CHINA ELECTRIC POWER TECHNOLOGY HOLDINGS LIMITED
中國電力科技控股有限公司

中電科

(Incorporated in the Cayman Islands with limited liability)

Annual Report 2010

Stock Code : 8053

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This report, for which the directors of China Electric Power Technology Holdings Limited collectively and individually accept responsibility, includes particulars given in compliance with the Rules Governing the Listing of Securities on the Growth Enterprise Market of the Stock Exchange for the purpose of giving information with regard to China Electric Power Technology Holdings Limited. The directors, having made all reasonable enquiries, confirm that, to the best of their knowledge and belief the information contained in this report is accurate and complete in all material respects and not misleading or deceptive, and there are no other matters the omission of which would make any statement in this report or this report misleading.

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CORPORATE INFORMATION

EXECUTIVE DIRECTORS
Li Kangying *(Chairman)*
Wang Dongbin
Li Wing Sang
Wu Zhanjiang

INDEPENDENT NON-EXECUTIVE DIRECTORS
Yeung King Wah
Gao Feng
Wu Kehe

AUDIT COMMITTEE
Yeung King Wah *(Chairman)*
Gao Feng
Wu Kehe

REMUNERATION COMMITTEE
Yeung King Wah *(Chairman)*
Gao Feng
Wu Kehe

COMPANY SECRETARY
Shen Tianwei (MAPAIS, CPA, CICPA)

COMPLIANCE OFFICER
Li Wing Sang

AUTHORISED REPRESENTATIVES
Wang Dongbin
Shen Tianwei (MAPAIS, CPA, CICPA)

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GEM LISTING CODE
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CHAIRMAN'S STATEMENT

The Group is grateful to our shareholders and the community for their trust, understanding and support during the past financial year 2009/2010. On behalf of the Board and all our staff, I would like to take this opportunity to express our sincere gratitude to our shareholders and the community for their care and support throughout the year.

BUSINESS REVIEW

During the year 2009/2010, every business operation of the Group has achieved relatively stable development. Electric power technology business, the principal business of the Group, again made a significant contribution to our operating revenue and profit; the recently acquired education informatization business also progressed smoothly. However, affected by various unfavorable factors such as the global financial crisis and adjustments in the macro economic environment, the Group posted lower than expected revenue and profit and resulted in impairment loss recognized on goodwill and intangible assets of the Company, thus affected our overall profit performance.

BUSINESS POSITIONING

The Group has positioned its principal business in smart grid informatization and communication platform services, as well as clean power generation and education informatization business.

OPERATION ENVIRONMENT

In May 2009, State Grid Corporation of China ("SGCC") announced that China's Smart Grid Plan will proceed in three stages. 2009-2010 is the planning and pilot projects launching stage. 2011-2015 is the full scale deployment stage. By speeding up the constructions of ultra-high voltage power lines and the reconstruction of distribution grids in urban and rural areas, the basic framework for smart grid operation control and interactive service system is expected to be established in this stage. 2016-2020 is the upgrading stage, during which the construction of the unified "Strong & Smart Grid" will be completed and global leading technologies and equipments will be deployed and installed. SGCC has formally commenced the second batch of pilot projects, indicating China's Smart Grid will enter the planning and construction stage. After the completion of those pilot projects, China's Smart Grid (with a total investment of approximately RMB 4 trillion by 2020) will enter the planning and construction stage.

The National Development and Reform Commission and the State Electricity Regulatory Commission will carry out the power sector reform by taking direct purchase by large customers as an entry point and Inner Mongolia as a regional pilot testing area. The reform was formally introduced in the middle of 2010.

CHAIRMAN'S STATEMENT

PROSPECTS AND OUTLOOK

With the global economic environment and domestic economic situation gradually stabilize and improve, especially with government support and strong stimulus came from government policies, China's electrical power industry is presented with enormous development opportunities. As to the smart grid field, electric power data collection market has been opened throughout the country. Large scale information systems of SGCC, such as SG186, have entered full operation and maintenance stage. The market-oriented reform of electric power sector has intensified gradually, and the scope of pilot testing of electricity transaction was broadened. The acceleration of the construction of new countryside also led to a stronger demand for upgrading rural power grids.

As a strategic co-operation partner of the China Electric Power Research Institute ("CEPRI"), the Group has established a long-standing and stable co-operation relationship with CEPRI. Through previous acquisitions and reorganization, the Group has preliminarily completed the construction of its business structure, successfully formed an all-round information technology solutions encompassing consultation, design, product, development to engineering, operation and services. The Group has also established an experienced and highly competent team comprising of over 300 professionals. In 2010, the Group will continue its provision of construction and maintenance services of electric power marketing system for SGCC. Meanwhile, the Group will also keep abreast of the construction of the State Smart Grid and develop two-way smart marketing system and data collection communication system. In respect of electricity transaction area, the Group will tie in with the expansion of the scope of the pilot tests, and actively promote our successful experiences and models in Inner Mongolia.

We will seize every opportunity with enthusiasm and aggressiveness, striving to become the leader in the smart grid informatization and communication sector, so as to create more value for our community and generate higher returns for our shareholders.

LI Kangying
Chairman

Hong Kong, 30 June 2010

MANAGEMENT DISCUSSION AND ANALYSIS

BUSINESS REVIEW AND PROSPECTS 2009-2010

Business Review

For the year ended 31 March 2010, every business operation of the Group has achieved relatively stable development during the year 2009/2010. Electric power technology business, the principal business of the Group, again made a significant contribution to our operating revenue and profit. The education informatization business acquired in the second half of the year also progressed smoothly, contributed more than RMB28 million and RMB7.8 million to the Group's operating revenue and profit respectively.

During the year 2009/2010, affected by various unfavorable factors such as the global financial crisis and adjustments in the macro economic environment, projects in the electrical power industry, which is the principal target market of the Group, has suffered from trimming of expenditure and expenditure lag, and postponement in initiation of new projects, the Group thus posted lower than expected revenue and profit and resulted in impairment loss recognized on goodwill and intangible assets of the Company. Together with the higher amortization charges on intangible assets and professional fees arising from a series of acquisitions, our overall profit performance was affected accordingly.

Prospects and Outlook

Through previous acquisitions and reorganization, the Group has now preliminarily completed the construction of its business structure, successfully formed an all-round information technology solutions encompassing consultation, design, product, development to engineering, operation and services. The Group has also established an experienced and highly competent team comprising of over 300 professionals. In 2010/2011, there will be tremendous development opportunities for the Group to grasp. The Group will work more closely with the China Electric Power Research Institute and continue its provision of construction and maintenance services of electric power marketing system for SGCC. Meanwhile, the Group will also keep abreast of the construction of the State Smart Grid and develop two-way smart marketing system and data collection communication system. In respect of electricity transaction area, the Group will tie in with the expansion of the scope of the pilot tests, and actively promote our successful experiences and models in Inner Mongolia.

The financial statements of 北京智義仁信息技術有限公司 (Beijing Zhiyiren Information Technology Co. Ltd.), the 100% interest of which was acquired by the Group during the first half of the year, were consolidated into the financial statements of the Group since 1 October 2009. Beijing Zhiyiren is mainly engaged in the information technology construction and services for the education sector. Beijing Zhiyiren brings continuous and considerable revenue and profit contributions to the Group and also increases and strengthens our capability of serving end-users.

FINANCIAL REVIEW

Turnover

The Group achieved a consolidated turnover of approximately RMB89.9 million, an increase of approximately 15.6% in comparison with year ended 31 March 2009. The following table is the breakdowns of turnover for the year ended 31 March 2010:

	RMB'000	Approximately % attributable to the turnover of the Group
Information technology services in the electricity power industry	60,759	67.5%
Judicial authentication service and sales of application software	800	0.9%
Sales of self-developed internet learning card	10	0.0%
School network integration services	28,386	31.6%
	89,995	100%

Cost of sales

The cost of sales for the year ended 31 March 2010 was approximately RMB39.9 million. It was approximately 60% increase as compared to last year. The main reason is the increase of relevant cost of new business.

Other revenue

The other revenue for the year ended 31 March 2010 mainly consists of value added tax refund RMB2.7 million.

Impairment loss on intangible assets

For the year ended 31 March 2010, the Group's impairment loss on intangible assets was approximately RMB33.4 million. It was solely relates to the Group's information technology services in the electricity power industry segment. The main factor contributing to the impairment was adverse market environment.

For the year ended 31 March 2009, the revenue from the business of authentication services dropped due to the application of the change in regulation. The directors of the Company considered that it was unlikely that the forensic centre contractual rights will have any future value in use and therefore the carrying amount of forensic centre contractual rights in the amount of approximately RMB10 million were fully impaired.

Impairment loss on goodwill

For the year ended 31 March 2010, the Group recognised approximately RMB188 million as impairment loss on goodwill. It was soley relates to the Group's information technology services in the electricity power industry segment. The main factor contributing to the impairment was adverse market environment (2009: Nil).

Distribution cost

For the year ended 31 March 2010, the Group's distribution cost was approximately RMB1.6 million, which has an increase from last year because the Group acquired a new business during the year.

Administrative and other operating Expenses

For the year ended 31 March 2010, the Group's administrative and other operating expenses was approximately RMB76.3 million. As compared with the year ended 31 March 2009, it was approximately 1.3 times increase. The reason of increase was mainly due to amortisation of intangible assets from the acquisitions during these years, and the professional fees paid for an acquisition in this year and RMB37.05 million impairment loss on trade receivables.

Segment Information

The segment information of the Group is covered in note 14 to the financial statements.

(Loss)/earnings per share

(1) Basic (loss)/earnings per share

The loss per share was approximately RMB0.328 for the year ended 31 March 2010. The profit per share of previous year was approximately RMB0.019. The reasons of change from profit to loss were mainly due to the impairment loss on goodwill approximately RMB188.0 million and intangible assets approximately RMB33.4 million.

(2) Diluted (loss)/earnings per share

As the impact of the conversion of the outstanding convertible bonds as the exercise of the outstanding share options and warrants was anti-dilutive as at 31 March 2010 and 2009, the diluted (loss)/earnings per share equal to the basic (loss)/earnings per share.

CAPITAL STRUCTURE

Movements in capital structure of the Company during the year are set out in note 31 to the financial statements. The capital of the Company comprises only ordinary shares. The Company and the Group has no borrowing and long term debts.

SIGNIFICANT INVESTMENTS

As at 31 March 2010, the Group did not have any significant investments (2009: nil).

MATERIAL ACQUISITIONS AND DISPOSALS OF SUBSIDIARIES

In October 2009, the acquisition by the Group of the entire interest in 北京智義仁信息技術有限公司(Beijing Zhiyiren Information Technology Co. Ltd) was completed. That company is principally engaged in the provision of information technology solutions, system integration and related maintenance and supporting services to schools and entities in the education sector in Beijing, the PRC. At the same time, the Jiangxi A&K Group which is principally engaged in the development and distribution of educational software and provision of internet learning services in the Jiangxi Province of the PRC was disposed.

There has been no other material acquisitions and disposal during the year.

In November 2008, the acquisition by the Group of the entire equity interest in 北京普華雅龍科技有限公司(Beijing Puhua Along Technology Co. Ltd.) was completed. That company is primarily engaged in the development and provision of application software, information technology solutions and related maintenance and supporting services to customers in the electricity power industry of the PRC.

GEARING RATIO

The Group did not have any borrowing or long-term debts and its gearing ratio is zero as at 31 March 2010 and 31 March 2009.

LIQUIDITY AND FINANCIAL RESOURCES

As at 31 March 2010, the shareholders' funds of the Group amounted to approximately RMB157.7 million. Current assets amounted to approximately RMB96.7 million of which approximately RMB11 million were cash and cash equivalents and approximately RMB80 million were trade receivables, prepayments, deposits and others receivables and inventories. The Group's current liabilities amounted to approximately RMB35 million.

CHARGE OF ASSETS

The Group did not have any charge on its assets as at 31 March 2010 (2009: nil).

CAPITAL COMMITMENT

As at 31 March 2010, the Group's capital commitment in respect of property, plant and equipment contracted but not provided for is nil (2009: HK$500 thousand).

FOREIGN EXCHANGE EXPOSURE AND HEDGING POLICY

Since most of the income and expenses as well as assets and liabilities of the Group are denominated in Renminbi, the Directors consider that the Group has no material foreign exchange exposures and no hedging policy has been taken.

CONTINGENT LIABILITIES

As at 31 March 2010, the Group did not have any material contingent liabilities (2009: nil).

DIVIDEND

The Board did not recommend any payment of final dividend for the year ended 31 March 2010 (2009: nil).

HUMAN RESOURCES

As at 31 March 2010, the Group had 273 full time employees and 1 part time employee in the PRC and Hong Kong. Staff remuneration packages are determined by reference to prevailing market rates. Staff benefits include mandatory provident fund, personal insurance and discretionary bonus which are based on their performance and contribution to the Group.

CORPORATE GOVERNANCE REPORT

CORPORATE GOVERNANCE PRACTICES

The Company is committed to achieving high standards of corporate governance by established a formal and transparent procedure to protect the interests of the shareholders of the Company. The Company had complied with most of the code provisions set out in the Code on Corporate Governance Practices (the "Code") contained in Appendix 15 of the GEM Listing Rules throughout the year under review. This report describes the corporate governance standards and practices used by the Company to direct and manage its business affairs. It also explains the applications of the Code and deviations, if any.

DIRECTORS' SECURITIES TRANSACTIONS

The Company has adopted a code of conduct regarding securities transactions by directors 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. The Company also had made specific enquiry of all Directors and the Company was not aware of any non-compliance with such code of conduct and required standard of dealings throughout the year ended 31 March 2010.

BOARD OF DIRECTORS

The Board collectively oversee the management and operation of the Group and will meet regularly during the year to discuss the operation strategy and financial performance of the Group.

The Board is presently composed of seven members, comprising four executive directors, Mr. Li Kangying (Chairman), Mr. Wang Dongbin, Mr. Wu Zhanjiang and Mr. Li Wing Sang, and three independent non-executive directors, Mr. Yeung King Wah, Mr. Gao Feng and Mr. Wu Kehe.

According to article 86(3) of the Articles of Association, the Directors shall have the power from time to time and at any time to appoint any person as a Director either to fill a casual vacancy on the Board or, as an addition to the existing Board but so that the number of Directors so appointed shall not exceed any maximum number determined from time to time by the members in any 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 next following annual general meeting of the Company (in the case of an addition to the Board), and shall then be eligible for re-election at that meeting.

Also according to article 87(1) of the Articles of Association, at each annual general meeting one-third of the Directors for the time being (or, if their number is not a multiple of three, the number nearest to but not less than one-third) shall retire from office by rotation, provided that every Director (including those appointed from a specific term) shall be subject to retirement by rotation at least once every three years. Article 87(2) further provides that a retiring Director shall be eligible for re-election and any Directors so to retire shall be subject to retirement by rotation who have been longest in office since their last re-election or appointment.

The main responsibilities of the Board includes:

- to implement resolutions of the general meetings;
- to formulate the Company's business plans and investment plans;
- to formulate the Company's annual budgets and financial policies;
- to report its work in general meetings, to submit reports to regulatory authorities, and to disclose information in accordance with statutory requirements;
- the daily operation and management of the Company are performed by executive Directors and the senior management. The Board formulates the Company's overall policies and plans, and regularly monitors and supervises their implementation by executive Directors and the senior management; and
- there are clearly defined authorities and duties for the management, including periodic report to the Board, and specified matters require prior approval by the Board before their implementation, including matters such as the establishment of internal management structure and the appointment and re-designation of senior managements, while the management is entrusted with appropriate delegation to ensure normal functioning of the Company.

The Board shall convene meetings at least four times every year (basically once every quarter). Extraordinary Board meetings shall be convened under special circumstances or to decide on important issues. In case Directors are not able to attend a meeting to be held at the designated place, the meeting may be held by means of a telephone conference, and thereby facilitates and enhances the attendance of Directors at the Board meeting. If an independent non-executive Director is not able to attend a meeting for some reason, the Company will seek their opinion on the issues to be discussed in the meeting.

Details of the attendance of the Board of Directors for the year ended 31 March 2010 are as follows:

Total number of meetings held	13
Name of directors	**Attended/Eligible to attend**
Executive directors	
Mr. Li Kangying *(Chairman)* (appointed on 8 February 2010)	3/3
Mr. Peng Gexiong (resigned on 8 February 2010)	11/11
Mr. Wang Dongbin	13/13
Mr. Wu Zhanjiang (appointed on 1 January 2010)	4/4
Mr. Li Wing Sang	13/13
Mr. Lau Kam Ying (resigned on 19 August 2009)	6/6
Independent non-executive directors	
Mr. Yeung King Wah	13/13
Mr. Gao Feng	13/13
Mr. Wu Kehe	13/13

The Company has received, from each of the independent non-executive directors, an annual confirmation of their independence pursuant to Rules 5.09 of the GEM Listing Rules. The Company considers that all of the independent non-executive directors are independent.

