response thereto, and to ensure that recommendations made by the Auditors are carried out;

(iv) reviewed the operation and effectiveness of the Company's financial control, internal control and risk management systems;

(v) reviewed the appropriateness of reporting and accounting policies and disclosure practices; and

(vi) reviewed the work of the Internal Audit Department, ensuring coordination between the Internal Audit Department and the Auditors, and reviewing and monitoring the effectiveness of the internal audit function.

During the year under review, the Board, through the Audit Committee, reviewed the effectiveness of the Group's system of internal control over financial, operational and compliance issues, broad-based risk management processes, and physical and information systems security. To formalize the annual review of internal control system, the Audit Committee made reference to the globally recognised framework with modifications to include some controls which are specific to the Group's operation. The Audit Committee concluded that, in general, the Group has set up a sound control environment and installed necessary control mechanisms to monitor and correct non-compliance. The Board, through the review of the Audit Committee, is satisfied that the Group has fully complied with the Code Provisions on internal controls as set forth in the Code for the year ended 31 March 2009.

The Group's financial statements for the year ended 31 March 2009 have been reviewed by the Audit Committee, who is of the opinion that such statements comply with applicable accounting standard and legal requirements, and that adequate disclosures have been made.

DIRECTORS' RESPONSIBILITY FOR THE FINANCIAL STATEMENTS

The Directors acknowledge their responsibility for preparing the financial statements of the Group.

The statement by the Auditors of the Company about their reporting responsibilities is set out on page 41 of this report.

INDEPENDENT AUDITOR'S REPORT

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

TO THE SHAREHOLDERS OF
KAISUN ENERGY GROUP LIMITED
(FORMERLY KNOWN AS CHALLENGER GROUP HOLDINGS LIMITED)
(Incorporated in the Cayman Islands with limited liability)

We have audited the consolidated financial statements of Kaisun Energy Group Limited (the "Company") set out on pages 43 to 102, which comprise the consolidated balance sheet as at 31 March 2009, and the consolidated income statement, consolidated statement of changes in equity and consolidated cash flow statement for the year then ended, and a summary of significant accounting policies and other explanatory notes.

Directors' responsibility for the financial statements

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

Auditor's responsibility

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

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

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

INDEPENDENT AUDITOR'S REPORT

Opinion

In our opinion the consolidated financial statements give a true and fair view of the state of affairs of the Group as at 31 March 2009 and of the Group's results and cash flows for the year then ended in accordance with Hong Kong Financial Reporting Standards and have been properly prepared in accordance with the disclosure requirements of the Hong Kong Companies Ordinance.

RSM Nelson Wheeler
Certified Public Accountants
Hong Kong

22 June 2009

CONSOLIDATED INCOME STATEMENT

for the year ended 31 March 2009

	Note	2009 HK$	2008 HK$
Continuing operations			
Turnover	6	**51,087,316**	39,172,566
Cost of goods sold and services rendered		**(14,101,423)**	(9,292,951)
Gross profit		**36,985,893**	29,879,615
Other income	7	**81,411,206**	2,056,678
Selling and distribution costs		**(1,570,289)**	(1,700,866)
Administrative and other operating expenses		**(62,392,215)**	(34,630,851)
Profit/(loss) from operations		**54,434,595**	(4,395,424)
Finance costs	8	**(32,754,793)**	(28,535)
Share of loss of an associate	20	**(12,894,394)**	–
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	35(a)(ii)	**–**	1,822,816
Impairment loss on goodwill	18	**–**	(24,035)
Profit/(loss) before tax		**8,785,408**	(2,625,178)
Income tax expense	9	**(23,048)**	(431,852)
Profit/(loss) for the year from continuing operations		**8,762,360**	(3,057,030)
Discontinued operations			
Profit for the year from discontinued operations	10	**–**	73,161,336
Profit for the year	11	**8,762,360**	70,104,306
Attributable to:			
Equity holders of the Company		**8,708,612**	69,111,488
Minority interests		**53,748**	992,818
		8,762,360	70,104,306
Dividend	13	**–**	–
Earnings/(loss) per share (cents)	14		
From continuing and discontinued operations			
– basic		**1.20**	12.80
– diluted		**(2.29)**	N/A
From continuing operations			
– basic		**1.20**	(0.75)
– diluted		**(2.29)**	N/A

CONSOLIDATED BALANCE SHEET

at 31 March 2009

	Note	2009 HK$	2008 HK$
Non-current assets			
Fixed assets	16	**1,068,209**	1,435,702
Prepaid land lease payments	17	**–**	–
Goodwill	18	**124,671,293**	–
Intangible assets	19	**10,000,000**	18,234,000
Investment in an associate	20	**761,416,167**	–
Deferred tax assets	21	**347,300**	170,503
		897,502,969	19,840,205
Current assets			
Inventories	22	**330,856**	372,172
Trade receivables	23	**1,146,881**	973,400
Deposits, prepayments and other receivables	24	**74,884,000**	11,607,167
Amount due from a minority shareholder	25	**27,219,120**	–
Current tax assets		**171,144**	–
Pledged bank deposits	26	**1,500,485**	–
Bank and cash balances	26	**37,647,050**	119,211,934
		142,899,536	132,164,673
Current liabilities			
Trade payables	27	**465,689**	1,347,622
Other payables and accruals		**6,505,052**	3,765,523
Sales deposits received and receipts in advance		**3,331,354**	3,948,018
Amount due to minority shareholders		**1,168,733**	2,575,834
Derivative component of convertible bonds	28	**73,920,000**	–
Current tax liabilities		**–**	53,829
		85,390,828	11,690,826
Net current assets		**57,508,708**	120,473,847
Total assets less current liabilities		**955,011,677**	140,314,052
Non-current liabilities			
Loan from a minority shareholder	29	**1,273,875**	–
Convertible bonds	28	**634,542,149**	–
		635,816,024	–
NET ASSETS		**319,195,653**	140,314,052
Capital and reserves			
Share capital	30	**7,700,000**	5,400,000
Reserves		**271,789,074**	122,562,059
Equity attributable to equity holders of the Company		**279,489,074**	127,962,059
Minority interests		**39,706,579**	12,351,993
TOTAL EQUITY		**319,195,653**	140,314,052

Approved by the Board of Directors on 22 June 2009.