CHAIRMAN AND CHIEF EXECUTIVE OFFICER

The post of the chairman of the board held by Mr. Li Kangying and the post of the chief executive officer held by Mr. Wang Dongbin are segregated.

Mr. Li Kangying is responsible for leadership and organization of the board of directors, whereas Mr. Wang Dongbin is in charge of management of the overall business operation of the Company.

REMUNERATION OF DIRECTORS

A remuneration committee was formed with specific written terms of reference which deal clearly with its authority and duties with the requirements of the Code of Corporate of Governance Practices in December 2005. The remuneration committee is responsible for reviewing and developing the remuneration polices of the Directors and senior management. The committee members consist of all the three independent non-executive directors of the Company.

During the year, the remuneration committee held one meeting. Details of the attendance of the remuneration committee for the year ended 31 March 2010 are as follows:

Total number of meetings held	2
Name of members	**Attended/Eligible to attend**
Mr. Yeung King Wah *(Chairman)*	2/2
Mr. Gao Feng	2/2
Mr. Wu Kehe	2/2

The remuneration committee has considered and reviewed the existing terms of employment contracts of the executive Directors and appointment letters of the independent non-executive Directors. The remuneration committee considers that the existing terms of employment contracts of the executive Directors and appointment letters of the independent non-executive Directors are fair and reasonable.

NOMINATION OF DIRECTORS

The Company does not establish a nomination committee at present. The appointment of new director(s) is therefore a matter for consideration and decision by the full Board. The Board considers that the new director(s) is expected to have professional experience and expertise in relevant area to make contribution to the Company and have sufficient time to participate in the decision making process of the Company.

There are two new directors appointed by the full Board during the year.

AUDITOR'S REMUNERATION

For the year ended 31 March 2010, the remuneration in respect of audit services provided by the auditors, CCIF CPA Ltd., amounted to approximately HK$450 thousand.

During the year, CCIF CPA Ltd. acted as reporting accountant working for our Company's major transactions.

AUDIT COMMITTEE

The Company established an audit committee with written terms of reference in compliance with Rules 5.28 to 5.33 of the GEM Listing Rules and code provision C.3.1 to C.3.6 of the Code. The primary duties of the audit committee are, among others, to review and supervise the financial reporting processes and internal control procedures of the Group and to provide advice and comments to the Board accordingly. The audit committee consists of the three independent non-executive Directors of the Company, namely, Mr. Yeung King Wah, Mr. Gao Feng and Mr. Wu Kehe.

During the year, the audit committee held four meetings and performed duties including reviewing the Group's annual report, half-yearly report, quarterly reports and results announcements.

Details of the attendance of the audit committee for the year ended 31 March 2010 are as follows:

Total number of meetings held: 4

Name of members	Attended/Eligible to attend
Mr. Yeung King Wah *(Chairman)*	4/4
Mr. Gao Feng	4/4
Mr. Wu Kehe	4/4

The audit committee is of the opinion that the financial statements of the Company and the Group for the year ended 31 March 2010 comply with applicable accounting standards, GEM Listing Rules and that adequate disclosures have been made.

RESPECTIVE RESPONSIBILITIES OF DIRECTORS AND AUDITORS

The Directors are responsible for the preparation of the financial statements, which give a true and fair view of the financial position of the Group. The Auditors are responsible to form an independent opinion, based on the audit, on the financial statements prepared by the Directors and report the opinion solely to the shareholders of the Company.

DIRECTORS AND SENIOR MANAGEMENT PROFILE

EXECUTIVE DIRECTORS

Mr. Li Kangying (Chairman), aged 53, has been appointed as senior consultant since 1 November 2008 and executive director and chairman of the Board from 8 February 2010, is a qualified engineer in the PRC. Mr. Li graduated from North China University of Electric Power majoring in telecommunications. Prior to joining the Company, Mr. Li was the deputy director of BNTDZ (北京市新技術產業開發試驗區) and has accumulated extensive experience in corporate management.

In the last three years, Mr. Li was previously the executive director and chief executive officer of Beijing Development (Hong Kong) Limited (stock code: 154) and executive director of China Information Technology Development Limited (stock code: 8178), the shares of the said two companies are listed on the Stock Exchange of Hong Kong Limited.

Mr. Wang Dongbin, aged 42, has been appointed as an executive director and chief executive officer from 28 November 2007. Mr. Wang was previously the executive director and chief executive officer of Xteam Software International Limited (Stock code: 8178). He graduated from Tsinghua University in 1992 with a master's degree in applied physics. Mr. Wang has over 14 years' experience in the telecommunications, information technology and educational information service fields.

Mr. Wu Zhanjiang, aged 41, has been appointed as an executive director from 1 January 2010. Mr. Wu also is General Manager of Beijing Puhua Along Technology Co. Ltd. Mr. Wu graduated from Beijing Graduate Department of North China Electric Power Institute with major in electric system automation and was awarded with a master degree. Mr.Wu has been long engaged in the research, development and advisory work in the informatization of electric industry and has profound industry background and rich practical experience. With his specialization in the informatization of electric distribution, he has been a well-known expert in this domain nationwide.He has once taken charge of the development of various large scale systems such as Inner Mongolia Electric Distribution Information System, Hunan Electric Distribution Information System, Jilin Electric Distribution Information System. Currently he assists the PRC Electric Power Science Institute in undertaking the construction of electric distribution information system under the National Net SG 186 Project.

Mr. Li Wing Sang, aged 52, has been appointed as an executive director and a compliance officer from 1 August 2007. Mr. Li has extensive marketing, promoting and management experience in the fields of household appliance, and he has been held senior management positions in 日立家電販賣株式會社 (Hitachi Appliance Sales Company Limited) and Gome Trading Co. Ltd in Japan, etc. He holds a bachelor degree from the University of Kobe University of Commerce, Japan, majoring in corporate management. He is currently an executive director and the Chief Executive Officer of Siberian Mining Group Company Limited (Stock code: 1142).

DIRECTORS AND SENIOR MANAGEMENT PROFILE

INDEPENDENT NON-EXECUTIVE DIRECTORS AND AUDIT COMMITTEE

Mr. Yeung Kenneth King Wah, aged 51, has been appointed as an independent non-executive director, chairman of audit committee and remuneration committee from 1 August 2007. Mr. Yeung is a fellow member of the Institute of Chartered Accountants in England and Wales, and the Hong Kong Institute of Certified Public Accountants. He is also a member of the Chartered Institute of Taxation in the United Kingdom ("UK"). Mr. Yeung set up his own management consulting practice in Hong Kong. Mr. Yeung is currently an independent non-executive director and the chairman of the audit committee and member of the remuneration committee of eForce Holdings Limited (stock code: 943).

Mr. Gao Feng, aged 41, has been appointed as an independent non-executive director and as a member of the audit committee and remuneration committee from 28 November 2007. Mr. Gao is the visiting profession of Nankai University, Tianjin, China and partner, Board member, chief operating officer of AutekBio (Beijing) Biotech Inc. He graduated from University of Michigan, Ann Arbor, Michigan, US, Bioinformatics in 2002 with a Postdoctoral degree. Mr. Gao has extensive marketing and management experience in the biotech field.

Mr. Wu Kehe, aged 47, has been appointed as an independent non-executive director and as a member of the audit committee and remuneration committee from 20 August 2008. Mr. Wu is a professor, doctor, Assistant Dean and Supervisor at the Computer Science and Technology Faculty of North China Electric Power University. He has served as a director of Chinese Association for Artificial Intelligence, a member of China Electric Power Information Technology Standardization Committee, a member of Electric Power Information Technology Professional Committee under The Chinese Institute of Electrical Engineering. He has been engaged in the research of computer application technology and network information safety for a long period of time. He is one of those scholars who pioneered the research and development of intelligence management ("IM"), electric power ERP technology, electric power information system safety and protection technology in China.

DIRECTORS AND SENIOR MANAGEMENT PROFILE

SENIOR MANAGEMENT

Mr. Li Xinguang, aged 48, deputy chief executive officer of China Electric Power Technology Holdings Limited. He graduated from National University of Defense Technology with bachelor degree. He has been vice president of Beijing Enterprises Teletron Information Technology Co., Ltd. (北京北控電信通信息技術有限公司). He has extensive management experience in the fields of information technology.

Ms. Zhang Jing Ping, aged 47, has been appointed as assistant to chief executive director of China Electric Power Technology Holdings Limited from March 2010. She has qualification of China senior accountant and is an associate member of Chinese Institute of Certified Public Accountants. She has over 20 years of audit, accounting and management experience in audit firm and other sizable corporations.

Mr. Ouyang Hong, aged 42, deputy general manager of Beijing Puhua Along Technology Co., Ltd. He is of university degree, titled engineer. Mr. Ouyang had successively participated in, taken charge of or consummated the development and implementation of project construction of electric power distribution and execution information system for Hunan Provincial Electric Power Company, Tianjin Development Zone and Ningxi Electric Power Company.

Mr. Wu Hong Yuan, aged 36, deputy general manager of Beijing Puhua Along Technology Co. Ltd., He is of secondary specialized education level, titled engineer. Now he is responsible for marketing work, maintaining and exploring market resources with markets in Inner Mongolia and Hunan Province as a foundation.

Mr. Li Yanmin, aged 46, deputy general manager of Beijing Puhua Along Technology Co. Ltd. Mr. Li graduated from Beijing Graduate Department of North China Electric Power University and was awarded with an engineering master degree in 1993. From 1996 to 2007, Mr. Li began to be engaged in the research and development of electric power distribution and management. He had also taken charge of the investigation and research, scheme design and development of electric power distribution and management systems that centered on counties and prefectures. Consequently, he has a better understanding of electric power industry related business and possesses a better computer theories and technical and management capability that he gradually switches to corporate market distribution and management.

Mr. Wanglun, aged 39, general manager, legal representative of Beijing Zhiyiren Information Technology Co., Ltd. He is of university degree, graduated from Harbin Institute of Technology. He is responsible over Zhiyiren's overall work.

COMPANY SECRETARY

Ms. Shen Tianwei (MAPAIS, CPA, CICPA), aged 37, is the Financial Controller, Company Secretary and Authorized Representative of the Group. Prior to joining the Group in August 2006. She has over 12 years of auditing, accounting and financial management experience in Big 4 and others sizable corporations. She has a Master degree in Professional accounting and information system from City University of Hong Kong and is an associate member of both the Hong Kong Institute of Certified Public Accountants and Chinese Institute of Certified Public Accountants.

DIRECTORS' REPORT

The directors present herewith their annual report and the audited financial statements of the Company and the Group for the year ended 31 March 2010.

PRINCIPAL ACTIVITIES

The principal activity of the Company is investment holding. Details of the principal activities of the Group's subsidiaries are set out in note 17 to the financial statements.

An analysis of the Group's turnover and contribution to results by principal activities for the year ended 31 March 2010 are set out in note 14 to the financial statements.

FINANCIAL STATEMENTS AND DIVIDENDS

The results of the Group for the year are set out in the consolidated statement of comprehensive income on page 27.

The state of affairs of the Group and the Company as at 31 March 2010 are set out in the consolidated statement of financial position on page 28 and the statement of financial position on page 29, respectively.

The Board does not recommend the payment of any final dividend in respect of the year ended 31 March 2010 (2009: Nil).

FINANCIAL SUMMARY

A summary of the results and of the assets and liabilities of the Group for the past four financial years is set out on page 114. This summary does not form part of the audited financial statements.

RESERVES

Movements in reserves of the Group and the Company during the year are set out in note 33 to the financial statements.

DISTRIBUTABLE RESERVES

As at 31 March 2010, the Company has no reserves available for distribution to its shareholders.

As at 31 March 2009, the Company has RMB3 million reserves available for distribution to its shareholders.

DIRECTORS' REPORT

SHARE CAPITAL

Movements in share capital of the Company during the year are set out in note 31 to the financial statements.

PROPERTY, PLANT AND EQUIPMENT

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

CHARITABLE DONATIONS

The Group does not made any charitable donations during the year (2009: Nil).

DIRECTORS

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

Executive directors

Mr. Li Kangying, *Chairman*	*(appointed on 8 February 2010)*
Mr. Wang Dongbin, *Chief Executive Officer*	
Mr. Li Wing Sang	
Mr. Wu Zhanjiang	*(appointed on 1 January 2010)*
Mr. Pang Gexiong	*(resigned on 8 February 2010)*
Mr. Lau Kam Ying	*(resigned on 19 August 2009)*

Independent non-executive directors

Mr. Yeng King Wah
Mr. Gao Feng
Mr. Wu Kehe

In accordance with article 86(3)05 the Company's Articles of Association, Mr. Li Kangying and Mr. Wu Zhanjiang will retire from office at the forthcoming annual general meeting.

In accordance with article 87 of the Company's Articles of Association, Mr. Li Wing Sang will retire from office at the forthcoming annual general meeting.

The Company has received from each of the independent non-executive directors an annual confirmation of his independence pursuant to GEM Listing Rule 5.09 and the Company considers the independent non-executive directors remained independent.

MANAGEMENT CONTRACTS

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

DIRECTORS' SERVICE CONTRACTS

None of the directors has a service contract with the Company which is not determinable by the Group within one year without payment of a compensation, other than the statutory compensation.

DIRECTORS' INTERESTS IN CONTRACTS

No director of the Company had a significant interest, either directly or indirectly in any contract of significance to the business of the Group to which the Company, its holding company or any of its subsidiaries was a party during or at the end of the year.

DIRECTORS' AND CHIEF EXECUTIVE'S INTERESTS OR SHORT POSITIONS IN SHARES AND UNDERLYING SHARES OF THE COMPANY AND ITS ASSOCIATED CORPORATIONS

As at 31 March 2010 the interests or short positions of the Directors (the "Directors") and the chief executive of the Company in the shares and underlying shares (the "Shares") of the Company or any of its associated corporations (within the meaning of Part XV of the Securities and Futures Ordinance (the "SFO")) which were 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 is taken or deemed to have under such provisions of the SFO), or which were required, to be entered in the register required to be kept under section 352 of the SFO, 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, were as follows:

The Company – interests in Shares and underlying Shares

	Number of Shares			
Director	**Controlled Corporation**	**Underlying Shares** (Note 3)	**Total**	**Percentage of Shareholding**
Mr. Li Kangying *(Chairman)*	40,000,000 (Note 1)	5,500,000	45,500,000	5.21%
Mr. Wang Dongbin	90,000,000 (Note 2)	623,600	90,623,600	10.37%
Mr. Li Wing Sang	–	230,000	230,000	0.03%
Mr. Wu Zhanjiang	–	2,000,000	2,000,000	2.29%
Mr. Yeung King Wah	–	623,600	623,600	0.07%
Mr. Gao Feng	–	623,600	623,600	0.07%
Mr. Wu Kehe	–	230,000	230,000	0.03%

Notes:

(1) These Shares are registered in the name of and beneficially owned by Manrich Investments Limited ("Manrich Investments"). Manrich Investments is 100% legally and beneficially owned by Mr. Li Kangying.

(2) These Shares are registered in the name of and beneficially owned by Ying Da Investment Ltd ("Ying Da"). Ying Da is 100% legally and beneficially owned by Mr. Wang Dongbin.

(3) The interests in the underlying Shares represent the options granted to the Directors pursuant to the Share Option Scheme of the Company.

Save as disclosed above, as at 31 March 2010, none of the Directors or chief executive of the Company had any interests or short positions in any shares, underlying shares or debentures of, the Company or any associated corporations (within the meaning of Part XV of the SFO) which would have 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 they are taken or deemed to have such provisions which they are taken or deemed to have such provisions of the SFO), or which were required, pursuant to section 352 of the SFO, to be entered in the register referred to therein, or which were otherwise required, pursuant to the minimum standards of dealing by directors of listed issuers as referred to in Rules 5.46 to 5.67 of the GEM Listing Rules, to be notified to the Company and the Stock Exchange.

SUBSTANTIAL SHAREHOLDERS AND PERSONS WITH DISCLOSEABLE INTEREST AND SHORT POSITION IN SHARES UNDER SFO

So far as is known to any Director or chief executive of the Company, as at 31 March 2010, the following persons (other than the Directors or chief executive of the Company as disclosed above) had an interest or short position in the Shares or underlying Shares of the Company which would fall to be disclosed to the Company under the provisions of Divisions 2 and 3 of Part XV of the SFO, or, who is expected, directly or indirectly, to be interested in 10 per cent. or more of the nominal value of any class of share capital carrying rights to vote in all circumstances at general meetings of any other member of the Group.

Long positions in shares

Name	Nature of Interest	Number of Shares	Number of underlying Shares	Total	Percentage of shareholding
Gold Oriental Group Limited	Beneficial owner (Note 1)	90,000,000	65,000,000	155,000,000	17.74%
Sino Lucky Group Limited	Beneficial owner (Note 1)	27,760,000	–	27,760,000	3.18%
Sunfame Enterprises Limited	Beneficial owner (Note 2)	144,586,000	–	144,586,000	16.55%
Ying Da	Beneficial owner (Note 3)	90,000,000	–	90,000,000	10.30%
Wincrest Ventures, LP	Beneficial owner (Note 4)	30,670,000	30,670,000	61,340,000	7.02%

Note:

(1) Gold Oriental Group Limited and Sino Lucky Group Limited, both of which are incorporated in BVI, wholly and beneficially owned by Mr. Cheung Yuet.

(2) Sunfame Enterprises Limited, a company incorporated in BVI, wholly and beneficially owned by Ms. Wong Mei.

(3) Ying Da, a company incorporated in BVI wholly and beneficially owned by Mr. Wang Dongbin.

(4) Wincrest Ventures, LP is wholly and beneficially owned by Mr. Charles Louis Watson and his family members. The interests in the underlying Shares represent the new Shares which may fall to be issued when the unlisted warrants granted to Wincrest Ventures, LP are exercised at the initial exercise price of HK$0.314 each.

Save as disclosed herein, as at 31 March 2010, the Company had not been notified of any other person (other than the Directors or chief executive of the Company) who had a discloseable interest or short position in the Shares as recorded in the register required to be kept under section 336 of the SFO carrying rights to vote in all circumstances at general meetings of any other members of the Group.

SHARE OPTION SCHEME

On 23 July 2004, the principal terms of the Share Option Scheme was approved and passed by the written resolutions of all the Shareholders. The purpose of the Share Option Scheme is to provide the people and the parties working for the interest of the Group with an opportunity to obtain an equity interest in the Company, thus linking their interest with the interests of the Group and thereby providing them with an incentive to work better for the interests of the Group. Given that the Directors are entitled to determine any performance targets to be achieved as well as the minimum period that an option must be held before an option can be exercised on a case by case basis, and that the exercise price of an option cannot in any event fall below the price stipulated in the GEM Listing Rules or such higher price as may be fixed by the Directors, it is expected that grantees of an option will make an effort to contribute to the development of the Group so as to bring about an increased market price of the Shares in order to capitalise on the benefits of the options granted.

Pursuant to the Share Option Scheme, the Directors granted (i) 25,200,000 share options at HK$2.20 each to 14 directors and employees of the Group on 26 March 2008, granted (ii) 30,580,000 share options at HK$0.149 each to 23 directors and employees of the Group on 18 March 2009.

Based on a valuation report done by the independent valuer of Asset Appraisal Limited and Greater China Appraisal Limited respectively, the value of the option granted on 26 March 2008 and 18 March 2009 were HK$4,818,018 and HK$2,412,926 respectively.

The exercised price of the Share Options granted on 26 March 2008 has been adjusted from HK$2.2 to HK$1.677 and the aggregate number of Share Options has been adjusted from 24,900,000 shares to 32,668,800 shares as a result of the Rights Issue 2009.

Details of movement of options under the Share Option Scheme during the year ended 31 March 2010 was as follows:

				Number of share options				
Name or category of participant	Date of grant	Exercisable period	Exercise price per share HK$	Balance as at 1 April 2009	Granted during the year	Exercised during the year	Cancelled during the year	Balance as at 31 March 2010
(i) Directors								
Peng Gexiong	26 March 2008	27 March 2008 to 26 March 2013	1.677	3,936,000	–	–	(3,936,000)	–
Wong Dongin				393,600	–	–	–	393,600
Lau Kam Ying				393,600	–	–	(393,600)	–
Yeung King Wah				393,600	–	–	–	393,600
Gao Feng				393,600	–	–	–	393,600
Employees				27,158,400	–	–	–	27,158,400
Total				32,668,800	–	–	(4,329,600)	28,339,200

Name or category of participant	Date of grant	Exercisable period	Exercise price per share HK$	Number of share options: Balance as at 1 April 2008	Granted during the year	Exercised during the year	Cancelled during the year	Balance as at 31 March 2009
(ii) Directors								
Li Kangying				5,500,000	–	–	–	5,500,000
Peng Gexiong	18 March 2009	19 March 2009 to 18 March 2014	0.149	1,000,000	–	–	(1,000,000)	–
Wong Dongin				230,000	–	–	–	230,000
Wu Zhanjiang				2,000,000	–	–	–	2,000,000
Lau Kam Ying				230,000	–	–	(230,000)	–
Li Wing Sang				230,000	–	–	–	230,000
Yeung King Wah				230,000	–	–	–	230,000
Gao Feng				230,000	–	–	–	230,000
Wu Kehe				230,000	–	–	–	230,000
Employees				20,700,000	–	–	–	20,700,000
Total				30,580,000	–	–	(1,230,000)	29,350,000

PRE-EMPTIVE RIGHTS

There is no provision for pre-emptive rights under the Company's Articles of Association and the laws in Cayman Islands.

PURCHASE, SALE OR REDEMPTION OF THE COMPANY'S LISTED SHARES

There was no purchase, sale or redemption of the Company's listed shares during the year.

EMOLUMENT POLICY

The emolument policy of the employees of the Group is set out by the Remuneration Committee on the basis of their merit, qualifications and competence.

The emoluments of the directors of the Company are decided by the Remuneration Committee, having regard to the Company's operating results, individual performance and comparable market statistics.

The Company has adopted a share option scheme as an incentive to directors and eligible employees, details of the scheme are set out in note 32 to the consolidated financial statements.

Details of the remuneration of the Directors and the five highest paid employees in the Group are set out in notes 9 and 10 respectively to the consolidated financial statements.

RETIREMENT BENEFIT COST

Particulars of retirement benefit cost of the Group are set out in note 34 to the financial statements.

CONNECTED TRANSACTIONS

The Company did not have connected transactions for the year ended 31 March 2010.

COMPETING INTERESTS

For the year ended 31 March 2010, none of the Directors or the management shareholders or any of their respective associates (as defined in the GEM Listing Rules) of the Company had an interest in a business which causes or may causes any significant competition with the business of the Group.

SECURITIES TRANSACTIONS BY DIRECTORS

The Company has adopted a code of conduct regarding securities transactions by directors 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. The Company also had made specific enquiry of all Directors and the Company was not aware of any non-compliance with such code of conduct and required standard of dealings throughout year ended 31 March 2010.

SUFFICIENCY OF PUBLIC FLOAT

Based on information that is publicly available to the Company and within the knowledge of the Directors at least 25% of the Company's total issued share capital was held by the public as at the date of this report.

SEGMENT INFORMATION

An analysis of the principal activities and geographical locations of operations of the Group for the year ended 31 March 2010 is set out in note 14 to the financial statements.

MAJOR CUSTOMERS AND SUPPLIERS

The percentage of purchases and sales for the year attributable to the Group's major customers and suppliers are as follows:

Purchases	
– The largest supplier	13.7%
– Five largest suppliers in aggregate	45.1%
Sales	
– The largest customer	24.5%
– Five largest customers in aggregate	71.6%

None of the directors, their associates or any shareholders of the Company (which to the knowledge of the directors owns more than 5% of the Company's share capital) had an interest in the major customers and suppliers noted above.

AUDIT COMMITTEE

The Company established an audit committee with written terms of reference in compliance with the GEM Listing Rules. The primary duties of the audit committee are, among others, to review and supervise the financial reporting processes and internal control procedures of the Group and to provide advice and comments to the Board accordingly. The audit committee consists of the three independent non-executive Directors of the Company, namely, Mr. Yeung King Wah, Mr. Gao Feng and Mr. Wu Kehe.

During the year, the audit committee held four meetings and performed duties including reviewing the Group's annual report, half-yearly report, quarterly report and results announcements. The audit committee is of the opinion that the financial statements of the Company and the Group for the year ended 31 March 2010 comply with applicable accounting standards, GEM Listing Rules and that adequate disclosures have been made.

AUDITORS

The financial statements have been audited by CCIF CPA Limited, and there is no change of auditors in last 3 years. A resolution for their re-appointment as the Company's auditors for the ensuing year is to be proposed at the forthcoming Annual General Meeting.

On behalf of the Board

LI Kangying
Chairman

China, 30 June 2010

INDEPENDENT AUDITOR'S REPORT

CCIF CPA LIMITED

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

TO THE SHAREHOLDERS OF
CHINA ELECTRIC POWER TECHNOLOGY HOLDINGS LIMITED
(Incorporated in Cayman Islands with limited liability)

We have audited the consolidated financial statements of China Electric Power Technology Holdings Limited (the "Company") set out on pages 27 to 113, which comprise the consolidated and Company statements of financial position as at 31 March 2010 and the consolidated statement of comprehensive income, the consolidated statement of changes in equity and the consolidated statement of cash flows for the year then ended, and a summary of significant accounting policies and other explanatory 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 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.

INDEPENDENT AUDITOR'S REPORT

AUDITOR'S RESPONSIBILITY

Our responsibility is to express an opinion on these financial statements based on our audit. This report is made 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 the report.

We conducted our audit in accordance with Hong Kong Standards on Auditing issued by the Hong Kong Institute of Certified Public Accountants. Those standards require that we comply with ethical requirements and plan and perform the audit to obtain reasonable assurance as to whether the 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 judgment, 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.

OPINION

In our opinion, the consolidated financial statements give a true and fair view of the state of affairs of the Company and of the Group as at 31 March 2010 and of the Group's result 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.

CCIF CPA Limited
Certified Public Accountants
Hong Kong, 30 June 2010

Kwok Cheuk Yuen
Practising Certificate Number P02412

CONSOLIDATED STATEMENT OF COMPREHENSIVE INCOME

FOR THE YEAR ENDED 31 MARCH 2010

	Note	2010 RMB'000	2009 RMB'000
Turnover	4	**89,955**	77,828
Cost of sales		**(39,876)**	(24,859)
Gross profit		**50,079**	52,969
Gain on disposal of associates		**–**	339
Other revenue	5	**2,777**	3,796
Other net loss	5	**(19)**	(399)
Impairment loss on intangible assets		**(33,420)**	(10,386)
Impairment loss on goodwill		**(188,031)**	–
Distribution costs		**(1,642)**	(1,511)
Administrative and other operating expenses		**(76,311)**	(32,021)
(Loss)/profit from operations		**(246,567)**	12,787
Finance costs	6(a)	**(6,156)**	(2)
		(252,723)	12,785
Share of profit of associates	7	**–**	4
(Loss)/profit before taxation	6	**(252,723)**	12,789
Income tax credit/(charge)	8(a)	**2,878**	(6,041)
(Loss)/profit for the year		**(249,845)**	6,748
Other comprehensive loss for the year			
Exchange differences on translation of financial statements		**(390)**	(1,609)
Total comprehensive (loss)/income for the year, net of nil tax		**(250,235)**	5,139
(Loss)/profit for the year attributable to Owners of the Company		**(249,845)**	6,748
Total comprehensive (loss)/income for the year attributable to owners of the Company		**(250,235)**	5,139
(Loss)/earnings per share	13		
– Basic and diluted		**RMB(0.328)**	RMB0.019

The notes on pages 34 to 113 form part of these financial statements.

CONSOLIDATED STATEMENT OF FINANCIAL POSITION

AT 31 MARCH 2010

	Note	2010 RMB'000	2009 RMB'000
Non-current assets			
Property, plant and equipment	15	**1,173**	1,474
Intangible assets	16	**30,876**	42,498
Goodwill	18	**177,450**	65,583
Available-for-sale investments	20	**–**	120
Deposits paid for acquisition of property, plant and equipment		**–**	5,966
		209,499	115,641
Current assets			
Intangible assets	16	**4,657**	7,243
Inventories	21	**202**	–
Trade receivables	22	**73,710**	81,493
Prepayments, deposits and other receivables	23	**6,428**	5,405
Income tax recoverable	8(b)	**218**	987
Cash and cash equivalents	24	**11,502**	65,127
		96,717	160,255
Current liabilities			
Trade payables	25	**12,658**	8,056
Other payables and accruals	26	**12,180**	26,673
Obligations under a finance lease	28	**6**	5
Income tax payable	8(b)	**10,172**	9,367
		35,016	44,101
Net current assets		**61,701**	116,154
Total assets less current liabilities		**271,200**	231,795
Non-current liabilities			
Obligations under a finance lease	28	**10**	16
Convertible bonds	29	**103,470**	–
Deferred tax liabilities	30	**9,965**	7,843
		113,445	7,859
NET ASSETS		**157,755**	223,936
EQUITY			
Equity attributable to Owners of the Company			
Share capital	31	**81,926**	61,223
Reserves	33	**75,829**	162,713
TOTAL EQUITY		**157,755**	223,936

Approved and authorised for issue by the board of directors on 30 June 2010.

Li Kangying	**Wang Dongbin**
Director	*Director*

The notes on pages 34 to 113 form part of these financial statements.

STATEMENT OF FINANCIAL POSITION

AS AT 31 MARCH 2010

	Note	2010 RMB'000	2009 RMB'000
Non-current assets			
Property, plant and equipment		**135**	132
Interest in subsidiaries	17	**263,490**	144,810
Deposits paid for acquisition of property, plant and equipment		**–**	–
		263,625	144,942
Current assets			
Other receivables	23	**189**	185
Amounts due from subsidiaries	27	**6,411**	27,386
Cash and cash equivalents		**3,331**	18,895
		9,931	46,466
Current liabilities			
Other payables and accruals	26	**628**	748
Amounts due to subsidiaries	27	**8**	21,043
Obligations under a finance lease	28	**6**	5
		642	21,796
Net current assets		**9,289**	24,670
Total assets less current liabilities		**272,914**	169,612
Non-current liabilities			
Obligation under a finance lease	28	**10**	16
Convertible bonds	29	**103,470**	–
Deferred tax liabilities	30(a)	**4,635**	–
		108,115	16
NET ASSETS		**164,799**	169,596
EQUITY			
Equity attributable to Owners of the parent			
Share capital	31	**81,926**	61,223
Reserves	33	**82,873**	108,373
TOTAL EQUITY		**164,799**	169,596

Approved and authorised for issue by the board of directors on 30 June 2010.

Li Kangying
Director

Wang Dongbin
Director

The notes on pages 34 to 113 form part of these financial statements.

CONSOLIDATED STATEMENT OF CHANGES IN EQUITY

FOR THE YEAR ENDED 31 MARCH 2010

	Share capital RMB'000	Share premium RMB'000	Contributed surplus RMB'000	Convertible bonds equity reserve RMB'000	Capital reserve RMB'000	Share-based compensation reserve RMB'000	Statutory common reserve RMB'000	Foreign currency translation reserve RMB'000	(Accumulated losses)/ retained profits RMB'000	Total equity RMB'000
At 1 April 2008	31,977	117,755	933	–	115	4,654	4,862	(9,648)	(3,752)	146,896
Exchange differences on translation of financial statements	–	–	–	–	–	–	–	–	–	–
Net loss recognised directly in equity	–	–	–	–	–	–	–	(1,609)	–	(1,609)
Profit for the year	–	–	–	–	–	–	–	–	6,748	6,748
Total comprehensive income for the year	–	–	–	–	–	–	–	(1,609)	6,748	5,139
Repurchase and cancellation of shares	(479)	(4,620)	–	–	–	–	–	–	–	(5,099)
Shares issued for the acquisition of subsidiaries	11,000	45,152	–	–	–	–	–	–	–	56,152
Equity-settled share-based transactions	–	–	–	–	–	2,123	–	–	–	2,123
Total comprehensive income	–	–	–	–	–	–	–	(1,609)	6,748	5,139
Issue of one rights share for every two existing shares	18,725	–	–	–	–	–	–	–	–	18,725
Transfer to retained profits upon forfeiture of share options	–	–	–	–	–	(55)	–	–	55	–
At 31 March 2009	61,223	158,287	933	–	115	6,722	4,862	(11,257)	3,051	223,936

CONSOLIDATED STATEMENT OF CHANGES IN EQUITY

FOR THE YEAR ENDED 31 MARCH 2010

	Share capital RMB'000	Share premium RMB'000	Contributed surplus RMB'000	Convertible bonds equity reserve RMB'000	Capital reserve RMB'000	Share-based compensation reserve RMB'000	Statutory common reserve RMB'000	Foreign currency translation reserve RMB'000	(Accumulated losses)/ retained profits RMB'000	Total equity RMB'000
At 1 April 2009	61,223	158,287	933	–	115	6,722	4,862	(11,257)	3,051	223,936
Exchange differences on translation of financial statements	–	–	–	–	–	–	–	(390)	–	(390)
Net loss recognised directly in equity	–	–	–	–	–	–	–	(390)	–	(390)
Loss for the year	–	–	–	–	–	–	–	–	(249,845)	(249,845)
Total comprehensive loss for the year	–	–	–	–	–	–	–	(390)	(249,845)	(250,235)
Shares issued under a private placement	2,699	4,091	–	–	–	–	–	–	–	6,790
Recognition of equity component of convertible notes	–	–	–	66,715	–	–	–	–	–	66,715
Deferred tax liability on recognition of equity component of convertible notes	–	–	–	(11,008)	–	–	–	–	–	(11,008)
Shares issued for the acquisition of subsidiaries	12,724	15,293	–	–	–	–	–	–	–	28,017
Shares issued under conversion of convertible notes	5,280	116,160	–	(32,469)	–	–	–	–	–	88,971
Deferred tax effect on conversion of convertible notes	–	–	–	5,358	–	–	–	–	–	5,358
Reserves released on disposal of subsidiaries	–	–	–	–	(115)	–	(4,862)	(789)	4,977	(789)
Transfer to retained profits upon forfeiture of share options	–	–	–	–	–	(695)	–	–	695	–
At 31 March 2010	81,926	293,831	933	28,596	–	6,027	–	(12,436)	(241,122)	157,755

The notes on pages 34 to 113 form part of these financial statements.