Chan Nap Kee, Joseph	**Yeap Soon P, Jonathan**
Director	Director

CONSOLIDATED STATEMENT OF CHANGES IN EQUITY

for the year ended 31 March 2009

	Attributable to equity holders of the Company								
	Share capital HK$	Share premium (note 32(c)(i)) HK$	Merger reserve (note 32(c)(ii)) HK$	Foreign currency translation reserve (note 32(c)(iii)) HK$	Share-based payment reserve (note 32(c)(iv)) HK$	Retained profits HK$	Total HK$	Minority interests HK$	Total equity HK$
At 1 April 2007	5,400,000	9,536,387	(122,000)	2,625,495	–	38,176,948	55,616,830	–	55,616,830
Translation difference	–	–	–	1,835,221	–	–	1,835,221	–	1,835,221
Net income recognised directly in equity	–	–	–	1,835,221	–	–	1,835,221	–	1,835,221
Profit for the year	–	–	–	–	–	69,111,488	69,111,488	992,818	70,104,306
Total recognised income and expense 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
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**
Translation difference	**–**	**–**	**–**	**(273,060)**	**–**	**–**	**(273,060)**	**–**	**(273,060)**
Net expense recognised directly in equity	**–**	**–**	**–**	**(273,060)**	**–**	**–**	**(273,060)**	**–**	**(273,060)**
Profit for the year	**–**	**–**	**–**	**–**	**–**	**8,708,612**	**8,708,612**	**53,748**	**8,762,360**
Total recognised income and expense for the year	**–**	**–**	**–**	**(273,060)**	**–**	**8,708,612**	**8,435,552**	**53,748**	**8,489,300**
Issue of shares for acquisition of a subsidiary *(note 30)*	**2,300,000**	**133,400,000**	**–**	**–**	**–**	**–**	**135,700,000**	**–**	**135,700,000**
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**
At 31 March 2009	**7,700,000**	**142,936,387**	**–**	**(273,060)**	**12,980,794**	**116,144,953**	**279,489,074**	**39,706,579**	**319,195,653**

CONSOLIDATED CASH FLOW STATEMENT

for the year ended 31 March 2009

	Note	2009 HK$	2008 HK$
CASH FLOWS FROM OPERATING ACTIVITIES			
Profit before tax		**8,785,408**	70,634,791
Adjustments for:			
Depreciation		**1,582,552**	3,115,108
Amortisation of prepaid land lease payments		**–**	23,216
Amortisation of intangible assets		**–**	45,418
(Gain)/loss on disposal of fixed assets		**(18,712)**	89,522
Gain on disposal of subsidiaries		**–**	(64,152,125)
Equity-settled share-based payments		**7,391,463**	5,859,236
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		**32,754,793**	293,873
Interest income		**(1,550,570)**	(2,349,115)
Fair value gain on derivative component of convertible bonds		**(79,280,875)**	–
Share of loss of an associate		**12,894,394**	–
Operating (loss)/profit before working capital changes		**(9,199,197)**	11,761,143
Decrease/(increase) in inventories		**41,316**	(2,635,625)
Increase in trade receivables		**(173,481)**	(44,986,757)
Decrease in deposits, prepayments and other receivables		**338,528**	10,975,317
(Decrease)/increase in trade payables		**(881,933)**	36,263,308
Increase in other payables and accruals		**1,735,529**	17,036,347
Decrease in sales deposits received and receipts in advance		**(616,664)**	(114,183)
Cash (used in)/generated from operations		**(8,755,902)**	28,299,550
Interest paid		**(11,769)**	(293,873)
Hong Kong profits tax paid		**(424,818)**	(588,999)
Net cash (used in)/generated from operating activities		**(9,192,489)**	27,416,678
CASH FLOWS FROM INVESTING ACTIVITIES			
Increase in amount due from a minority shareholder		**(27,219,120)**	–
Increase in deposits, payments and other receivables		**(63,225,361)**	–
Capital contributions to an associate		**(16,800,000)**	–
Capital contributions from a minority shareholder		**27,300,838**	–
Dividend paid		**–**	(14,489)
Interest received		**1,550,570**	2,349,115
Purchases of fixed assets		**(1,221,347)**	(2,181,645)
Additions of intangible assets		**(8,350)**	–
Proceeds from disposal of fixed assets		**25,000**	101,999
(Increase)/decrease in pledged bank deposits		**(1,500,485)**	3,521,425
Acquisition of subsidiaries	35(a)	**(575,867,854)**	(5,696,631)
Disposal of subsidiaries	35(b)	**–**	56,796,684
Net cash (used in)/generated from investing activities		**(656,966,109)**	54,876,458

CONSOLIDATED CASH FLOW STATEMENT

for the year ended 31 March 2009

	2009 HK$	2008 HK$
CASH FLOWS FROM FINANCING ACTIVITIES		
Repayment of bank loans	**–**	(3,120,120)
Net repayment of trust receipts and trade financing loans	**–**	(6,057,957)
Repayment of finance lease payables	**–**	(177,124)
Repayment to minority shareholders	**(133,226)**	(1,449,259)
Placing fees paid	**(15,000,000)**	–
Proceeds from convertible bonds	**600,000,000**	–
Net cash generated from/(used in) financing activities	**584,866,774**	(10,804,460)
NET (DECREASE)/INCREASE IN CASH AND CASH EQUIVALENTS	**(81,291,824)**	71,488,676
EFFECT OF FOREIGN EXCHANGE RATE CHANGES	**(273,060)**	1,537,447
	(81,564,884)	73,026,123
CASH AND CASH EQUIVALENTS AT BEGINNING OF YEAR	**119,211,934**	46,185,811
CASH AND CASH EQUIVALENTS AT END OF YEAR	**37,647,050**	119,211,934
ANALYSIS OF CASH AND CASH EQUIVALENTS		
Bank and cash balances	**37,647,050**	119,211,934

NOTES TO THE FINANCIAL STATEMENTS

for the year ended 31 March 2009

1. GENERAL INFORMATION

The Company was incorporated in the Cayman Islands as an exempted company with limited liability under the Companies Law of the Cayman Islands. 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 34 to the Financial Statements.

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

In the current year, the Group has adopted all the new and revised Hong Kong Financial Reporting Standards ("HKFRSs") issued by the Hong Kong Institute of Certified Public Accountants that are relevant to its operations and effective for its accounting year beginning on 1 April 2008. HKFRSs comprise Hong Kong Financial Reporting Standards; Hong Kong Accounting Standards; and Interpretations. The adoption of these new and revised HKFRSs did not result in substantial changes to the Group's accounting policies and amounts reported for the current year and prior years.

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

These financial statements have 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.

These financial statements have 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 statements 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 these financial statements, are disclosed in note 4 to the financial statements.

NOTES TO THE FINANCIAL STATEMENTS

for the year ended 31 March 2009

3. SIGNIFICANT ACCOUNTING POLICIES *(Continued)*

The significant accounting policies applied in the preparation of these financial statements are set out below.

(a) Consolidation

The consolidated financial statements include the financial statements of the Company and its subsidiaries made up to 31 March. 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 fully 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 net assets together with any goodwill relating to the subsidiary which was not previously charged or recognised in the consolidated income statement and also any related accumulated foreign currency translation reserve.

Inter-company transactions, balances and unrealised profits on transactions between Group companies 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.

Minority interests represent the interests of minority shareholders in the operating results and net assets of subsidiaries. Minority interests are presented in the consolidated balance sheet and consolidated statement of changes in equity within equity. Minority interests are presented in the consolidated income statement as an allocation of profit or loss for the year between minority and shareholders of the Company. Losses applicable to the minority in excess of the minority's interests in the subsidiary's equity are allocated against the interests of the Group 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 interests of the Group until the minority's share of losses previously absorbed by the Group has been recovered.