CONSOLIDATED STATEMENT OF CASH FLOWS

FOR THE YEAR ENDED 31 MARCH 2010

	Note	2010 RMB'000	2009 RMB'000
Operating activities			
(Loss)/profit before taxation		**(252,723)**	12,789
Adjustments for:			
Depreciation of property, plant and equipment	6(c)	**374**	163
Transfers from intangible assets		**–**	3,543
Impairment loss for trade receivables		**37,054**	–
Impairment loss for other receivables		**–**	1,436
Amortisation of intangible assets		**8,855**	2,716
Impairment loss for intangible assets	16	**33,420**	10,386
Finance costs	6(a)	**6,156**	2
Interest income	5	**(27)**	(697)
Impairment loss for goodwill		**188,031**	6,945
Gain on disposal of associates		**–**	(339)
Share of profit of associates		**–**	(4)
Loss on disposal of property, plant and equipment	5	**19**	–
Equity-settled share-based payment expenses		**–**	2,123
Operating profit/(loss) before changes in working capital		**21,159**	39,063
Decrease in inventories		**1,721**	30
Increase in trade receivables		**(25,142)**	(60,845)
(Increase)/decrease in prepayments deposits and other receivables		**(25)**	1,862
(Decrease)/increase in trade payables		**(1,137)**	3,996
(Decrease)/increase in accruals and other payables		**(12,868)**	4,437
Cash used in operations		**(16,292)**	(11,457)
Income tax paid – PRC		**(2,019)**	(1,009)
Net cash used in operating activities		**(18,311)**	(12,466)

CONSOLIDATED STATEMENT OF CASH FLOWS

FOR THE YEAR ENDED 31 MARCH 2010

	Note	2010 RMB'000	2009 RMB'000
Investing activities			
Payment for the acquisition of property, plant and equipment		**(228)**	(621)
Proceeds from sale of property, plant and equipment		**–**	10
Net cash outflow in Asset Swap	37	**(41,506)**	–
Payment for acquisition of subsidiaries, net of cash acquired	38	**–**	(51,952)
Interest received		**27**	697
Proceeds from disposal of associates		**–**	955
Net cash used in investing activities		**(41,707)**	(50,911)
Financing activities			
Proceeds from placing of new shares		**6,790**	–
Net proceeds from rights issue of shares		**–**	18,725
Payments for repurchase of shares		**–**	(5,099)
Capital element of finance lease payments		**(5)**	(5)
Interest element of finance lease payments		**(2)**	(2)
Net cash generated from financing activities		**6,783**	13,619
Net decrease in cash and cash equivalents		**(53,235)**	(49,758)
Cash and cash equivalents at 1 April		**65,127**	116,356
Effect of foreign exchange rates changes		**(390)**	(1,471)
Cash and cash equivalents at 31 March	24	**11,502**	65,127

The notes on pages 34 to 113 form part of these financial statements.

1. CORPORATE INFORMATION

China Electric Power Technology Holdings Limited (the "Company") is incorporated and domiciled in Cayman Islands as an exempted company with limited liability. The address of its registered office is Cricket Square, Hutchins Drive. P.O. Box 2681, Grand Cayman KY1-1111, Cayman Islands. The address of its principal place of business in Hong Kong is Room 2601-02, ING Tower, 308 Des Voeux Road Central, Hong Kong.

The principal activity of the Company is investment holding. The principal activities of the Company's subsidiaries are set out in note 17 to the financial statements.

The Company's shares were listed on the Growth Enterprise Market of the Stock Exchange of Hong Kong Limited since 6 August 2004.

2. SIGNIFICANT ACCOUNTING POLICIES

a) Statement of compliance

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

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

2. SIGNIFICANT ACCOUNTING POLICIES (Continued)

b) Basis of preparation of the financial statements

The consolidated financial statements for the year ended 31 March 2010 comprise the Company and its subsidiaries and the Group's interest in associates.

The measurement basis used in the preparation of the financial statements is the historical cost basis.

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

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

Judgements made by management in the application of HKFRSs that have a significant effect on the financial statements and estimates with a significant risk of material adjustment in the next year are discussed in note 41.

c) Subsidiaries

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

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

In the Company's statement of financial position, an investment in a subsidiary is carried at cost less any impairment losses (see note 2(k)), unless the investment is classified as held for sale.

2. SIGNIFICANT ACCOUNTING POLICIES (Continued)

d) Associates

An associate is an entity in which the Group or Company has significant influence, but not control or joint control, over its management, including participation in the financial and operating policy decisions.

An investment in an associate or a jointly controlled entity is accounted for in the consolidated financial statements under the equity method, unless it is classified as held for sale (or included in a disposal group that is classified as held for sale). Under the equity method, the investment is initially recorded at cost and adjusted thereafter for the post acquisition change in the Group's share of the investee's net assets and any impairment loss relating to the investment (see note 2(k)). The Group's share of the post-acquisition, post-tax results of the investees and any impairment losses for the year are recognised in the consolidated income statement, whereas the Group's share of the post-acquisition post-tax items of the investees' other comprehensive income is recognised in the consolidated statement of comprehensive income.

When the Group's share of losses exceeds its interest in the associate or the jointly controlled entity, the Group's interest is reduced to nil and recognition of further losses is discontinued except to the extent that the Group has incurred legal or constructive obligations or made payments on behalf of the investee. For this purpose, the Group's interest is the carrying amount of the investment under the equity method together with the Group's long-term interests that in substance form part of the Group's net investment in the associate or the jointly controlled entity.

Unrealised profits and losses resulting from transactions between the Group and its associates and jointly controlled entities are eliminated to the extent of the Group's interest in the investee, except where unrealised losses provide evidence of an impairment of the asset transferred, in which case they are recognised immediately in profit or loss.

e) Goodwill

Goodwill represents the excess of the cost of a business combination or an investment in an associate over the Group's interest in the net fair value of the acquiree's identifiable assets, liabilities and contingent liabilities.

Goodwill is carried at cost less accumulated impairment losses. Goodwill is allocated to cash-generating units and is tested annually for impairment (see note 2(k)). In respect of associates, the carrying amount of goodwill is included in the carrying amount of the interest in the associate.

Any excess of the Group's interest in the net fair value of the acquiree's identifiable assets, liabilities and contingent liabilities over the cost of a business combination or an investment in an associate is recognised immediately in profit or loss.

On the disposal of a cash generating unit or an associate during the year, any attributable amount of purchased goodwill is included in the calculation of the profit or loss on disposal.

2. SIGNIFICANT ACCOUNTING POLICIES (Continued)

f) Investments in equity securities

The Group's and the Company's policies for investments in equity securities, other than investments in subsidiaries and associates, are as follows:

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

Investments in securities are classified as available-for-sale equity securities and are initially recognised at fair value plus transaction costs. At the end of each reporting period the fair value is remeasured, with any resultant gain or loss being recognised directly in equity. Dividend income from these investments is recognised in profit or loss and, where these investments are interest-bearing, interest calculated using the effective interest method is recognised in profit or loss. When these investments are derecognised, the cumulative gain or loss previously recognised directly in equity is recognised in profit or loss.

For an investment in equity instruments that do not have a quoted market price in an active market, or derivatives linked to such equity instruments, it is measured at cost less impairment (because its fair value cannot be measured reliably).

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

g) Property, plant and equipment

Property, plant and equipment are carried in the statement of financial position at cost less accumulated depreciation and accumulated impairment losses (see note 2(k)).

Costs incurred in restoring property, plant and equipment to their normal working condition are charged to the statement of comprehensive income. Improvements are capitalised and depreciated over their expected useful lives.

Subsequent expenditure relating to property, plant and equipment that has already been recognised is added to the carrying amount of the asset when it is probable that future economic benefits, in excess of the originally assessed standard of performance of the existing asset, will flow to the enterprise. All other subsequent expenditure is recognised as an expense in the period in which it is incurred.

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

2. SIGNIFICANT ACCOUNTING POLICIES (Continued)

g) Property, plant and equipment (Continued)

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

Computer equipment	4-5 years
Leasehold improvements	Over the remaining term of the lease
Furniture and equipment	4-5 years
Motor vehicles	5 years

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

h) Intangible assets (other than goodwill)

Intangible assets with finite useful lives acquired by the Group are carried in the statement of financial position at cost less accumulated amortisation and impairment losses (see note 2(k)). Expenditure on internally generated goodwill and brands is recognised as an expense in the period in which it is incurred.

Amortisation of intangible assets with finite useful lives is charged to profit or loss on a straight-line basis over the assets' estimated useful lives. The following intangible assets with finite useful lives are amortised from the date they are available for use and their estimated useful lives are as follows:

Customer contracts	½ to 6 years
Forensic centre contractual rights	5 years
Customer base	6 to 9½ years
Technology know-how	10 years
Acquired computer software	3 years

Both the period and method of amortisation are reviewed annually.

The net carrying amount of each intangible asset will be recognised as cost in the profit or loss on completion of the relevant contract.

2. SIGNIFICANT ACCOUNTING POLICIES (Continued)

i) Special purpose entity

To comply with the laws and regulations of the People's Republic of China (the "PRC") that prohibit or restrict foreign ownership of companies that provide value-added telecommunications services, which include wireless internet services and internet content services, the Group conducts its internet content service through 江西行知教育在線有限公司 ("江西行知教育在線"), an entity legally-owned by certain citizens of the PRC (the "Registered Shareholders").

Pursuant to certain contractual arrangements, 江西行知教育在線 is responsible for operating the Group's website and have been granted the right to use the domain names. In addition, the Group has the exclusive right to provide technical and consulting services in exchange for a service fee which equals to substantially all of the net income of 江西行知教育在線. The Registered Shareholders are required under their contractual arrangements with the Group to transfer their interest in 江西行知教育在線 to the Group or to a person as the Group designates upon the Group's request, provided that such transfer does not violate the PRC laws or regulations. On 25 April 2005, the Group provided a loan of RMB1,000,000 to the Registered Shareholders to finance their investment in 江西行知教育在線. One of the Registered Shareholders who has been provided with a loan of RMB900,000 for the investment in 江西行知教育在線 is a key management personnel of the Company's subsidiary. Jiangxi A & K Educational Software Co. Limited ("Jiangxi A & K"). The direct equity interest in 江西行知教育在線 has been pledged as collateral for the loan and, when permitted under the PRC laws, the loan will be repaid by way of a transfer of the direct equity interest in this entity to the Group.

In March 2004, HKICPA issued an Interpretation HK(SIC) – Int 12 (March 2004), "Consolidation – Special Purpose Entities". HK(SIC) – Int 12 (March 2004) is intended to apply the consolidation policies to special purpose entities. The Group has evaluated its relationship with 江西行知教育在線 and has concluded that this entity is a special purpose entity and Jiangxi A & K is the primary beneficiary of the equity interest in 江西行知教育在線.

This special purpose entity is consolidated into the consolidated financial statements of the Group.

j) Leased assets

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

2. SIGNIFICANT ACCOUNTING POLICIES (Continued)

j) Leased assets (Continued)

i) Classification of assets leased to the Group

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

– land held for own use under an operating lease, the fair value of which cannot be measured separately from the fair value of a building situated thereon at the inception of the lease, is accounted for as being held under a finance lease, unless the building is also clearly held under an operating lease. For these purposes, the inception of the lease is the time that the lease was first entered into by the Group, or taken over from the previous lessee.

ii) Assets acquired under finance leases

Where the Group acquires the use of assets under finance leases, the amounts representing the fair value of the leased asset or, if lower, the present value of the minimum lease payments of such assets are included in fixed assets and the corresponding liabilities, net of finance charges, are recorded as obligations under finance leases. Depreciation is provided at rates which write off the cost or valuation of the assets over the term of the relevant lease or, where it is likely the Company or Group will obtain ownership of the asset, the life of the asset, as set out in note 2(g). Impairment losses are accounted for in accordance with the accounting policy as set out in note 2(k). Finance charges implicit in the lease payments are charged to profit or loss over the period of the leases so as to produce an approximately constant periodic rate of charge on the remaining balance of the obligations for each accounting period.

iii) Operating lease charges

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

The cost of acquiring land held under an operating lease is amortised on a straight-line basis over the period of the lease term except where the property is classified as an investment property.

2. SIGNIFICANT ACCOUNTING POLICIES (Continued)

k) Impairment of assets

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

Investments in equity securities (other than investments in subsidiaries, associates and jointly controlled entities: see note 2(k)(ii)) and other current and non-current receivables that are carried at cost or amortised cost or are classified as available-for-sale equity securities are reviewed at the end of each reporting period to determine whether there is objective evidence of impairment. Objective evidence of impairment includes observable data that comes to the attention of the Group about one or more of the following loss events:

- significant financial difficulty of the debtor;
- a breach of contract, such as a default or delinquency in interest or principal payments;
- it becoming probable that the debtor will enter bankruptcy or other financial reorganisation;
- significant changes in the technological, market, economic or legal environment that have an adverse effect on the debtor; and
- a significant or prolonged decline in the fair value of an investment in an equity instrument below its cost.

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

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

2. SIGNIFICANT ACCOUNTING POLICIES (Continued)

k) Impairment of assets (Continued)

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

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

– For available-for-sale equity securities, which are carried at fair value when a decline in the fair value has been recognised directly in equity and there is objective evidence that the asset is impaired, the cumulative loss that had been recognised directly in equity shall be removed from equity and recognised in profit or loss even though the financial asset has not been derecognised. The amount of the cumulative loss that is recognised in profit or loss is the difference between the acquisition cost (net of any principal repayment and amortisation) and current fair value, less any impairment loss on that asset previously recognised in profit or loss.

Impairment losses recognised in profit or loss in respect of available-for-sale equity securities are not reversed through profit or loss. Any subsequent increase in the fair value of such assets is recognised directly in equity.

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

2. SIGNIFICANT ACCOUNTING POLICIES (Continued)

k) Impairment of assets (Continued)

ii) Impairment of other assets

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

- property, plant and equipment (other than properties carried at revalued amounts);
- intangible assets;
- investments in subsidiaries and associates (except for those classified as being held for sale); and
- goodwill.

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

- Calculation of recoverable amount

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

- Recognition of impairment losses

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

2. SIGNIFICANT ACCOUNTING POLICIES (Continued)

k) Impairment of assets (Continued)

ii) Impairment of other assets (Continued)

– Reversals of impairment losses

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

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

iii) Interim financial reporting and impairment

Under the Rules Governing the Listing of Securities on the Growth Enterprise Market of the Stock Exchange of Hong Kong Limited, the Group is required to prepare quarterly and interim financial reports in compliance with HKAS 34, Interim financial reporting in respect of each quarter of a financial year. At the end of the interim period, the Group applies the same impairment testing, recognition, and reversal criteria as it would at the end of the financial year.

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

l) Inventories

Inventories are carried at the lower of cost and net realisable value.

Cost is calculated using the first-in, first-out method and comprises all costs of purchase, costs of conversion and other costs incurred in bringing the inventories to their present location and condition.

Net realizable 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.

When inventories are sold, the carrying amount of those inventories is recognised as an expense in the period in which the related revenue is recognised. The amount of any write-down of inventories to net realizable value and all losses of inventories are recognised as an expense in the period the write-down or loss occurs. The amount of any reversal of any write-down of inventories is recognised as a reduction in the amount of inventories recognised as an expense in the period in which the reversal occurs.

2. SIGNIFICANT ACCOUNTING POLICIES (Continued)

m) Trade and other receivables

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

n) Trade and other payables

Trade and other payables are initially recognised at fair value. Except for financial guarantee liabilities measured in accordance with note 2(s)(i), trade and other payables are subsequently carried at amortised cost unless the effect of discounting would be immaterial, in which case they are carried at cost.

o) Cash and cash equivalents

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

p) Convertible bonds

Convertible bonds that can be converted into equity share capital at the option of the holder, where the number of shares that would be issued on conversion and the value of the consideration that would be received at that time do not vary, are accounted for as compound financial instruments which contain a liability component and an equity component.

At initial recognition the liability component of the convertible bonds is measured as the present value of the future interest and principal payments, discounted at the market rate of interest applicable at the time of initial recognition to similar liabilities that do not have a conversion option. The equity component is recognised initially as the difference between the proceeds of the issue of the convertible notes and the fair values of the liability component. Transaction costs that relate to the issue of a compound financial instrument are allocated to the liability and equity components in proportion to the allocation of proceeds.

The liability component is subsequently carried at amortised cost. The interest expense recognised in profit or loss on the liability component is calculated using the effective interest method. The equity component is recognised in the convertible bond equity reserve until the note is converted.

2. SIGNIFICANT ACCOUNTING POLICIES (Continued)

p) Convertible bonds (Continued)

If the note is converted, the convertible bond equity reserve, together with the carrying amount of the liability component at the time of conversion, is transferred to share capital and share premium as consideration for the shares issued.

q) Employee benefits

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

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

ii) *Share-based payments*

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

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

iii) *Termination benefits*

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

2. SIGNIFICANT ACCOUNTING POLICIES (Continued)

r) Income tax

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

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

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

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

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

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

2. SIGNIFICANT ACCOUNTING POLICIES (Continued)

r) Income tax (Continued)

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

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

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

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

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

    – the same taxable entity; or

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

s) Financial guarantees issued, provisions and contingent liabilities

i) Financial guarantees issued

Financial guarantees are contracts that require the issuer (i.e. the guarantor) to make specified payments to reimburse the beneficiary of the guarantee (the "holder") for a loss the holder incurs because a specified debtor fails to make payment when due in accordance with the terms of a debt instrument.

2. SIGNIFICANT ACCOUNTING POLICIES (Continued)

s) Financial guarantees issued, provisions and contingent liabilities (Continued)

i) Financial guarantees issued (Continued)

Where the Group issues a financial guarantee, the fair value of the guarantee (being the transaction price, unless the fair value can otherwise be reliably estimated) is initially recognised as deferred income within trade and other payables. Where consideration is received or receivable for the issuance of the guarantee, the consideration is recognised in accordance with the Group's policies applicable to that category of asset. Where no such consideration is received or receivable, an immediate expense is recognised in profit or loss on initial recognition of any deferred income.

The amount of the guarantee initially recognised as deferred income is amortised in profit or loss over the term of the guarantee as income from financial guarantees issued. In addition, provisions are recognised in accordance with note 2(s)(iii) if and when (i) it becomes probable that the holder of the guarantee will call upon the Group under the guarantee, and (ii) the amount of that claim on the Group is expected to exceed the amount currently carried in trade and other payables in respect of that guarantee, that is, the amount initially recognised less accumulated amortisation.

ii) Contingent liabilities acquired in business combinations

Contingent liabilities acquired as part of a business combination are initially recognised at fair value, provided the fair value can be reliably measured. After their initial recognition at fair value, such contingent liabilities are recognised at the higher of the amount initially recognised, less accumulated amortisation where appropriate, and the amount that would be determined in accordance with note 2(s)(iii). Contingent liabilities acquired in a business combination that cannot be reliably fair valued are disclosed in accordance with note 2(s)(iii).

iii) Other provisions and contingent liabilities

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

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

2. SIGNIFICANT ACCOUNTING POLICIES (Continued)

t) Revenue recognition

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

i) *Sales and distribution of education software and internet learning card*

Revenue is recognised when goods are delivered which is taken to be the point in time when the customer has accepted the goods and the related risks and rewards of ownership. Revenue excludes value added tax or other sales taxes and is after deductions of any trade discounts and returns.

ii) *School network integration*

Revenue from school network integration is recognised when the installation work is completed and the customer has accepted the significant risks and rewards of ownership of the goods and services. Revenue excludes value added tax or other sales taxes and is after deductions of any trade discounts.

iii) *Sales of application software*

Revenue from the sale of application software is recognised when the installation work is completed and the customer has accepted the significant risks and rewards of ownership of the goods and services. Revenue excludes value added tax or other sales taxes and is after deductions of any trade discounts.

iv) *Sales of computer hardware*

Revenue is recognised when goods are delivered which is taken to be the point in time when the customer has accepted the goods and the related risks and rewards of ownership. Revenue excludes value added tax or other sales taxes and is after deduction of any trade discounts and returns.

v) *Interest income*

Interest income is accrued on a time-apportioned basis by reference to the principal outstanding and at the rate applicable.

vi) *Value added tax refunds*

Value added tax refunds are recognised when the acknowledgement of refunds from the tax authority has been received.

2. SIGNIFICANT ACCOUNTING POLICIES (Continued)

u) Translation of foreign currencies

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 Renminbi, which is the Company's functional and presentation currency.

Transactions and balances

Foreign currency transactions are translated into the functional currency using the exchange rates prevailing at the dates of the transactions. Foreign exchange gains and losses resulting from the settlement of such transactions and from the translation at year-end exchange rates of monetary assets and liabilities denominated in foreign currencies are recognised in the statement of comprehensive income, except when deferred in equity as qualifying cash flow hedges or qualifying net investment hedges.

When a gain or loss on a non-monetary item is recognised directly in equity, any exchange component of that gain or loss shall be recognised directly in equity. Conversely, when a gain or loss on a non-monetary item is recognised in profit or loss, any exchange component of that gain or loss shall be recognised in profit or loss.

Group companies

The results and financial position of all the Group's entities (none of which has the currency of a hyperinflationary economy) that have a functional currency different from the presentation currency are translated into the presentation currency as follows:

i) assets and liabilities for each statement of financial position presented are translated at the closing rate at the end of the reporting period;

ii) income and expenses for each statement of comprehensive income 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 rate prevailing at the dates of the transactions); and

iii) all resulting exchange differences are recognised as a separate component of equity.

2. SIGNIFICANT ACCOUNTING POLICIES (Continued)

u) Translation of foreign currencies (Continued)

Group companies (Continued)

On consolidation, exchange differences arising from the translation of the net investment in foreign entities, and borrowings and other currency instruments designated as hedges for such investments, are taken to owners' equity. When a foreign operation is sold, such exchange differences are recognised in the statement of comprehensive income as part of the gain or loss on sale.

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

v) Borrowing costs

Borrowing costs are expensed in profit or loss in the period in which they are incurred.

w) Related parties

For the purpose of these financial statements, parties are considered to be related to the Group if:

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

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

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

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

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

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

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

2. SIGNIFICANT ACCOUNTING POLICIES (Continued)

x) Segment reporting

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

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

y) Research and development costs

Research and development costs are expensed as incurred, except where the product or process is clearly defined and the costs attributable to the product or process can be separately identified and measured reliably; is technically feasible; the Group intends to produce and market, or use, the product or process; the existence of a market for the product or process or, if it is to be used internally rather than sold, its usefulness to the Group can be demonstrated; and adequate resources exist, or their availability can be demonstrated, to complete the project and market or use the product or process.

Such development costs are recognised as an asset to the extent of the amount that, taken together with further development costs, related production costs, and selling and administrative costs directly incurred in marketing the product, is probable of being recovered from related future economic benefits. The excess amount is written off as incurred.

Development costs which are recognised as an asset are amortised on a straight-line basis over a period of 3-5 years to reflect the pattern in which the related economic benefits are recognised.

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

The Group has adopted the following new and revised Standards, Amendments and Interpretations ("new and revised HKFRSs") that are first effective for the current accounting period.

HKAS 1 (Revised 2007)	Presentation of Financial Statements
HKAS 23 (Revised 2007)	Borrowing Costs
HKFRS 1 & HKAS 27 (Amendments)	Cost of an Investment in a Subsidiary, Jointly Controlled Entity or Associate
HKFRS 2 (Amendment)	Vesting Conditions and Cancellations
HKFRS 7 (Amendment)	Improving Disclosures about Financial Instruments
HKFRS 8	Operating Segments
HKFRSs (Amendments)	Improvements to HKFRSs issued in 2008, except for the amendment to HKFRS 5 which is effective for annual periods beginning or after 1 July 2009
HKFRSs (Amendments)	Improvements to HKFRSs issued in 2009 in relation to the amendment to paragraph 80 of HKAS 39

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

The amendments to HKAS 23, HKFRS 2 and HKFRS 7 have had no material impact on the Group's financial statements as the amendments and interpretations were consistent with policies already adopted by the Group. The impact of the remainder of these developments is as follows:

- HKFRS 8 requires segment disclosure to be based on the way that the Group's chief operating decision maker regards and manages the Group, with the amounts reported for each reportable segment being the measures reported to the Group's chief operating decision maker for the purposes of assessing segment performance and making decisions about operating matters. This contrasts with the presentation of segment information in prior years which was based on a disaggregation of the Group's financial statements into segments based on related products and services and on geographical areas. The adoption of HKFRS 8 has resulted in the presentation of segment information in a manner that is more consistent with internal reporting provided to the Group's chief operating decision maker, and has resulted in additional reportable segments being identified and presented (see note 14). Corresponding amounts have been provided on a basis consistent with the revised segment information.

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

- As a result of the adoption of HKAS 1 (revised 2007), details of changes in equity during the period arising from transactions with equity shareholders in their capacity as such have been presented separately from all other income and expenses in a revised consolidated statement of changes in equity. All other items of income and expense are presented in the consolidated income statement, if they are recognized as part of profit or loss for the period, or otherwise in a new primary statement, the consolidated statement of comprehensive income. Corresponding amounts have been restated to conform to the new presentation. This change in presentation has no effect on reported profit or loss, total income and expense or net assets for any period presented.

- The "Improvements to HKFRSs (2008)" comprise a number of amendments to a range of HKFRSs. Of these, the following three amendments have resulted in changes to the Group's accounting policies:

  – As a result of amendments to HKAS 28, Investments in associates, impairment losses recognised in respect of the associates and jointly controlled entities carried under the equity method are no longer allocated to the goodwill inherent in that carrying value. As a result, when there has been a favourable change in the estimates used to determine the recoverable amount, the impairment loss will be reversed. Previously, the Group allocated impairment losses to goodwill and, in accordance with the accounting policy for goodwill, did not consider the loss to be reversible. In accordance with the transitional provisions in the amendment, this new policy will be applied prospectively to any impairment losses that arise in the current or future periods and previous periods have not been restated.

  – As a result of amendments to HKAS 40, Investment property, investment property which is under construction will be carried at fair value at the earlier of when the fair value first becomes reliably measurable and the date of completion of the property. Any gain or loss will be recognised in profit or loss, consistent with the policy adopted for all other investment properties carried at fair value. Previously such property was carried at cost until the construction was completed, at which time it was fair valued with any gain or loss being recognized in profit or loss. As the Group does not currently have any investment property under construction, this change in policy has no impact on the net assets or profit or loss for any of the periods presented.

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

- The "Improvements to HKFRSs (2008)" comprise a number of amendments to a range of HKFRSs. Of these, the following three amendments have resulted in changes to the Group's accounting policies: (Continued)
  - The amendments to HKAS 27 have removed the requirement that dividends out of pre-acquisition profits should be recognised as a reduction in the carrying amount of the investment in the investee, rather than as income. As a result, as from 1 January 2009, all dividends receivable from subsidiaries, associates and jointly controlled entities, whether out of pre- or post-acquisition profits, will be recognised in the entity's profit or loss and the carrying amount of the investment in the investee will not be reduced unless that carrying amount is assessed to be impaired as a result of the investee declaring the dividend. In such cases, in addition to recognising dividend income in profit or loss, the entity would recognise an impairment loss. In accordance with the transitional provisions in the amendment, this new policy will be applied prospectively to any dividends receivable in the current or future periods and previous periods have not been restated.

4. TURNOVER

The Group is principally engaged in the development and provision of application software, information technology solutions and related maintenance and supporting services to customers in the electricity power industry, schools and entities in the education sector of the PRC.

Turnover represents the value of software sold and services provided to customers. The amount of each significant category of revenue recognised in turnover during the year is as follows:

	2010	2009
	RMB'000	RMB'000
Information technology services in the electricity power industry	**60,759**	71,979
Judicial authentication service and sales of application software	**800**	5,564
Sales of self-developed internet learning card	**10**	285
School network integration services	**28,386**	–
Total turnover	**89,955**	77,828

5. OTHER REVENUE AND OTHER NET INCOME

	2010 RMB'000	2009 RMB'000
Other revenue		
Interest income on bank deposits	27	697
Total interest income on financial assets not at fair value through profit or loss	27	697
Value added tax refunds *(note)*	2,750	3,098
Others	–	1
	2,777	3,796
Other net loss		
Loss on disposal of property, plant and equipment	(19)	–
Net exchange loss	–	(399)
	(19)	(399)

Note:

According to the announcement issued by the State Council of the PRC on 24 June 2000 in respect of the Several Policies on Encouraging Development of the Software Industry and the Integration Circuit Industry (關於軟件產業和集成電路產業發展若干政策通知), an enterprise which has obtained the "Software Enterprise Recognition Certificate" (軟件企業認定證書) in respect of the selling of its self developed educational software will enjoy a reduction of value added tax of up to 3% and it is also entitled to a tax refund for the excess of the value added tax paid from 24 June 2000 to 31 December 2010. Certain subsidiaries in the PRC have obtained such certificate and are entitled to the value added tax refunds on the value added tax paid in excess of 3%.

6. (LOSS)/PROFIT BEFORE TAXATION

Profit before taxation is arrived at after charging/(crediting) the following:

	2010 RMB'000	2009 RMB'000
a) Finance costs:		
Finance charge on obligations under a finance lease	**2**	2
Interest on convertible bonds	**6,154**	–
Total interest expense on financial liabilities not at fair value through profit or loss	**6,156**	2
b) Staff costs (directors' emoluments included):		
Contributions to defined contribution retirement plans	**1,071**	258
Equity settled share-based payment expenses	**–**	2,123
Salaries, wages and other benefits	**17,817**	8,210
	18,888	10,591
c) Other items:		
Amortisation of intangible assets	**8,855**	2,716
Impairment loss of:		
– trade receivables	**37,054**	–
– other receivables	**–**	1,436
– intangible assets	**33,420**	10,386
– goodwill	**188,031**	6,945
Depreciation for property, plant and equipment	**374**	163
Auditor's remuneration	**450**	400
Operating lease charges: minimum lease payments	**2,686**	2,640
Cost of inventories sold and services rendered	**39,876**	24,859
Research and development costs	**945**	1,134
Gain on disposal of associates	**–**	339

7. SHARE OF PROFIT OF ASSOCIATES

	2010 RMB'000	2009 RMB'000
Share of profit of associates before taxation	–	4
Share of associates' taxation	–	–
	–	4

8. INCOME TAX IN THE CONSOLIDATED STATEMENT OF COMPREHENSIVE INCOME

a) Income tax in the consolidated statement of comprehensive income represents:

	2010 RMB'000	2009 RMB'000
Current tax		
PRC Enterprise Income Tax	4,478	7,446
Over-provision in respect of prior years		
PRC Enterprise Income Tax	–	(987)
Deferred tax		
Current year	(7,356)	(418)
	(2,878)	6,041

No provision for profits tax in the Cayman Islands, British Virgin Islands ("BVI") and Hong Kong has been made as the Group has no income assessable for tax for the year in these jurisdictions (2009: Nil).

Tax on profits assessable in mainland China has been calculated at the applicable PRC enterprise income tax ("EIT") rate.

北京普華雅龍科技有限公司"雅龍" and 北京智義仁信息技術有限公司 "智義仁", the subsidiaries from which the major portion of the Group's turnover is derived, were subject to PRC EIT. 雅龍 and 智義仁, as an advanced technology enterprise (高新技術企業), were entitled to enjoy a reduced tax rate of 15% for three years from 2008 and 2009 respectively.

8. INCOME TAX IN THE CONSOLIDATED STATEMENT OF COMPREHENSIVE INCOME (Continued)

a) Income tax in the consolidated statement of comprehensive income represents: (Continued)

Reconciliation between tax expense and accounting (loss)/profit at the applicable tax rates:

	2010 RMB'000	2009 RMB'000
(Loss)/profit before taxation	(252,723)	12,789
Notional tax on (loss)/profit before taxation, calculated at the rates applicable to profits in the tax jurisdictions concerned	(35,273)	4,117
Tax effect of non-deductible expenses	43,775	10,153
Tax effect of non-taxable income	(1,038)	(1,859)
Tax effect of profits entitled to tax exemption in the PRC	(2,986)	(4,964)
Tax effect of utilisation of unused tax losses/deductible temporary differences not recognised in prior years	(7,356)	(419)
Over provision in prior years	–	(987)
Actual tax expense	(2,878)	6,041

8. INCOME TAX IN THE CONSOLIDATED STATEMENT OF COMPREHENSIVE INCOME (Continued)

b) Income tax in the consolidated statement of financial position represents:

	2010 RMB'000	2009 RMB'000
At 1 April	8,380	1,775
Provision for the year	4,478	7,446
Over-provision in respect of prior years	–	(987)
Acquisition of subsidiaries	(97)	1,155
Disposal of subsidiaries	(788)	–
Tax paid	(2,019)	(1,009)
	9,954	8,380
Income tax recoverable recognised in the consolidated statement of financial position	(218)	(987)
Income tax payable recognised in the consolidated statement of financial position	10,172	9,367
	9,954	8,380

9. DIRECTORS' EMOLUMENTS

Directors' emoluments disclosed pursuant to section 161 of the Hong Kong Companies Ordinance is as follows:

	Year ended 31 March 2010					
	Directors' fees RMB'000	Salaries, allowances and benefits in kind RMB'000	Retirement scheme contributions RMB'000	Sub-total RMB'000	Share-based payments RMB'000	2010 Total RMB'000
Executive directors						
Peng Ge Xiong *(note iii)*	–	–	–	–	–	–
Wang Dong Bin	106	957	33	1,096	–	1,096
Li Wing Sang	106	–	–	106	–	106
Lau Kam Ying *(note iv)*	41	–	–	41	–	41
Li Kang Ying *(Chairman)* *(note v)*	15	872	11	898	–	898
Wu Zhan Jiang *(note vi)*	26	749	14	789	–	789
Independent non-executive directors						
Yeung Kenneth King Wah	106	–	–	106	–	106
Geo Feng	106	–	–	106	–	106
Wu Kehe	106	–	–	106	–	106
	612	2,578	58	3,248	–	3,248

9. DIRECTORS' EMOLUMENTS (Continued)

	Year ended 31 March 2009					
	Directors' fees RMB'000	Salaries, allowances and benefits in kind RMB'000	Retirement scheme contributions RMB'000	Sub-total RMB'000	Share-based payments RMB'000	2009 Total RMB'000
Executive directors						
Peng Ge Xiong *(Chairman)*	–	103	3	106	69	175
Wang dong Bin	106	924	12	1,042	16	1,058
Li Wing Sang	106	–	–	106	16	122
Lau Kam Ying	106	–	–	106	16	122
Independent non-executive directors						
Yeung Kenneth King Wah	106	–	–	106	16	122
Geo Feng	106	–	–	106	16	122
Jiang Ming He *(note ii)*	15	19	–	34	–	34
Wu Kehe *(note i)*	65	–	–	65	16	81
	610	1,046	15	1,671	165	1,836

Notes:

i) Appointed on 20 August 2008

ii) Resigned on 23 September 2008

iii) Resigned on 8 February 2010

iv) Resigned on 19 August 2009

v) Appointed on 8 February 2010

vi) Appointed on 1 January 2010

As at 31 March 2010, the directors held share options under the Company's share option scheme. The details of the share options are disclosed under the paragraph "Share option scheme" in the report of the directors and note 32.