(b) Business combination and goodwill

The purchase method of accounting 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.

NOTES TO THE FINANCIAL STATEMENTS

for the year ended 31 March 2009

3. SIGNIFICANT ACCOUNTING POLICIES *(Continued)*

(b) Business combination and goodwill *(Continued)*

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 income statement.

Goodwill is tested annually for impairment and carried at cost less accumulated impairment losses. Impairment losses of goodwill are recognised in the consolidated income statement and are not subsequently reversed. Goodwill is allocated to cash-generating units 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 consolidated financial statements by the equity method of accounting 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 within the carrying amount of the investment and is assessed for impairment as part of the investment. 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 income statement.

The Group's share of an associate's post-acquisition profits or losses is recognised in the consolidated income statement, 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.

NOTES TO THE FINANCIAL STATEMENTS

for the year ended 31 March 2009

3. SIGNIFICANT ACCOUNTING POLICIES *(Continued)*

(c) Associates *(Continued)*

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 net assets together with any goodwill relating to the associate which was not previously charged or recognised in the consolidated income statement 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 consolidated financial statements are 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 using the exchange rates prevailing on the transaction dates. Monetary assets and liabilities in foreign currencies are translated at the rates ruling on the balance sheet date. Profits and losses resulting from this translation policy are included in the income statement.

(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 balance sheet presented are translated at the closing rate at the date of that balance sheet;

– 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.

NOTES TO THE FINANCIAL STATEMENTS

for the year ended 31 March 2009

3. SIGNIFICANT ACCOUNTING POLICIES *(Continued)*

(d) Foreign currency translation *(Continued)*

(iii) Translation on consolidation (Continued)

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 income statement as part of the profit 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 expensed in the income statement 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 each balance sheet date.

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 the income statement.

3. SIGNIFICANT ACCOUNTING POLICIES *(Continued)*

(f) Leases

Operating leases

Leases in which a significant portion of the risks and rewards of ownership are retained by the lessor are classified as operating leases. Lease payments (net of any incentives received from the lessor) are expensed in the income statement on a straight-line basis over the lease term.

(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 balance sheet date. 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.

NOTES TO THE FINANCIAL STATEMENTS

for the year ended 31 March 2009

3. SIGNIFICANT ACCOUNTING POLICIES *(Continued)*

(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 balance sheet 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 receivable and the cumulative gain or loss that had been recognised directly in equity is recognised in the income statement.

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 the income statement.

(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 the income statement.

Impairment losses are reversed in subsequent periods and recognised in the income statement 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.

3. SIGNIFICANT ACCOUNTING POLICIES *(Continued)*

(l) Cash and cash equivalents

For the purpose of the cash flow statement, 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 changes 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 liability 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 balance sheet date.

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 the income statement.

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.

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.

NOTES TO THE FINANCIAL STATEMENTS

for the year ended 31 March 2009

3. SIGNIFICANT ACCOUNTING POLICIES *(Continued)*

(m) Financial liability and equity instruments *(Continued)*

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 balance sheet date.

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 the income statement 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.

3. SIGNIFICANT ACCOUNTING POLICIES *(Continued)*

(q) Borrowing costs

All borrowing costs are recognised in the income statement in the period in which they are incurred.

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

Deferred tax is recognised on differences between the carrying amounts of assets and liabilities in the financial statements and the corresponding tax bases used in the computation of taxable profit, and is accounted for using the balance sheet liability method. Deferred tax liabilities are generally recognised for all taxable temporary differences and deferred tax assets are recognised to the extent that it is probable that taxable profits will be available against which deductible temporary differences, 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 each balance sheet date 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 balance sheet date. Deferred tax is charged or credited to the income statement, except when it relates to items charged or credited directly to equity, in which case the deferred tax is also dealt with 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.

NOTES TO THE FINANCIAL STATEMENTS

for the year ended 31 March 2009

3. SIGNIFICANT ACCOUNTING POLICIES *(Continued)*

(s) 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.

(t) Segment reporting

A segment is a distinguishable component of the Group that is engaged either in providing products and services (business segment), or in providing products or services within a particular economic environment (geographical segment), which is subject to risks and rewards that are different from those of other segments.

In accordance with the Group's internal financial reporting, the Group has determined that business segments be presented as the primary reporting format and geographical segments as the secondary reporting format.

Segment revenue, expenses, assets and liabilities include items directly attributable to a segment as well as those that can be allocated on a reasonable basis to the segment. Unallocated costs mainly represent corporate expenses. Segment assets consist primarily of fixed assets, intangible assets, inventories and trade receivables. Segment liabilities comprise operating liabilities and exclude items such as tax liabilities and corporate borrowings.

Segment revenue, expenses, assets and liabilities are determined before intra-group balances and intra-group transactions are eliminated as part of the consolidation process, except to the extent that such intra-group balances and transactions are between Group enterprises within a single segment. Inter-segment pricing is based on similar terms as those available to other external parties.

NOTES TO THE FINANCIAL STATEMENTS

for the year ended 31 March 2009

3. SIGNIFICANT ACCOUNTING POLICIES *(Continued)*

(t) Segment reporting *(Continued)*

Segment capital expenditure is the total cost incurred during the period to acquire segment assets (both tangible and intangible) that are expected to be used for more than one period.

(u) 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 each balance sheet date, 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 the income statement, 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 the income statement, 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.

(v) 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.

NOTES TO THE FINANCIAL STATEMENTS

for the year ended 31 March 2009

3. SIGNIFICANT ACCOUNTING POLICIES *(Continued)*

(v) Provisions and contingent liabilities *(Continued)*

Where it is not probable that an outflow of economic benefits will be required, or the amount cannot be estimated reliably, the obligation is disclosed as a contingent liability, unless the probability of outflow of 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.

(w) Events after the balance sheet date

Events after the balance sheet date that provide additional information about the Group's position at the balance sheet date or those that indicate the going concern assumption is not appropriate are adjusting events and are reflected in the financial statements. Events after the balance sheet date that are not adjusting events are disclosed in the notes to the financial statements 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 statements.

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 balance sheet date, that have a significant risk of causing a material adjustment to the carrying amounts of assets and liabilities within the next financial year, are discussed below.

Impairment of intangible assets

The Group assesses whether there are any indicators of impairment for intangible assets at each reporting date. 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.

4. CRITICAL JUDGEMENTS AND KEY ESTIMATES *(Continued)*

Key sources of estimation uncertainty *(Continued)*

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 the balance sheet date was HK$124,671,293.

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 28 to the financial statements, the fair values of the derivative component of the convertible bonds at the date of issue and the balance sheet date 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.

NOTES TO THE FINANCIAL STATEMENTS

for the year ended 31 March 2009

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

(b) Credit risk

The carrying amount of the cash and bank balances, trade and other receivables and amount due from a minority shareholder included in the consolidated balance sheet 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 cash and bank 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.

5. FINANCIAL RISK MANAGEMENT *(Continued)*

(c) Liquidity risk *(Continued)*

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

	Less than 1 year HK$	Between 1 and 2 years HK$	Between 2 and 5 years HK$	Over 5 years HK$
At 31 March 2009				
Trade 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 March 2008				
Trade payables	1,347,622	–	–	–
Other payables and accruals	3,765,523	–	–	–
Amount due to minority shareholders	2,575,834	–	–	–

(d) Interest rate risk

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

At 31 March 2009, if interest rates at that date had been 10 basis points lower with all other variables held constant, consolidated profit after tax for the year would have been HK$38,220 (2008: HK$117,020) lower, 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 after tax for the year would have been HK$191,098 (2008: HK$585,101) higher, arising mainly as a result of higher interest income on bank deposits.

(e) Fair values

The carrying amounts of the Group's financial assets and financial liabilities as reflected in the consolidated balance sheet approximate their respective fair values.

NOTES TO THE FINANCIAL STATEMENTS

for the year ended 31 March 2009

6. TURNOVER

	2009 HK$	2008 HK$
Turnover		
Sales of goods	**3,558,304**	267,045,548
Rendering of services	**47,529,012**	37,584,021
	51,087,316	304,629,569
Representing:		
Continuing operations	**51,087,316**	39,172,566
Discontinued operations (note 10)	**–**	265,457,003
	51,087,316	304,629,569

7. OTHER INCOME

	2009 HK$	2008 HK$
Interest income	**1,550,570**	2,349,115
Fair value gain on derivative component of convertible bonds	**79,280,875**	–
Gain on disposals of fixed assets	**18,712**	–
Sundry income	**561,049**	422,307
	81,411,206	2,771,422
Representing:		
Continuing operations	**81,411,206**	2,056,678
Discontinued operations (note 10)	**–**	714,744
	81,411,206	2,771,422

NOTES TO THE FINANCIAL STATEMENTS

for the year ended 31 March 2009

8. FINANCE COSTS

	2009 HK$	2008 HK$
Finance lease charges	–	11,536
Interest on bank loans and overdrafts	11,769	282,337
Interest on convertible bonds	29,758,591	–
Placing fees of derivative component of convertible bonds	2,984,433	–
	32,754,793	293,873
Representing:		
Continuing operations	32,754,793	28,535
Discontinued operations (note 10)	–	265,338
	32,754,793	293,873

9. INCOME TAX EXPENSE

	2009 HK$	2008 HK$
Current tax – Hong Kong Profits Tax		
Provision for the year	224,845	463,887
Over-provision in previous years	–	(69,000)
Tax reduction in previous year	(25,000)	–
	199,845	394,887
Deferred tax (note 21)	(176,797)	135,598
	23,048	530,485
Representing:		
Continuing operations	23,048	431,852
Discontinued operations (note 10)	–	98,633
	23,048	530,485

Hong Kong Profits Tax is provided at 16.5% (2008: 17.5%) based on assessable profit for the year less allowable losses brought forward. Certain allowable losses of the subsidiaries of the Company incorporated in Hong Kong are yet to be agreed by the Inland Revenue Department.

NOTES TO THE FINANCIAL STATEMENTS

for the year ended 31 March 2009

9. INCOME TAX EXPENSE *(Continued)*

Pursuant to relevant laws and regulations in the People's Republic of China (the "PRC"), the subsidiary in the PRC is required to pay PRC enterprise income tax at a rate of 25%. 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 before tax multiplied by the Hong Kong Profits Tax rate is as follows:

	2009 HK$	2008 HK$
Profit before tax	**8,785,408**	70,634,791
Tax at the domestic income tax rate of 16.5% (2008: 17.5%)	**1,449,592**	12,361,088
Tax effect of income that is not taxable	**(13,295,923)**	(11,939,396)
Tax effect of expenses that are not deductible	**11,938,722**	1,145,589
Tax effect of profits that is exempted from PRC tax authority	**–**	(1,087,600)
Tax effect of utilisation of tax losses not previously recognised	**–**	(115,292)
Tax effect of change in tax rate	**11,794**	–
Tax effect of temporary difference not recognised	**(56,137)**	235,096
Over-provision in previous years	**–**	(69,000)
Tax reduction in previous year	**(25,000)**	–
Income tax expense	**23,048**	530,485

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 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.

10. DISCONTINUED OPERATIONS *(Continued)*

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

	2008 HK$
Profit of discontinued operations	9,009,211
Gain on disposal of discontinued operations (note 35(b))	64,152,125
	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 income statement, are as follows:

	Period from 1.4.2007 to 31.10.2007 HK$
Turnover	265,457,003
Cost of goods sold	(193,953,407)
Gross profit	71,503,596
Other income	714,744
Selling and distribution costs	(35,869,517)
Administrative and other operating expenses	(26,975,641)
Profit from operations	9,373,182
Finance costs	(265,338)
Profit before tax	9,107,844
Income tax expense	(98,633)
Profit for the period	9,009,211

During the year ended 31 March 2008, the disposed subsidiaries received approximately HK$19,386,119 in respect of operating activities, paid approximately HK$1,543,201 in respect of investing activities and paid approximately HK$9,355,201 in respect of financing activities.

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

NOTES TO THE FINANCIAL STATEMENTS

for the year ended 31 March 2009

11. PROFIT FOR THE YEAR

The Group's profit for the year is stated after charging the following:

	2009	2008
	HK$	HK$
Amortisation of intangible assets (included in administrative and other operating expenses)	**–**	45,418
Auditor's remuneration	**685,500**	915,228
Bad debt written off	**5,804**	–
Cost of inventories sold before allowance	**3,233,914**	151,723,271
Allowance for obsolete inventories	**–**	325,728
	3,233,914	152,048,999
Depreciation	**1,582,552**	3,115,108
Impairment loss on intangible assets (included in administrative and other operating expenses)	**8,242,350**	–
Loss on disposal of fixed assets	**–**	89,522
Operating lease rentals in respect of land and buildings	**13,773,711**	14,137,897
Staff costs (including directors' emoluments (note 12))		
Basic salaries, bonuses, allowances and benefits in kind	**23,302,732**	47,561,192
Equity-settled share-based payments	**7,391,463**	5,859,236
Retirement benefits scheme contributions	**853,615**	2,613,749
Allowance for doubtful debts	**–**	1,346,070
Net exchange losses	**430,427**	1,684,121

NOTES TO THE FINANCIAL STATEMENTS

for the year ended 31 March 2009

12. DIRECTORS' AND FIVE HIGHEST PAID INDIVIDUALS' EMOLUMENTS

(a) Directors' emoluments

Name of director	Fees	Salaries, allowances and benefits in kind	Discretionary bonus	Share-based payments	Retirement benefits 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 2009	79,771	3,587,000	1,000,000	5,258,821	11,600	9,937,192

NOTES TO THE FINANCIAL STATEMENTS

for the year ended 31 March 2009

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

(a) Directors' emoluments *(Continued)*

Name of director	Fees HK$	Salaries, allowances and benefits in kind HK$	Discretionary bonus HK$	Share-based payments HK$	Retirement benefits scheme contributions HK$	Total emoluments 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 2008	229,054	1,295,700	4,613,338	3,353,400	21,702	9,513,194

There was no arrangement under which a director waived or agreed to waive any emoluments during the year (2008: HK$Nil).