No directors waived any emoluments during the year and no incentive payment or compensation for loss of office was paid or payable to any directors for the year ended 31 March 2010 (2009: Nil).

10. INDIVIDUALS WITH HIGHEST EMOLUMENTS

Of the five individuals with the highest emoluments in the Group, three (2009: four) was a director of the Company whose emoluments are included in the disclosures in note 9 above. The emoluments of the remaining two (2009: one) individuals were as follows:

	2010	2009
	RMB'000	RMB'000
Salaries and other benefits	**693**	2,098
Contributions to retirement benefits schemes	**11**	48
Share based payment expense	**–**	953
	704	3,099

During the years ended 31 December 2009 and 2010, no emolument was paid by the Group to the five highest paid individuals (including directors and other employees) as inducement to join or upon joining the Group or as compensation for loss of office and no bonus was paid or payable by the Group to the five highest paid individuals based on the performance of the Group.

The number of the five highest paid individuals whose emoluments fall within the following bands were as follows:

	2010	2009
	RMB'000	RMB'000
HK$Nil to HK$1,000,000	**4**	4
HK$1,000,001 to HK$2,000,000	**1**	1

11. LOSS/PROFIT ATTRIBUTABLE TO EQUITY OWNERS OF THE COMPANY

The consolidated loss/profit attributable to equity owners of the Company includes a loss of approximately RMB189,653,000 (2009: loss of RMB10,847,000) which has been dealt with in the financial statements of the Company.

12. DIVIDENDS

The directors do not propose to declare any dividend in respect of the year ended 31 March 2010 (2009: Nil).

13. (LOSS)/EARNINGS PER SHARE

a) Basic (loss)/earnings per share

The calculation of basic (loss)/earnings per share is based on the loss attributable to equity owners of the Company of RMB249,845,000 (2009: profit of RMB6,748,000) and the weighted average number of 761,622,848 ordinary shares (2009: 360,699,404 ordinary shares) in issue during the year calculated as follows:

Weighted average number of ordinary shares

	2010	2009
	RMB'000	RMB'000
Issued ordinary shares at 1 April	**638,347,500**	306,000,000
Effect of repurchase and cancellation of shares	**–**	(2,992,726)
Effect of shares issued for acquisition of subsidiaries	**72,094,937**	46,575,342
Effect of one rights share issued for every two existing shares	**–**	11,116,788
Effect of shares issued upon a private placement	**21,426,986**	–
Effect of shares issued upon conversion of convertible Bond A *(note 29)*	**29,753,425**	–
Weighted average number of ordinary shares at 31 March	**761,622,848**	360,699,404

b) Diluted (loss)/earnings per share

As the impact of the conversion of the outstanding convertible bonds as the exercise of the outstanding share options and warrants was anti-dilutive as at 31 March 2010 and 2009, the diluted (loss)/earnings per share equal to the basic (loss)/earnings per share.

14. SEGMENT INFORMATION

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

Operating segments are identified on the basis of internal reports which provides information about components of the Group. These information are reported to and reviewed by the chief operating decision maker for the purposes of resource allocation and performance assessment.

a) Segment revenue, results, assets and liabilities

For the purpose of assessing segment performance and allocating resources between segments, the Group's chief operating decision maker monitors the results, assets and liabilities attributable to each reportable segment on the following bases:

Revenue and expenses are allocated to the reportable segments with reference to sales generated by those segments and the expenses incurred by those segments or which otherwise arise from the depreciation or amortization of assets attributable to those segments. Head office and corporate expenses are not allocated to individual segments.

Segment assets principally comprise all tangible assets, intangible assets and current assets directly attributable to each segment.

The four reportable operating segments are listed as follows:

i) Information technology services for the electricity power industry

ii) Judicial authentication service and application software

iii) Self-developed education software and internet learning card

iv) School network integration services

14. SEGMENT INFORMATION (Continued)

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

	Information technology services for the electricity power industry		Judicial authentication service and application software		Self-developed education software and internet learning card		School network integration services		Consolidated	
	2010	2009	**2010**	2009	**2010**	2009	**2010**	2009	**2010**	2009
	RMB'000	RMB'000	**RMB'000**	RMB'000	**RMB'000**	RMB'000	**RMB'000**	RMB'000	**RMB'000**	RMB'000
Revenue from external customers										
Reportable segment revenue	**60,759**	71,979	**800**	5,564	**10**	285	**28,386**	–	**89,955**	77,828
Reportable segment profit before taxation	**(233,989)**	52,640	**(3,703)**	(17,088)	**(450)**	(4,229)	**7,790**	–	**(230,352)**	31,323
Interest income	**22**	10	**3**	19	**-**	218	**2**	–	**27**	247
Value added tax refunds	**2,750**	2,553	**-**	545	**-**	–	**-**	–	**2,750**	3,098
Depreciation and amortisation	**(7,308)**	(2,784)	**-**	(12)	**(65)**	(83)	**(1,620)**	–	**(8,993)**	(2,879)
Impairment loss on intangible asset	**(33,420)**	–	**-**	(10,386)	**-**	–	**-**	–	**(33,420)**	(10,386)
Impairment loss on goodwill	**(188,031)**	–	**-**	(6,945)	**-**	–	**-**	–	**(188,031)**	(6,945)
Impairment loss on other receivables	**-**	–	**-**	–	**-**	(1,436)	**-**	–	**-**	(1,436)
Income tax – current tax	**(3,104)**	(7,446)	**-**	987	**-**	–	**(1,374)**	–	**(4,478)**	(6,459)
Reportable segment assets	**208,227**	192,441	**4,442**	5,900	**-**	41,680	**87,103**	–	**299,772**	240,021
Addition to non-current segment assets	**116**	705	**32**	363	**5**	105	**73**	–	**226**	1,173
Reportable segment liabilities	**(126,402)**	(29,400)	**(5,864)**	(3,437)	**-**	(5,952)	**(3,754)**	–	**(136,020)**	(38,789)
Impairment loss on trade receivables	**(37,054)**	–	**-**	–	**-**	–	**-**	–	**(37,054)**	–

14. SEGMENT INFORMATION (Continued)

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

	2010 RMB'000	2009 RMB'000
Revenue		
Reportable segments' revenue	89,955	77,828
Consolidated revenue	89,955	77,828
Profit		
Reportable segments' profit derived from Group's external customers	(230,352)	31,323
Unallocated other revenue	–	451
Unallocated head office and corporate expenses	(22,371)	(18,985)
Consolidated (loss)/profit before taxation	(252,723)	12,789
Assets		
Reportable segments' assets	299,772	240,021
Unallocated head office and corporate assets	6,444	35,875
Consolidated total assets	306,216	275,896
Liabilities		
Reportable segments' liabilities	(136,020)	(38,789)
Unallocated head office and corporate liabilities	(12,441)	(13,171)
Consolidated total liabilities	(148,461)	(51,960)

14. SEGMENT INFORMATION (Continued)

c) Geographical information

The geographical location of customers is based on the location at which the goods are delivered and services provided. Substantially, all of the Group's revenue from external customers, non-current assets and capital expenditure are located in the PRC, no analysis on revenue from external customers and non-current assets by location are presented.

d) Information about major customers

Revenues from external customers of the corresponding years contributing over 10% of the total revenue from the Group's operating activities in the PRC are as follows:

	2010	2009
	RMB'000	RMB'000
Customer A	**22,000**	13,995
Customer B	**20,500**	29,353
Customer C	**16,300**	9,743
	58,800	53,091

Further details of concentration of credit risk arising from these customers are set out in note 40(a)(iii).

15. PROPERTY, PLANT AND EQUIPMENT

The Group

	Leasehold improvements RMB'000	Computer equipment RMB'000	Furniture and equipment RMB'000	Motor vehicles RMB'000	Total RMB'000
Cost					
At 1 April 2008	370	3,918	277	608	5,173
Exchange adjustments	(2)	–	(1)	–	(3)
Additions	–	139	50	432	621
Additions – through acquisition of subsidiaries	–	321	47	225	593
Disposals	–	(18)	(4)	–	(22)
At 31 March 2009	368	4,360	369	1,265	6,362
At 1 April 2009	368	4,360	369	1,265	6,362
Additions	–	132	96	–	228
Additions – through acquisition of subsidiaries under asset swap *(note 37(i))*	–	27	9	37	73
Disposals – through disposal of subsidiaries under asset swap *(note 37(ii))*	(308)	(3,890)	(163)	(708)	(5,069)
Disposals	–	–	(31)	–	(31)
At 31 March 2010	60	629	280	594	1,563
Accumulated depreciation					
At 1 April 2008	316	3,670	144	608	4,738
Exchange adjustments	–	–	(1)	–	(1)
Charge for the year	34	70	37	22	163
Written back on disposals	–	(8)	(4)	–	(12)
At 31 March 2009	350	3,732	176	630	4,888
At April 2009	350	3,732	176	630	4,888
Charge for the year	18	181	63	112	374
Written back on disposal of subsidiaries under asset swap *(note 37(ii))*	(308)	(3,759)	(145)	(648)	(4,860)
Written back on disposal	–	–	(12)	–	(12)
At 31 March 2010	60	154	82	94	390
Carrying amount					
At 31 March 2010	–	475	198	500	1,173
At 31 March 2009	18	628	193	635	1,474

15. PROPERTY, PLANT AND EQUIPMENT (Continued)

The Group (Continued)

The net book value of property, plant and equipment of the Group and the Company held under a finance lease at 31 March 2010 amounted to RMB16,000 (2009: RMB20,000) (note 28).

The Company

	Leasehold improvement RMB'000	Furniture and equipment RMB'000	Total RMB'000
Cost			
At 1 April 2008	62	110	172
Exchange adjustments	(2)	(2)	(4)
Additions	–	43	43
At 31 March 2009	60	151	211
At 1 April 2009	60	151	211
Additions	–	77	77
Disposals	–	(31)	(31)
At 31 March 2010	60	197	257
Accumulated depreciation			
At 1 April 2008	8	9	17
Charge for the year	35	27	62
At 31 March 2009	43	36	79
At 1 April 2009	43	36	79
Charge for the year	17	38	55
Written back on disposal	–	(12)	(12)
At 31 March 2010	60	62	122
Carrying amount			
At 31 March 2010	–	135	135
At 31 March 2009	17	115	132

16. INTANGIBLE ASSETS

The Group

	Judicial authentication services and application software		Information technology services in the electricity power industry		School network integration services			
	Customer contracts	Forensic centre contractual rights	Customer base	Technology know-how	Customer contracts	Customer base	Acquired computer software	Total
	RMB'000	RMB'000	RMB'000	RMB'000	RMB'000	RMB'000	RMB'000	RMB'000
Cost								
At 1 April 2008	4,427	10,562	–	–	–	–	–	14,989
Additions through acquisition of subsidiaries *(Note 38)*	–	–	29,960	22,497	–	–	–	52,457
Transfer to cost of sales	(3,543)	–	–	–	–	–	–	(3,543)
At 31 March 2009 and 1 April 2009	884	10,562	29,960	22,497	–	–	–	63,903
Additions through acquisition of subsidiaries *(Note 37)*	–	–	–	–	4,214	23,805	48	28,067
At 31 March 2010	884	10,562	29,960	22,497	4,214	23,805	48	91,970
Accumulated amortisation and impairment								
At 1 April 2008	–	176	–	–	–	–	–	1,060
Charge for the year	–	–	1,872	844	–	–	–	2,716
Impairment	–	10,386	–	–	–	–	–	10,386
At 31 March 2009 and 1 April 2009	884	10,562	1,872	844	–	–	–	14,162
Charge for the year	–	–	4,993	2,250	351	1,253	8	8,855
Impairment	–	–	20,610	12,810	–	–	–	33,420
At 31 March 2010	884	10,562	27,475	15,904	351	1,253	40	56,437
Net carrying value								
At 31 March 2010	–	–	2,485	6,593	3,863	22,552	40	35,533
At 31 March 2009	–	–	28,088	21,653	–	–	–	49,741

16. INTANGIBLE ASSETS (Continued)

The Group (Continued)

	Judicial authentication service and application software		Information technology services in the electricity power industry		School network integration services			
	Customer contracts	Forensic centre contractual rights	Customer base	Technology know-how	Customer contracts	Customer base	Acquired computer software	Total
	RMB'000	RMB'000	RMB'000	RMB'000	RMB'000	RMB'000	RMB'000	RMB'000
Analysed for reporting purposes as								
At 31 March 2010								
Current assets	–	–	537	896	702	2,506	16	4,657
Non-current assets	–	–	1,948	5,697	3,161	20,046	24	30,876
	–	–	2,485	6,593	3,863	22,552	40	35,533
At 31 March 2009								
Current assets	–	–	4,993	2,250	–	–	–	7,243
Non-current assets	–	–	23,095	19,403	–	–	–	42,498
	–	–	28,088	21,653	–	–	–	49,741

All intangible assets have finite useful lives (For details, refer to Note 2(h)).

The amortisation charge for the year is included in administrative expenses in the consolidated statement of comprehensive income. The net carrying amount of each intangible asset will be recognised as cost in the profit and loss on completion of the relevant contract.

The directors of the Company had reviewed the carrying values of the Group's intangible assets as at 31 March 2010 and 31 March 2009.

16. INTANGIBLE ASSETS (Continued)

Impairment tests for intangible assets

The recoverable amount of the intangible assets is determined based on value-in-use calculations by reference to the valuation report issued by Messrs. Greater China Appraisal Limited ("Greater China"), independent qualified professional valuers. These calculations use cashflow projections based on financial budgets approved by the directors of the Company covering a five-year period. Cash flows beyond the five-year periods are extrapolated using a steady 3% growth rate, which does not exceed the long-term average growth rate for school network integration industry. The cash flows are discounted using a discount rate of 16.14%. The discount rate used is pre-tax and reflects specific risks relating to the information technology services in the electricity power industry segment.

The impairment loss of approximately RMB33,420,000 recognised during the year solely relates to the Group's information technology services in the electricity power industry segment.

The impairment loss of RMB33,420,000 was attributable to the adverse market environment caused by the global financial turmoil occurred in September 2008. The Group signed the agreement for acquisition of Along Group in July 2008. The consideration and other terms of the acquisition were negotiated and agreed based on the directors' best estimate of the value and growth potential of Along Group at that time. Unexpectedly, global financial turmoil occurred in September 2008 which has enduring adverse effect on the economy. This seriously affected the business opportunity of Along Group. As at 31 March 2010, Along Group has only two significant projects which are in progress compared to a total of five significant contracts completed during the year ended 31 March 2010. In addition, the global financial turmoil has caused significant deterioration in electricity usage in China, particularly in Inner Mongolia. Given the decrease in expected growth rate in electricity usage, the financial budgets of the electricity power grid companies on IT development have been adversely affected, leading to the significant decrease in the growth potential of Along Group and hence the impairment loss.

For the year ended 31 March 2009, the revenue from the business of authentication services dropped due to the application of the change in regulation. The recoverable amount of the forensic centre contractual rights is determined based on fair value less costs to sell, which is determined with reference to the value of the assets. Value is established based on the cost of reproducing or replacing the assets, less depreciation from physical deterioration and functional and economic obsolescence. The directors of the Company considered that it was unlikely that the forensic centre contractual rights will have any future value in use and therefore the carrying amount of forensic centre contractual rights in the amount of approximately RMB10,386,000 were fully impaired.

17. INTERESTS IN SUBSIDIARIES

	2010 RMB'000	2009 RMB'000
Unlisted shares, at cost	**430,829**	144,810
Impairment loss*	**(167,339)**	–
	263,490	144,810

* Provision for impairment loss of RMB167,339,000 was made as the aggregate estimated recoverable amount of the interest in certain subsidiaries was less than their aggregate carrying amount of RMB397,812,000. The recoverable amount is determined based on fair value less costs to sell, which is determined with reference to the value of the assets net of liabilities.

17. INTERESTS IN SUBSIDIARIES (Continued)

The following shows the details of the subsidiaries (including a special purpose entity) as at 31 March 2010:

Name	Place of establishment/ incorporation and operation	Principal activities	Particulars of issued and paid up capital	Proportion of ownership interest: Group effective interest	Held by the company	Held by the subsidiary
Dragon Era Investments Limited	BVI	Investment holding	US$1	100%	100%	–
China Electric Power Technology Limited	Hong Kong	Investment holding	HK$10,000	100%	–	100%
Famous Rise International Limited	BVI	Investment holding	US$1	100%	100%	–
eJet Group Limited	Hong Kong	Investment holding	HK$1	100%	–	100%
北京捷通易信科技發展有限公司 *(note i)*	PRC	Development and distribution of computer hardware and software products, provision of internet system integration and computer consultancy services	US$150,000	100%	–	100%
China Power Information Col, Limited	Hong Kong	Dormant	HK$10,000	100%	–	100%
Intelligent Investment Development Limited	Hong Kong	Investment holding	HK$10,001	100%	–	100%
China Sino Holdings Limited	Hong Kong	Investment holding	HK$2	100%	–	100%

17. INTERESTS IN SUBSIDIARIES (Continued)

Name	Place of establishment/ incorporation and operation	Principal activities	Particulars of issued and paid up capital	Proportion of ownership interest: Group effective interest	Held by the company	Held by the subsidiary
北京普華雅龍科技有限公司 *(note ii)*	PRC	Research, development and provision of integrated information systems for power grid companies in PRC	RMB3,000,000	100%	–	100%
Topsheen Limited	BVI	Investment holding	US$1	100%	100%	–
Jumbo Lucky Limited	BVI	Investment holding	US$1	100%	–	100%
Superco Development Limited	Hong Kong	Investment holding	HK$1	100%	–	100%
北京智義仁信息技術有限公司 *(note iii)*	PRC	Provision of school network integration services in the PRC	RMB1,000,000	100%	–	100%
North West Enterprises Limited	BVI	Inactive	US$1	100%	100%	–

Notes:

i) 北京捷通易信科技發展有限公司 is a wholly-foreign-owned enterprise established in the PRC to operate for 30 years up to 28 November 2037.

ii) 北京普華雅龍科技有限公司 is a wholly-foreign-owned enterprise established in the PRC to operate for 30 years up to 22 July 2038.

iii) 北京智義仁信息技術有限公司 is a wholly-foreign-owned enterprise established in the PRC to operate for 20 years up to 18 May 2026.

18. GOODWILL

	The Group	
	2010	2009
	RMB'000	RMB'000
Cost		
At 1 April	**72,528**	6,945
Additions through acquisitions of subsidiaries	**–**	65,583
Additions through acquisitions of subsidiaries under Asset Swap *(note 37)*	**46,896**	–
Adjustments to the cost of acquisition	**253,002**	–
At 31 March	**372,426**	72,528
Accumulated impairment losses		
At 1 April	**6,945**	–
Impairment loss	**188,031**	6,945
At 31 March	**194,976**	6,945
Carrying amount		
At 31 March	**177,450**	65,583

Adjustments to cost of acquisition

The goodwill for the CGU of the information technology services in the electricity power industry of RMB318,585,000 as at 31 March 2010, being the excess of purchase consideration over the fair value of net assets acquired, arose on 17 November 2009 upon the completion of the acquisition by the Group of the 100% equity interest in Intelligent Investment Development Limited ("Intelligent Investment") and China Sino Holdings Limited ("China Sino") which altogether held the entire equity interest in a subsidiary known as 北京普華雅龍科技有限公司 ("Along") (altogether the "Along Group"). The Along Group is engaged in the research, development and provision of integrated information technology services for power grid companies in the PRC.

According to the terms of the acquisition, if the audited profit after taxation of Along for the period from 1 October 2008 to 31 March 2009 exceeds RMB32,720,000, two convertible bonds with principal amount of HK$223,560,000 (equivalent to approximately RMB196,734,000) and HK$63,940,000 (equivalent to approximately RMB56,268,000) will be issued as deferred consideration to the vendors. As the audited combined net profits after tax of Along for the period from 1 October 2008 to 31 March 2009 exceeded RMB32,720,000, the Group issued two convertible bonds with a total principal amount of HK$287,500,000 (equivalent to approximately RMB253,002,000) to the vendors and the carrying value of goodwill has been adjusted for the same amount.

18. GOODWILL (Continued)

Impairment tests for cash-generating units containing goodwill

Goodwill is allocated to the Group's cash-generating unit ("CGU") identified according to operating segments as follows:

	The Group					
	2010			2009		
	Cost	**Accumulated impairment losses**	**Carrying amount**	Cost	Accumulated impairment losses	Carrying amount
	RMB'000	**RMB'000**	**RMB'000**	RMB'000	RMB'000	RMB'000
Application software *(note i)*	**6,945**	**6,945**	**–**	6,945	6,945	–
Information technology services in the electricity power industry *(note ii)*	**318,585**	**188,031**	**130,554**	65,583	–	65,583
School network integration services *(note iii)*	**46,896**	**–**	**46,896**	–	–	–
At 31 March	**372,426**	**194,976**	**177,450**	72,528	6,945	65,583

Notes:

i) The recoverable amount of the CGU for sales of application software is determined based on fair value less costs to sell, which is determined with reference to the value of the assets net of liabilities. Value is established based on the cost of reproducing or replacing the assets, less depreciation from physical deterioration and functional and economic obsolescence.

Based on the impairment tests performed, the adverse market environment indicated that the carrying amount of goodwill for the CGU of sales of application software was lower than its recoverable amount, the amount of approximately RMB6,945,000 were fully impaired during the year ended 31 March 2009.

18. GOODWILL (Continued)

Impairment tests for cash-generating units containing goodwill (Continued)

Notes: (Continued)

ii) The recoverable amount of the CGU for information technology services in the electricity power industry is determined based on value-in-use calculation. These calculations use cash flow projections based on financial budgets approved by management covering a five-year period.

Key assumptions used for value-in-use calculations:

	The Group	
	2010	2009
	%	%
Gross margin	**54.0**	61.0
Growth rate	**3.0-5.0**	3.0
Discount rate	**15.1**	24.5

Management determined the budgeted gross margin based on past performance and its expectation for market development. The set of cash flow beyond the 5 year period is extrapolated using a 3% growth rate. This growth rate is based on the relevant industry growth forecasts and does not exceed the average long-term growth rate for the relevant industry. The discount rate used is pre-tax and reflect specific risks relating to the relevant segments.

Based on the impairment tests performed, the carrying amount of goodwill for the CGU of information technology services in the electricity power industry was lower than its recoverable amount, by approximately RMB188,031,000 and were partly impaired as at 31 March 2010.

The impairment loss of RMB188,031,000 was attributable to the adverse market environment caused by the global financial turmoil occurred in September 2008. The Group signed the agreement for acquisition of Along Group in July 2008. The consideration and other terms of the acquisition were negotiated and agreed based on the directors' best estimate of the value and growth potential of Along Group at that time. Unexpectedly, global financial turmoil occurred in September 2008 which has enduring adverse effect on the economy. This seriously affected the business opportunity of Along Group. As at 31 March 2010, Along Group has only two significant projects which are in progress compared to a total of five significant contracts completed during the year ended 31 March 2010. In addition, the global financial turmoil has caused significant deterioration in electricity usage in China, particularly in Inner Mongolia. Given the decrease in expected growth rate in electricity usage, the financial budgets of the electricity power grid companies on IT development have been adversely affected, leading to the significant decrease in the growth potential of Along Group and hence the impairment loss.

iii) The recoverable amount of goodwill for the CGU of school network integration services is determined based on value-in-use calculations. These calculations use cash flow projections based on financial budgets approved by management covering a five-year period.

Key assumptions used for value-in-use calculations:

	The Group	
	2010	2009
	%	%
Gross margin	**58.0**	–
Growth rate	**3.0-5.0**	–
Discount rate	**14.1**	–

18. GOODWILL (Continued)

Impairment tests for cash-generating units containing goodwill (Continued)

Notes: (Continued)

iii) (Continued)

Management determined the budgeted gross margin based on past performance and its expectation for market development. The set of cash flow beyond the 5 year period is extrapolated using a 3% growth rate. This growth rate is based on the relevant industry growth forecasts and does not exceed the average long-term growth rate for the relevant industry. The discount rate used is pre-tax and reflect specific risks relating to the relevant segments.

Based on the impairment tests performed, no impairment loss is considered necessary (2009: N/A).

19. INTERESTS IN ASSOCIATES

	The Group	
	2010	2009
	RMB'000	RMB'000
Share of net assets	**–**	732
Disposal of associates	**–**	(732)
As at 31 March	**–**	–

Note:

i) On 11 November 2008, the Group disposed of its 7.5% effective interest in an associate, "江西大江高科有限責任公司", with a carrying amount of RMB75,000 for a total consideration of RMB75,000 to an independent third party.

ii) By a shareholder's resolution passed on 7 April 2008, the registered capital of 江西聯微軟件技術有限公司 "江西聯微" was increased from RMB3,880,000 to RMB10,000,000. RMB880,000 of the capital contribution was refunded to the Group. After the increase of the registered capital of 江西聯微 and the partial disposal of its interest by the Group, the Group's effective interest in 江西聯微 changed from 25.8% to 1.2%.

In the opinion of the directors, the Group could not exercise significant influence over 江西聯微 since the change in the effective interest held by the Group and it did not have any board representation in 江西聯微. Accordingly, the investment in 江西聯微 is re-classified to available-for-sale investments (note 20) and the Group did not have any interests in associates as at 31 March 2009. The remaining 1.2% interest in 江西聯微 was fully disposed of during the year ended 31 March 2010 (through the disposal of subsidiaries under the asset swap (note 37(ii)).

Summary financial information on associates

	Assets	**Liabilities**	**Equity**	**Revenue**	**Profit/(loss)**
	RMB'000	RMB'000	RMB'000	RMB'000	RMB'000
2009					
100%	–	–	–	2,899	288
Group's effective interest	–	–	–	35	4
2010	N/A	N/A	N/A	N/A	N/A

20. AVAILABLE-FOR-SALE INVESTMENTS

	The Group	
	2010	2009
	RMB'000	RMB'000
Unlisted equity securities:		
At cost		
Beginning balance of the year	**120**	120
Disposal through disposal of subsidiaries *(note 37(ii))*	**(120)**	–
Closing balance of the year	**–**	120

The unlisted equity securities represent the carrying amount of the Group's interest investment in 江西聯微. 江西聯微 is a company established in the PRC and engaged in software development and distribution and provision of software consultancy services. It was re-classified as an available-for-sale investment from interest in associates since the change in effective interest held by the Group was reduced from 25.8% to 1.2% in 2009 (note 19).

In 2009, the investment in 江西聯微 was carried at cost less any impairment loss because the directors were of the opinion that its fair value cannot be measured reliably. No impairment was recognised since there was no objective evidence that the investment in 江西聯微 was impaired. The investment in 江西聯微 is disposed of during the year 2010 as a result of the disposal of its holding company by the Group (note 37).

21. INVENTORIES

	2010	2009
	RMB'000	RMB'000
Computer accessories and low value consumables	**202**	–

The analysis of the amount of inventories recognised as an expenses is as follows:

	2010	2009
	RMB'000	RMB'000
Carrying amount of inventories sold	**13,685**	30

22. TRADE RECEIVABLES

i) An aging analysis of trade receivables as at the end of the reporting period is as follows:

	The Group	
	2010	2009
	RMB'000	RMB'000
Outstanding balances		
Due within 1 month	**3,978**	55,249
Due over 1 month but within 3 months	**25,990**	4,174
Due over 3 months but within 1 year	**50,068**	17,133
Due over 1 year	**30,728**	5,462
Less: Impairment	**(37,054)**	(525)
	73,710	81,493

Impairment losses in respect of trade debtors are recorded using an allowance account unless the Group is satisfied that recovery of the amount is remote, in which case the impairment loss is written off against trade debtors directly (see note 2(k)).

Movements in the allowance for doubtful debts

	2010	2009
	RMB'000	RMB'000
At 1 April	**525**	10,530
Impairment loss recognised *(note i)*	**37,054**	–
Uncollectible amounts written off	**–**	(10,005)
Disposal of subsidiaries	**(525)**	–
At 31 March	**37,054**	525

Notes:

i) As at 31 March 2010, trade receivables of the Group amounting to RMB37,054,000 (2009: RMB525,000) were individually determined to be impaired and full provision had been made. The individually impaired receivables were due from companies with financial difficulties and only a portion of the receivables was expected to be recovered. Accordingly, the uncollectible amounts were eliminated from the receivables and the allowance account. The Group did not hold any collateral over these balances.

ii) Trade receivables are due within 90 days from the date of billing. Further details on the Group's credit policy are set out in note 40(a).

22. TRADE RECEIVABLES (Continued)

ii) Trade receivables that are not impaired

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

	2010 RMB'000	2009 RMB'000
Neither past due nor impaired	13,668	67,966
Less than 1 month past due	5,563	2,210
1 to 3 months past due	12,239	451
3 months to 1 year past due	32,266	7,095
Over 1 year past due	9,974	3,771
	73,710	81,493

Receivables that were neither past due nor impaired relate to a wide range of customers for whom there was no recent history of default.

Receivables that were past due but not impaired relate to a number of independent customers that have a high credit rating and good track record with the Group. Based on past experience, management believes that no impairment allowance is necessary in respect of these balances as there has not been a significant change in credit quality and the balances are still considered fully recoverable. The Group does not hold any collateral over these balances.

23. PREPAYMENTS, DEPOSITS AND OTHER RECEIVABLES

	Group		Company	
	2010 RMB'000	2009 RMB'000	2010 RMB'000	2009 RMB'000
Other receivables	2,453	4,130	–	–
Receivable from disposal of an associate *(note 19 (ii))*	–	880	–	–
Less: Impairment	–	(2,009)	–	–
Other receivables, net	2,453	3,001	–	–
Deposits	2,145	670	188	184
Prepayments	1,830	1,734	1	1
	6,428	5,405	189	185

23. PREPAYMENTS, DEPOSITS AND OTHER RECEIVABLES (Continued)

i) The movement in the allowance for other receivables during the year is as follows:

	2010 RMB'000	2009 RMB'000
At 1 April	2,009	573
Impairment loss recognised	–	1,436
Disposal of subsidiaries	(2,009)	–
At 31 March	–	2,009

ii) **Other receivables that are not impaired**

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

	2010 RMB'000	2009 RMB'000
Neither past due nor impaired	2,419	880
Less than 1 month past due	10	726
1 to 3 months past due	–	50
3 months to 1 year past due	24	892
Over 1 year past due	–	453
At 31 March	2,453	3,001

Other receivables that were past due but not impaired related to a number of independent debtors that have a good track record with the Group. Based on past experience, the directors of the Company are of the opinion that no allowance for impairment is necessary in respect of these balances as there has not been a significant change in credit quality and the balances are still considered fully recoverable. The Group does not hold any collateral over these balances.

The rest of the other receivables, deposits and prepayments are expected to be recovered or recognised as expenses within one year.

24. CASH AND CASH EQUIVALENTS

	The Group	
	2010	2009
	RMB'000	RMB'000
Cash at banks and on hand	**11,502**	65,127
Cash and cash equivalents in the consolidated statement of financial position and the consolidated statement of cash flows	**11,502**	65,127

Cash and cash equivalents include short-term bank deposits carrying interest at prevailing market rates. The directors consider the carrying value of the amounts at the end of the reporting period approximates to the fair value.

25. TRADE PAYABLES

The aging analysis of trade payables is as follows:

	The Group	
	2010	2009
	RMB'000	RMB'000
Within 1 month	**298**	–
Over 1 month but within 3 months	**556**	4,380
Over 3 months but within 1 year	**8,429**	–
Over one year	**3,375**	3,676
	12,658	8,056

26. OTHER PAYABLES AND ACCRUALS

	Group		Company	
	2010	2009	**2010**	2009
	RMB'000	RMB'000	**RMB'000**	RMB'000
Accruals	**629**	872	**628**	748
Accrued benefits	**191**	410	**–**	–
Advances received	**582**	1,083	**–**	–
Other tax payables	**2,166**	4,120	**–**	–
Amount due to former shareholders of subsidiaries *(note ii & note 38)*	**5,793**	14,601	**–**	–
Other payables	**2,819**	5,587	**–**	–
	12,180	26,673	**628**	748

i) All of the other payables and accruals are expected to be settled or recognised as income within one year or are repayable on demand.

ii) The amount due to former shareholders of subsidiaries (note 38) is interest-free, unsecured and has no fixed terms of repayment.