22,475,000 (2008: 12,420,000) options were granted to directors under the share option scheme during the year.

NOTES TO THE FINANCIAL STATEMENTS

for the year ended 31 March 2009

12. DIRECTORS' AND FIVE HIGHEST PAID INDIVIDUALS' EMOLUMENTS

(Continued)

(b) Five highest paid individuals

The five highest paid individuals in the Group during the year included four (2008: four) directors whose emoluments are reflected in the analysis presented above. The emoluments of the remaining one (2008: one) individual are set out below:

	2009 **HK$**	2008 HK$
Basic salaries, bonuses, allowances and benefits in kind	**1,734,372**	728,916
Share-based payments	**1,301,610**	255,150
Retirement benefits scheme contributions	**10,000**	12,000
	3,045,982	996,066

The emoluments of five highest paid individuals (including directors) fell within the following bands:

	2009	2008
Nil to HK$1,000,000	**3**	1
HK$1,500,001 to HK$2,000,000	**–**	3
HK$3,000,001 to HK$3,500,000	**1**	–
HK$4,000,001 to HK$4,500,000	**–**	1
HK$7,000,001 to HK$7,500,000	**1**	–
	5	5

During the year, no emoluments were paid by the Group to any of the directors or the five highest paid individuals as an inducement to join or upon joining the Group or as compensation for loss of office.

13. DIVIDEND

No dividend has been paid or declared by the Company during the year (2008: HK$Nil).

NOTES TO THE FINANCIAL STATEMENTS

for the year ended 31 March 2009

14. EARNINGS/(LOSS) PER SHARE

(a) From continuing and discontinued operations

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

	2009 HK$	2008 HK$
Earnings/(loss)		
Earnings for the purpose of calculating basic earnings per share	8,708,612	69,111,488
Finance costs saving on conversion of convertible bonds outstanding	29,758,591	–
Fair value gain on derivative component of convertible bonds reversed	(79,280,875)	–
(Loss)/earnings for the purpose of calculating diluted (loss)/earnings per share	(40,813,672)	69,111,488

	2009	2008
Number of shares		
Issued ordinary shares at 1 April 2007 and 1 April 2008	540,000,000	540,000,000
Effect of consideration shares issued	185,890,411	–
Weighted average number of ordinary shares for the purpose of calculating basic earnings per share	725,890,411	540,000,000
Effect of dilutive potential ordinary shares arising from share options	1,018,918	–
Effect of diluted potential ordinary shares arising from convertible bonds outstanding	1,054,794,521	–
Weighted average number of ordinary shares for the purpose of calculating diluted (loss)/earnings per share	1,781,703,850	540,000,000

No diluted earnings per share are presented as the Company did not have any dilutive shares for the year ended 31 March 2008.

14. EARNINGS/(LOSS) PER SHARE *(Continued)*

(b) From continuing operations

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

	2009 **HK$**	2008 HK$
Earnings/(loss)		
Earnings/(loss) for the purpose of calculating basic earnings per share	**8,708,612**	(4,049,848)
Finance costs saving on conversion of convertible bonds outstanding	**29,758,591**	–
Fair value gain on derivative component of convertible bonds reversed	**(79,280,875)**	–
Loss for the purpose of calculating diluted loss per share	**(40,813,672)**	(4,049,848)

	2009	2008
Number of shares		
Issued ordinary shares at 1 April 2007 and 1 April 2008	**540,000,000**	540,000,000
Effect of consideration shares issued	**185,890,411**	–
Weighted average number of ordinary shares for the purpose of calculating basic earnings per share	**725,890,411**	540,000,000
Effect of dilutive potential ordinary shares arising from share options	**1,018,918**	–
Effect of diluted potential ordinary shares arising from convertible bonds outstanding	**1,054,794,521**	–
Weighted average number of ordinary shares for the purpose of calculating diluted (loss)/earnings per share	**1,781,703,850**	540,000,000

No diluted earnings per share are presented as the Company did not have any dilutive shares for the year ended 31 March 2008.

NOTES TO THE FINANCIAL STATEMENTS

for the year ended 31 March 2009

14. EARNINGS/(LOSS) PER SHARE *(Continued)*

(c) From discontinued operations

	2009 HK$	2008 HK$
Earnings		
Earnings for the purpose of calculating basic earnings per share	N/A	73,161,336

	2009	2008
Number of shares		
Weighted average number of ordinary shares for the purpose of calculating basic earnings per share	N/A	540,000,000

No diluted earnings per share are presented as the Company did not have any dilutive shares for the year ended 31 March 2008.

15. 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 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.

NOTES TO THE FINANCIAL STATEMENTS

for the year ended 31 March 2009

16. FIXED ASSETS

	Buildings HK$	Leasehold improvements HK$	Plant and machinery HK$	Office equipment HK$	Furniture and fixtures HK$	Moulds HK$	Motor vehicles HK$	Construction in progress HK$	Total HK$
Cost									
At 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)
Transfer	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 difference	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	–	1,260,148	646,930	1,077,299	26,757	–	633,407	–	3,644,541
Accumulated depreciation									
At 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
Charges 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 difference	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
Charges 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	–	1,075,322	646,930	702,408	23,282	–	128,390	–	2,576,332
Carrying amount									
At 31 March 2009	–	184,826	–	374,891	3,475	–	505,017	–	1,068,209
At 31 March 2008	–	441,048	388,158	550,671	14,240	–	41,585	–	1,435,702

NOTES TO THE FINANCIAL STATEMENTS

for the year ended 31 March 2009

17. PREPAID LAND LEASE PAYMENTS

	HK$
Cost	
At 1 April 2007	1,755,856
Disposal of subsidiaries	(1,811,005)
Translation difference	55,149
At 31 March 2008, 1 April 2008 and 31 March 2009	–
Accumulated amortisation	
At 1 April 2007	366,203
Charge for the year	23,216
Disposal of subsidiaries	(401,147)
Translation difference	11,728
At 31 March 2008, 1 April 2008 and 31 March 2009	–
Carrying amount	
At 31 March 2009	–
At 31 March 2008	–

NOTES TO THE FINANCIAL STATEMENTS

for the year ended 31 March 2009

18. GOODWILL

	HK$
Cost	
Arising on acquisition of a subsidiary (note 35(a)(ii)), at 31 March 2008 and 1 April 2008	24,035
Arising on acquisition of a subsidiary for the year (note 35(a)(i))	124,671,293
At 31 March 2009	124,695,328
Accumulated impairment losses	
Impairment loss recognised for the year, at 31 March 2008, 1 April 2008 and 31 March 2009	(24,035)
Carrying amount	
At 31 March 2009	124,671,293
At 31 March 2008	–

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:

	2009 HK$	2008 HK$
Trading of printing accessories and batteries Global On-Line Distribution Limited ("Global On-Line")	**24,035**	24,035
Exploitation of coal and coal processing Imare Company Limited ("Imare")	**124,671,293**	–
	124,695,328	24,035

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.

NOTES TO THE FINANCIAL STATEMENTS

for the year ended 31 March 2009

18. GOODWILL *(Continued)*

The Group prepares cash flow forecasts derived from the most recent financial budgets of exploitation of coal and coal processing businesses 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 businesses is 18.36%.

19. INTANGIBLE ASSETS

	Trademarks HK$	License HK$	Total HK$
Cost			
At 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	18,242,350	–	18,242,350
Accumulated amortisation and impairment			
At 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	8,242,350	–	8,242,350
Carrying amount			
At 31 March 2009	10,000,000	–	10,000,000
At 31 March 2008	18,234,000	–	18,234,000

19. INTANGIBLE ASSETS *(Continued)*

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 of 2.0% (2008:5.0%). 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 provision of car repairs and beauty services activities is 16.1%.

20. INVESTMENT IN AN ASSOCIATE

	2009 **HK$**	2008 HK$
Unlisted investments		
Share of net assets	**761,416,167**	–

Details of the Group's associate at 31 March 2009 are as follows:

Name	**Place of incorporation/ registration**	**Paid up capital**	**Percentage of ownership interest/ voting power/ profit sharing**	**Principal activities**
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%	Dormant

NOTES TO THE FINANCIAL STATEMENTS

for the year ended 31 March 2009

20. INVESTMENT IN AN ASSOCIATE *(Continued)*

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

	2009 HK$	2008 HK$
At 31 March		
Total assets	2,053,237,182	–
Total liabilities	(499,326,637)	–
Net assets	1,553,910,545	–
Group's share of associate's net assets	761,416,167	–
Year ended 31 March		
Total revenue	–	–
Total loss for the year	26,315,089	–
Group's share of associate' loss for the year	12,894,394	–

21. DEFERRED TAX

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

	(Accelerated)/ Decelerated tax depreciation HK$	Tax losses HK$	Total HK$
At 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	347,300	–	347,300

NOTES TO THE FINANCIAL STATEMENTS

for the year ended 31 March 2009

21. DEFERRED TAX *(Continued)*

The following is the analysis of the deferred tax balances (after offset) for balance sheet purposes:

	2009	2008
	HK$	HK$
Deferred tax assets	**347,300**	170,503

22. INVENTORIES

	2009	2008
	HK$	HK$
Raw materials	**330,856**	372,172

23. TRADE RECEIVABLES

	2009	2008
	HK$	HK$
Trade receivables	**1,146,881**	973,400

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

	2009	2008
	HK$	HK$
0 – 30 days	**957,438**	636,794
31 – 60 days	**97,037**	269,303
61 – 90 days	**55,615**	35,308
Over 90 days	**36,791**	31,995
	1,146,881	973,400

NOTES TO THE FINANCIAL STATEMENTS

for the year ended 31 March 2009

23. TRADE RECEIVABLES *(Continued)*

Included in trade receivables are the following amounts denominated in a currency other than the presentation currency of the Group:

	2009	2008
	HK$	HK$
US$	**190,331**	–

As of 31 March 2009, trade receivables of HK$1,094,827 (2008: HK$926,242) 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:

	2009	2008
	HK$	HK$
Up to 3 months	**1,058,036**	899,557
3 to 6 months	**36,791**	26,685
	1,094,827	926,242

24. DEPOSITS, PREPAYMENTS AND OTHER RECEIVABLES

	2009	2008
	HK$	HK$
Deposits	**2,968,141**	3,308,923
Prepayments	**304,956**	306,054
Other receivables	**71,610,903**	7,992,190
	74,884,000	11,607,167

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.

NOTES TO THE FINANCIAL STATEMENTS

for the year ended 31 March 2009

26. PLEDGED BANK DEPOSITS AND BANK AND CASH BALANCES

The Group's pledged bank deposits represented deposits pledged to a bank to secure banking facilities granted to the Group as set out in note 36 to the financial statements. The deposits are in HK$ and at fixed interest rate of 0.4% p.a. 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.

	2009	2008
	HK$	HK$
US$	**18,124,406**	94,896,212
RMB	**135,090**	–
	18,259,496	94,896,212

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 PAYABLES

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

	2009	2008
	HK$	HK$
0 – 30 days	**371,615**	861,084
31 – 60 days	**94,074**	181,309
61 – 90 days	**–**	63,542
Over 90 days	**–**	241,687
	465,689	1,347,622

NOTES TO THE FINANCIAL STATEMENTS

for the year ended 31 March 2009

28. CONVERTIBLE BONDS

On 10 June 2008 the Group issued convertible bonds ("Bonds") with a nominal value of HK$770,000,000, 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 for partly 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 and 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"). The bondholders have the right to convert at any time prior to the Maturity Date into new shares allotted and issued by the Company upon exercise of the conversion rights attached to the Bonds ("New Shares") 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"). 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 a holder of the Bonds and their respective parties acting in concert with them, 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. 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.

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.

	2009 **HK$**
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**
Liability component at 31 March 2009	**634,542,149**
Derivative component at date of issue	**153,200,875**
Fair value gain for the year	**(79,280,875)**
Derivative component at 31 March 2009	**73,920,000**

28. CONVERTIBLE BONDS *(Continued)*

The interest charged for the year 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:

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

29. LOAN FROM A MINORITY SHAREHOLDER

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

30. SHARE CAPITAL

	Number of shares	**Amount** HK$
Authorised:		
Ordinary shares of HK$0.01 each		
At 1 April 2007, 31 March 2008, 1 April 2008 and 31 March 2009	10,000,000,000	100,000,000
Issued and fully paid:		
Ordinary shares of HK$0.01 each		
At 1 April 2007, 31 March 2008 and 1 April 2008	540,000,000	5,400,000
Issued of shares for acquisition of a subsidiary	230,000,000	2,300,000
At 31 March 2009	770,000,000	7,700,000

NOTES TO THE FINANCIAL STATEMENTS

for the year ended 31 March 2009

30. SHARE CAPITAL *(Continued)*

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 and shareholders' loan to Imare ("Acquisition"). Part of the consideration of the Acquisition was satisfied by alloting and issuing of 230,000,000 ordinary shares of the Company to the vendor. On 10 June 2008, the Company issued 230,000,000 ordinary 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.

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).

	2009 **HK$**	2008 HK$
Total debt	**636,984,757**	2,575,834
Less: cash and cash equivalents	**(37,647,050)**	(119,211,934)
Net debt	**599,377,707**	(116,636,100)
Adjusted capital	**319,195,653**	140,314,052
Debt-to-adjusted capital ratio	**188%**	N/A

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 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 weekly on substantial share interests showing the non-public float and it demonstrates continuing compliance with the 25% limit throughout the year. As at 31 March 2009, 41% (2008: 59%) of the shares were in public hands.

31. BALANCE SHEET OF THE COMPANY

	2009 HK$	2008 HK$
Fixed assets	**570,476**	–
Investments in subsidiaries	**23**	16
Prepayments and other receivables	**8,146,289**	7,966,529
Amounts due from subsidiaries	**974,172,973**	11,014,600
Bank balances	**27,383,228**	106,956,494
Accruals	**(3,493,126)**	(690,530)
Amount due to a subsidiary	**(8)**	–
Convertible bonds	**(708,462,149)**	–
NET ASSETS	**298,317,706**	125,247,109
Share capital	**7,700,000**	5,400,000
Reserves (note 32(b))	**290,617,706**	119,847,109
TOTAL EQUITY	**298,317,706**	125,247,109

32. RESERVES

(a) Group

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

NOTES TO THE FINANCIAL STATEMENTS

for the year ended 31 March 2009

32. RESERVES *(Continued)*

(b) Company

	Share premium (note(c)(i)) HK$	(Accumulated losses)/ retained profits HK$	Share-based payment reserve (note(c)(iv)) HK$	Total HK$
At 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
Issue of new shares	133,400,000	–	–	133,400,000
Profit for the year	–	29,979,134	–	29,979,134
Share options forfeited	–	269,905	(269,905)	–
Share-based payments	–	–	7,391,463	7,391,463
At 31 March 2009	142,936,387	134,700,525	12,980,794	290,617,706

(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 policies set out in note 3(d) to the financial statements.

(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 statements.

33. 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 of the Company 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 of the Company in issue at any time. Any further grant of share 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 of the Company 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

NOTES TO THE FINANCIAL STATEMENTS

for the year ended 31 March 2009

33. SHARE-BASED PAYMENTS *(Continued)*

Equity-settled share option scheme *(Continued)*

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 are as follows:

	2009 Number of share options '000	**2009** Weighted average exercise price HK$	2008 Number of share options '000	2008 Weighted average exercise price HK$
Outstanding at the beginning of the year	**21,600**	**0.69**	–	–
Granted during the year	**32,400**	**0.55**	21,600	0.69
Forfeited during the year	**(995)**	**0.69**	–	–
Outstanding at the end of the year	**53,005**	**0.60**	21,600	0.69
Exercisable at the end of the year	**53,005**	**0.60**	21,600	0.69

The options outstanding at the end of the year have a weighted average remaining contractual life of 2.3 years (2008: 2.9 years) and the exercise price ranged from HK$0.394 to HK$0.780 (2008: HK$0.690). 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. 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 and 2008 these fair values were calculated using the Binomial model and Black-Scholes option pricing model respectively. The input into the Models were as follows:

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

NOTES TO THE FINANCIAL STATEMENTS

for the year ended 31 March 2009

33. SHARE-BASED PAYMENTS *(Continued)*

Equity-settled share option scheme *(Continued)*

Expected volatility was determined by calculating the historical volatility of five comparable companies with shares listed on the Stock Exchange (2008: the Company's share price) over 3 years (2008: 390 days). 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 behavioral considerations.

In 2009, 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 to the directors and executives of the Group.

34. SUBSIDIARIES

Particulars of subsidiaries as at 31 March 2009 are as follows:

Name	Place of incorporation/ registration and operation	Issued and paid up capital/ registered capital	Attributable equity interest	Principal activities
Directly held				
Time Creation Group Limited	British Virgin Islands	US$1 Ordinary	100%	Investment holding
High Focus Group Limited	British Virgin Islands	US$1 Ordinary	100%	Investment holding
Coastal Kingfold Finance Limited	British Virgin Islands	US$1 Ordinary	100%	Investment holding
Indirectly held				
Global On-Line	Hong Kong	HK$10,000 Ordinary	51%	Trading of printing accessories and batteries
Long Capital Development Limited ("Long Capital")	British Virgin Islands	US$10,000 Ordinary	51%	Investment holding
Challenger Auto Services Limited	Hong Kong	HK$4,090,000 Ordinary	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%	Investment holding
Joy Harvest Holdings Limited	Hong Kong	HK$1,000 Ordinary	100%	Investment holding
鄂爾多斯市啟杰蒙西煤化有限公司 (Ordos GEM Coal & Chemical Co., Ltd.)	PRC	RMB80,000,000	70%	Not yet commenced business

NOTES TO THE FINANCIAL STATEMENTS

for the year ended 31 March 2009

35. NOTES TO CONSOLIDATED CASH FLOW STATEMENT

(a) Acquisition of subsidiaries

(i) 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
Other payables and accruals	(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 30)	135,700,000
Bonds issued as partial consideration (note 28)	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

NOTES TO THE FINANCIAL STATEMENTS

for the year ended 31 March 2009

35. NOTES TO CONSOLIDATED CASH FLOW STATEMENT *(Continued)*

(a) Acquisition of subsidiaries *(Continued)*

(i) *(Continued)*

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 the balance sheet date.

If the acquisition had been completed on 1 April 2008, total Group's turnover for the year would have been HK$51,087,316, and profit for the year 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.

(ii) 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 trading of printing accessories and batteries during the year ended 31 March 2008.

On 24 June 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 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.

NOTES TO THE FINANCIAL STATEMENTS

for the year ended 31 March 2009

35. NOTES TO CONSOLIDATED CASH FLOW STATEMENT *(Continued)*

(a) Acquisition of subsidiaries *(Continued)*

(ii) *(Continued)*

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 HK$	Long Capital HK$	Total HK$
Net assets acquired:			
Fixed assets	9,464	2,398,305	2,407,769
Intangible assets	–	18,234,000	18,234,000
Deferred tax assets	–	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)
Other payables and accruals	–	(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/(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)

35. NOTES TO CONSOLIDATED CASH FLOW STATEMENT *(Continued)*

(a) Acquisition of subsidiaries *(Continued)*

(ii) *(Continued)*

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.

(b) Disposal of subsidiaries

As referred to in note 10 to the financial statements, 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.

NOTES TO THE FINANCIAL STATEMENTS

for the year ended 31 March 2009

35. NOTES TO CONSOLIDATED CASH FLOW STATEMENT *(Continued)*

(b) Disposal of subsidiaries *(Continued)*

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

36. BANKING FACILITIES

At 31 March 2009, the Group has been granted banking facilities totaling HK$1.5 million (2008: HK$1.5 million) of which HK$Nil (2008: HK$Nil) were utilised and were secured by pledge of fixed deposits of approximately HK$1.5 million (2008: HK$Nil) plus subsequent accrued interest.

NOTES TO THE FINANCIAL STATEMENTS

for the year ended 31 March 2009

37. CONTINGENT LIABILITIES

At 31 March 2009, the Group did not have any significant contingent liabilities.

38. CAPITAL COMMITMENTS

The Group's capital commitments at the balance sheet date are as follows:

	2009 **HK$**	2008 HK$
Authorised but not contracted for to acquire additional equity interest in an associate	**19,053,384**	–

39. LEASE COMMITMENTS

At 31 March 2009, the total future minimum lease payments under non-cancellable operating leases are payable as follows:

	2009 **HK$**	2008 HK$
Within one year	**6,135,260**	5,122,926
In the second to fifth years inclusive	**6,806,750**	3,163,757
	12,942,010	8,286,683

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.

40. RELATED PARTY TRANSACTIONS

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

	2009 **HK$**	2008 HK$
Bonds issued to Grand Pacific Source Limited, Pacific Top Holding Limited and Glimmer Stone Investments Limited	**770,000,000**	–
Placing fee, arrangement fee and advisory fee paid to Orient Patron Asia Limited in related to the acquisition of Imare	**38,670,000**	–
Interest on Bonds charged by Grand Pacific Source Limited, Pacific Top Holding Limited and Gilmmer Stone Investments Limited	**29,758,591**	–

Grand Pacific Source Limited and Pacific Top Holding Limited are shareholders of the Company and which are beneficial owned by Mr. Zhang Gaobo and Mr. Zhang Zhi Ping. Orient Patron Asia Limited and Gilmmer Stone Investments Limited are beneficial owned by Mr. Zhang Gaobo and Mr. Zhang Zhi Ping.

NOTES TO THE FINANCIAL STATEMENTS

for the year ended 31 March 2009

41. SEGMENT INFORMATION

Primary reporting format – Business segments

In 2009, the Group is organised into two main segments which is trading of printing accessories and batteries and provision of car repairs and beauty services. The business segment of design and sale of office furniture was discontinued in last year.

Secondary reporting – Geographical segments

The Group's principal markets are located at Hong Kong. The Group's assets are located in Hong Kong and the PRC.

Primary reporting format – business segment

Year ended 31 March 2009

	Provision of car repairs and beauty services HK$	Trading of printing accessories and batteries HK$	Consolidated HK$
Revenue			
Sales to external customers	**47,529,012**	**3,558,304**	**51,087,316**
Results			
Segment results	**(8,041,414)**	**(52,993)**	**(8,094,407)**
Unallocated corporate expenses			**(18,313,165)**
Other income			**80,842,167**
Profit from operations			**54,434,595**
Finance costs			**(32,754,793)**
Share of loss of an associate			**(12,894,394)**
Profit before tax			**8,785,408**
Income tax expense			**(23,048)**
Profit for the year			**8,762,360**

NOTES TO THE FINANCIAL STATEMENTS

for the year ended 31 March 2009

41. SEGMENT INFORMATION *(Continued)*

Primary reporting format – business segment *(Continued)*

Year ended 31 March 2009 *(Continued)*

	Provision of car repairs and beauty services HK$	Trading of printing accessories and batteries HK$	Consolidated HK$
Segment assets	15,311,422	390,063	15,701,485
Unallocated assets			1,024,701,020
Total assets			1,040,402,505
Segment liabilities	6,724,966	1,288,375	8,013,341
Unallocated liabilities			713,193,511
Total liabilities			721,206,852
Other segment information			
Capital expenditure	337,048	–	337,048
Unallocated capital expenditure			884,299
			1,221,347
Depreciation and amortisation	1,376,142	2,366	1,378,508
Unallocated depreciation and amortisation			204,044
			1,582,552
Impairment loss on intangible assets	8,242,350	–	8,242,350
Unallocated bad debts written off			5,804

NOTES TO THE FINANCIAL STATEMENTS

for the year ended 31 March 2009

41. SEGMENT INFORMATION *(Continued)*

Primary reporting format – business segment *(Continued)*

Year ended 31 March 2008

	Continuing operations		Discontinued operations	
	Provision of car repairs and beauty services	Trading of printing accessories and batteries	Design and sale of office furniture	Consolidated
	HK$	HK$	HK$	HK$
Revenue				
Sales to external customers	37,584,021	1,588,545	265,457,003	304,629,569
Results				
Segment results	2,421,304	(187,709)	8,658,438	10,892,033
Unallocated corporate expenses				(8,709,732)
Other income				68,746,363
Profit from operations				70,928,664
Finance cost				(293,873)
Profit before tax				70,634,791
Income tax expense				(530,485)
Profit for the year				70,104,306

NOTES TO THE FINANCIAL STATEMENTS

for the year ended 31 March 2009

41. SEGMENT INFORMATION *(Continued)*

Primary reporting format – business segment *(Continued)*

Year ended 31 March 2008 *(Continued)*

	Continuing operations		Discontinued operations	
	Provision of car repairs and beauty services	Trading of printing accessories and batteries	Design and sale of office furniture	Consolidated
	HK$	HK$	HK$	HK$
Segment assets	24,598,264	48,133	–	24,646,397
Unallocated assets				127,358,481
Total assets				152,004,878
Segment liabilities	8,253,035	108,236	–	8,361,271
Unallocated liabilities				3,329,555
Total liabilities				11,690,826
Other information				
Capital expenditure	199,660	–	1,981,985	2,181,645
Depreciation and amortisation	1,153,646	2,366	2,004,514	3,160,526
Allowance for doubtful debts	–	–	1,346,070	1,346,070

NOTES TO THE FINANCIAL STATEMENTS

for the year ended 31 March 2009

41. SEGMENT INFORMATION *(Continued)*

Secondary reporting format – geographical segments

	Revenue				Segment assets				Capital expenditure			
	Continuing operations		Discontinued operations		Continuing operations		Discontinued operations		Continuing operations		Discontinued operations	
	2009	2008	**2009**	2008	**2009**	2008	**2009**	2008	**2009**	2008	**2009**	2008
	HK$	HK$	**HK$**	HK$	**HK$**	HK$	**HK$**	HK$	**HK$**	HK$	**HK$**	HK$
Hong Kong	**51,087,316**	39,172,566	**-**	66,888,995	**1,040,402,505**	152,004,878	**-**	–	**1,097,681**	199,660	**-**	613,127
PRC except Hong Kong	**-**	–	**-**	139,310,047	**-**	–	**-**	–	**123,666**	–	**-**	1,368,858
Overseas	**-**	–	**-**	59,257,961	**-**	–	**-**	–	**-**	–	**-**	–
Consolidated	**51,087,316**	39,172,566	**-**	265,457,003	**1,040,402,505**	152,004,878	**-**	–	**1,221,347**	199,660	**-**	1,981,985

42. APPROVAL OF FINANCIAL STATEMENTS

The financial statements were approved and authorised for issue by the Board of Directors on 22 June 2009.