27. AMOUNTS DUE FROM/(TO) SUBSIDIARIES

The amounts due were unsecured, interest-free and have no fixed terms of repayment.

28. OBLIGATIONS UNDER A FINANCE LEASE

Group and Company

	Total minimum lease payments		Present value of minimum lease payments	
	2010	2009	**2010**	2009
	RMB'000	RMB'000	**RMB'000**	RMB'000
Amounts payable:				
Within one year	**7**	7	**6**	5
After 1 year but within 5 years	**11**	19	**10**	16
	18	26	**16**	21
Less: Finance charges	**(2)**	(5)		
Present value of finance lease payables	**16**	21		
Less: Portion classified as current liabilities	**(6)**	(5)		
Non-current portion	**10**	16		

The finance lease obligations are secured by a computer equipment of the Group with a net book value of approximately RMB16,000 (2009: RMB20,000). The remaining lease payments outstanding are due within five years. Interest rate is fixed at 5.5% per annum. No arrangement has been entered into for contingent rental payment for both 2009 and 2010.

29. CONVERTIBLE BONDS

In accordance with the terms of acquisition of Along Group as set out in note 37, on 1 October 2009, the Company issued a zero coupon convertible bond ("Bond A") due on 30 September 2014 with a principal amount denominated in HK$ of HK$223,560,000 and another zero coupon convertible bond ("Bond B") due on 2 October 2012 with a principal amount denominated in HK$ of HK$63,940,000 to Gold Oriental Group Limited as deferred consideration. The bonds are convertible into ordinary shares of the Company at an initial conversion price of HK$2.3 per conversion share (subject to adjustments in accordance with the terms of the convertible bonds) at any time during the period commencing from the date of issue of the convertible bonds.

The Company has no right to early redemption without the consent of the bond holders or its designated affiliates.

During the year, the holders of Bond A converted part of Bond A with a principal amount of HK$138,000,000 into shares of the Company (see note 31).

29. CONVERTIBLE BONDS (Continued)

Interest rates on Bond A and Bond B are calculated using the effective interest method by applying the effective interest rate of 7.10% and 6.33% per annum respectively and the carrying values are HK$62,778,000 (equivalent to approximately RMB55,245,000) and HK$54,802,000 (equivalent to approximately RMB48,225,000) as at 31 March 2010 respectively.

The fair value of the liability component of the convertible bonds was calculated using the market interest rate for an equivalent non-convertible bond. The residual amount, representing the value of the equity conversion component, is included in equity.

The movement of the liability component of the convertible bonds are set out below:

	Group and Company
	RMB'000
Liability component on initial recognition	186,287
Interest expenses charged	6,154
Conversion of shares during the year	(88,971)
At 31 March 2010	103,470

30. DEFERRED TAXATION

a) The components of deferred tax liabilities carried in the consolidated statement of financial position are as follows:

The Group

	Enterprise income tax	**Intangible assets**	**Convertible bonds**	**Total**
	RMB'000	RMB'000	RMB'000	RMB'000
At 1 April 2008	393	–	–	393
Acquisition of subsidiaries *(note 38)*	–	7,868	–	7,868
Charge to profit or loss	(11)	(407)	–	(418)
At 31 March 2009	382	7,461	–	7,843
Acquisition of subsidiaries *(note 37)*	–	4,210	–	4,210
Recognised upon issue of convertible bonds	–	–	11,008	11,008
Charged to profit or loss	–	(6,341)	(1,015)	(7,356)
Disposal of subsidiaries *(note 37)*	(382)	–	–	(382)
Credited to reserves	–	–	(5,358)	(5,358)
At 31 March 2010	–	5,330	4,635	9,965

30. DEFERRED TAXATION (Continued)

a) (Continued)

The Company

	Convertible bonds
	RMB'000
At 1 April 2008, 31 March 2009 and 1 April 2009	–
Recognised upon issue of convertible bonds	11,008
Charged to profit or loss	(1,015)
Credited to reserves	(5,358)
At 31 March 2010	4,635

b) Withholding tax

Pursuant to the PRC Corporate Income Tax Law which took effect from 1 January 2008, a 10% withholding tax was levied on dividends declared and payable to foreign enterprise investors from the PRC entities effective from 1 January 2008. A lower withholding tax rate may be applied if there is a tax treaty arrangement between the PRC and the jurisdiction of the foreign enterprise investors. On 22 February 2008, Caishui (2008) No. 1 was promulgated by the PRC tax authorities to specify that dividends declared and remitted out of the PRC from the retained earnings as at 31 December 2007 determined based on the relevant PRC tax laws and regulations are exempted from the withholding tax. Deferred tax liabilities of RMB8,781,000 (2009: RMB2,564,000) have not been recognised as the Company controls the dividend policy of these subsidiaries and that the profits earned by the Group's PRC subsidiaries for the year from 1 January 2008 to 31 March 2009 will not be distributed in the foreseeable future.

31. SHARE CAPITAL

	2010		2009	
	Number of shares	**RMB'000**	Number of shares	RMB'000
Authorised:				
Ordinary shares of HK$0.1 each	**2,000,000,000**	**212,000**	2,000,000,000	212,000
Ordinary, issued and fully paid:				
At beginning of the year	**638,347,500**	**61,223**	306,000,000	31,977
Repurchase and cancellation of shares *(note i)*	**–**	**–**	(5,435,000)	(479)
Shares issued for the acquisition of subsidiaries *(note 38)*	**–**	**–**	125,000,000	11,000
Issue of one rights share for every two existing shares *(note ii)*	**–**	**–**	212,782,500	18,725
Issue of shares upon a private placement *(note iii)*	**30,670,000**	**2,699**	–	–
Issue of shares for acquisition of subsidiaries	**144,586,000**	**12,724**	–	–
Issue of shares upon conversion of Bond A *(note 29)*	**60,000,000**	**5,280**	–	–
	873,603,500	**81,926**	638,347,500	61,223

31. SHARE CAPITAL (Continued)

Note:

i) During the year ended 31 March 2009, the Company repurchased 5,435,000 issued ordinary shares from the Stock Exchange. These shares were cancelled immediately upon repurchase. The total amount paid to acquire these issued ordinary shares amounted to HK$5,794,000 (equivalent to approximately RMB5,099,000) and was deducted from the shareholders' equity.

Date of repurchase	Number of shares repurchased	Highest price per share	Lowest price per share	Aggregate price paid HK$'000	Equivalent aggregate price paid RMB'000
8 September 2008	4,400,000	1.11	1.05	4,878	4,293
26 September 2008	235,000	0.85	0.85	200	176
30 September 2008	800,000	0.86	0.82	682	600
	5,435,000			5,760	5,069
			Total expenses on share repurchased	34	30
				5,794	5,099

ii) The Company issued 212,782,500 shares at a subscription price of HK$0.1 each by way of a rights issue in the proportion of one rights share for every two existing shares held to the shareholders whose names appear on the Company's register at the close of business on 13 February 2009. The issue was completed on 4 March 2009. The net proceeds of approximately HK$21.3 million (equivalent to approximately RMB18.7 million) was used as working capital of the Group.

iii) On 19 July 2009, 30,670,000 new shares of HK$0.1 each together with warrants attached with subscription right to 30,670,000 shares were placed out at a price of HK$0.253 per share.

The subscription price of the warrants is also HK$0.253 per share.

32. SHARE OPTIONS

Equity-settled share option schemes

On 23 July 2004, the Company adopted a share option scheme (the "Share Option Scheme") to enable the Company to grant options to eligible participants in order to reward or provide incentives to its employees or any person who has contributed or will contribute to the Group. The Share Option Scheme shall continue to be in force for the period commencing from 23 July 2004 and will expired at the close of business on the tenth anniversary thereof, after such period no further options will be granted but the provisions of the Share Option Scheme shall remain in full force and effect in respect of any options granted before its expiry or termination but which have not yet been exercised.

Under the Share Option Scheme, the directors of the Company may offer to any employees or any person who has contributions to the Group including directors of the Company or any of its subsidiaries share options to subscribe for shares in the Company in accordance with the terms of the Share Option Scheme.

The maximum number of shares in respect of which share options may be granted under the Share Option Scheme shall not, when aggregated with any shares subject to any other schemes, exceed such number of shares as represents 10% of the issued shares as at the date of approval of the Share Option Scheme which shall be equivalent to 63,834,750 shares. The Company may seek approval from the shareholders in a general meeting to refresh the Share Option Scheme. However, the total number of shares which may be issued upon exercise of all share options to be granted under all of the schemes of the Company or its subsidiaries under the limit must not exceed 10% of the shares in issue as at the date of approval of the Share Option Scheme.

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

Under the Share Option Scheme, the Company granted options to subscribe for 4,500,000 shares to its directors and 20,700,000 shares to its employees on 26 March 2008 and 2,380,000 shares to its directors and 28,200,000 shares to its employees on 18 March 2009. Options granted must be taken up within 21 days of the date of grant, upon payment of HK$1 by each of the grantees. The options may be exercised at any time after the date of grant of the share options to the fifth anniversary of the date of grant.

32. SHARE OPTIONS (Continued)

Equity-settled share option schemes (Continued)

a) The terms and conditions of the grants that existed during the year are as follows, whereby all options are settled by physical delivery of shares:

Each option granted gives the holder the right to subscribe for a number of shares at HK$1 per instrument taken up.

	Shares issuable under options granted	**Vesting conditions**	**Contractual life of options**
Options granted to directors:			
– on 26 March 2008 *(note)*	5,510,400	immediately from date of grant	5 years
– on 18 March 2009	2,380,000	immediately from date of grant	5 years
Options granted to employees:			
– on 26 March 2008 *(note)*	27,158,400	immediately from date of grant	5 years
– on 18 March 2009	28,200,000	immediately from date of grant	5 years
	63,248,800		

Note: Upon the completion of the rights issue on 4 March 2009, the number of shares issuable under the above share options granted were adjusted accordingly.

b) The number of shares issuable under options granted and the weighted average exercise price of each share are as follows:

	2010			2009		
	Weighted average exercise price HK$	**(Equivalent to RMB)**	**Number of shares issuable under options granted**	Weighted average exercise price HK$	(Equivalent) to RMB)	Number of shares issuable under options granted
Outstanding at the beginning of the year	**0.75**	**0.66**	**63,248,800**	1.68	1.51	33,062,400
Forfeited during the year	**1.05**	**0.93**	**(5,559,600)**	1.68	1.51	(393,600)
Granted during the year	**–**	**–**	**–**	0.149	0.131	30,580,000
Outstanding at the end of the year	**0.72**	**0.63**	**57,689,200**	0.94	0.83	63,248,800
Exercisable at the end of the year	**0.72**	**0.63**	**57,689,200**	0.94	0.83	63,248,800

Note:

The above number of shares issuable under options granted and the weighted average exercise price of each share before the rights issue were adjusted by the effect of rights issue.

The options outstanding at 31 March 2010 had exercise prices of HK$1.68 or HK$0.149 (equivalent to RMB1.5 or RMB0.131) (2009: HK$1.68 or HK$0.149 (equivalent to RMB1.51 or RMB0.131)) after adjusting for the effect of the rights issue and the weighted average remaining contractual lives of 3 years and 4 years (2009: 4 years and 5 years), respectively.

32. SHARE OPTIONS (Continued)

Equity-settled share option schemes (Continued)

c) Fair value of share options and assumptions

The fair value of services received in return for share options granted are measured by reference to the fair value of share options granted based on the binomial lattice model. The contractual life of the option is used as an input into this model. Expectations of early exercise are incorporated into the binomial model.

	18 March 2009
Fair value of share options and assumptions	HK$0.0789 (equivalent to RMB0.0694)
Inputs into the binomial model:	
Share price at grant date	HK$0.149
Exercise price	HK$0.149
Expected volatility	71.45%
Expected life	5 years
Risk-free interest rate	1.698%
Expected dividend per share	–

The expected volatility is based on the historical volatility (calculated based on the weighted average remaining life of the share options), adjusted for any expected changes to future volatility based on publicly available information. Expected dividends are based on historical dividends. Changes in the subjective input assumptions could materially affect the fair value estimate.

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

33. RESERVES

Group

	Share premium *(note i)* RMB'000	Contributed surplus *(note ii)* RMB'000	Convertible bond equity reserve *(note iii)* RMB'000	Capital reserve *(note iv)* RMB'000	Share-based compensation reserve *(note v)* RMB'000	Statutory common reserve *(note vi)* RMB'000	Foreign currency translation reserve *(note vii)* RMB'000	Retained profits/ (accumulated losses) RMB'000	Total RMB'000
At 1 April 2008	117,755	933	–	115	4,654	4,862	(9,648)	(3,752)	114,919
Repurchase and cancellation of shares	(4,620)	–	–	–	–	–	–	–	(4,620)
Shares issued for the acquisition of subsidiaries	45,152	–	–	–	–	–	–	–	45,152
Exchange difference on translation of financial statements of subsidiaries and associates	–	–	–	–	–	–	(1,609)	–	(1,609)
Equity-settled share-based transactions	–	–	–	–	2,123	–	–	–	2,123
Profit for the year	–	–	–	–	–	6,748	6,748		
Transfer to retained profits upon forfeiture of share options	–	–	–	–	(55)	–	–	55	–
At 31 March 2008	158,287	933	–	115	6,722	4,862	(11,257)	3,051	162,713
At 1 April 2009	158,287	933	–	115	6,722	4,862	(11,257)	3,051	162,713
Shares issued under a private placement	4,091	–	–	–	–	–	–	–	4,091
Recognition of equity component of convertible notes	–	–	66,715	–	–	–	–	–	66,715
Deferred tax liability on recognition of equity component of convertible notes	–	–	(11,008)	–	–	–	–	–	(11,008)
Shares issued for the acquisition of subsidiaries	15,293	–	–	–	–	–	–	–	15,293
Shares issued under conversion of convertible notes	116,160	–	(32,469)	–	–	–	–	–	83,691
Deferred tax effect on conversion of convertible bonds	–	–	5,358	–	–	–	–	–	5,358
Reserves released on disposal of subsidiaries	–	–	–	(115)	–	(4,862)	(789)	4,977	(789)
Exchange difference on translation of financial statements of subsidiaries and associates	–	–	–	–	–	–	(390)	–	(390)
Loss for the year	–	–	–	–	–	–	–	(249,845)	(249,845)
Transfer to retained profits upon forfeiture of share options	–	–	–	–	(695)	–	–	695	–
At 31 March 2010	293,831	933	28,596	–	6,027	–	(12,436)	(241,122)	75,829

33. RESERVES (Continued)

Company

	Share premium (note i) RMB'000	Convertible surplus (note ii) RMB'000	Convertible bond equity reserve (note iii) RMB'000	Share-based compensation reserve (note v) RMB'000	Foreign currency translation reserve (note vii) RMB'000	Accumulated losses RMB'000	Total RMB'000
At 1 April 2009	117,331	(19,080)	–	4,654	(9,848)	(14,586)	78,471
Repurchase and cancellation of shares	(4,620)	–	–	–	–	–	(4,620)
Shares issued for the acquisition of subsidiaries	45,152	–	–	–	–	–	45,152
Exchange differences on translation of financial statements	–	–	–	–	(1,906)	–	(1,906)
Equity-settled share-based transactions	–	–	–	2,123	–	–	2,123
Loss for the year	–	–	–	–	–	(10,847)	(10,847)
Transfer to retained profits upon of forfeiture of share options	–	–	–	(55)	–	55	–
At 31 March 2009	157,863	(19,080)	–	6,722	(11,754)	(25,378)	108,373
At 1 April 2009	157,863	(19,080)	–	6,722	(11,754)	(25,378)	108,373
Shares issued under a private placement	4,091	–	–	–	–	–	4,091
Recognition of equity component of convertible notes	–	–	66,715	–	–	–	66,715
Deferred tax liability on recognition of equity component of convertible notes	–	–	(11,008)	–	–	–	(11,008)
Shares issued for the acquisition of subsidiaries	15,293	–	–	–	–	–	15,293
Shares issued under conversion of convertible notes	116,160	–	(32,469)	–	–	–	83,691
Deferred tax effect on conversion of convertible bonds	–	–	5,358	–	–	–	5,358
Exchange differences on translation of financial statements	–	–	–	–	13	–	13
Loss for the year	–	–	–	–	–	(189,653)	(189,653)
Transfer to retained profits upon of forfeiture of share options	–	–	–	(695)	–	695	–
At 31 March 2010	293,407	(19,080)	28,596	6,027	(11,741)	(214,336)	82,873

33. RESERVES (Continued)

Company (Continued)

i) Share premium

Under the Companies Law of the Cayman Islands, the share premium is available for distribution to shareholders subject to a solvency test on the Company and the provisions of the Articles of Association of the Company.

ii) Contributed surplus

The contributed surplus represents the excess of the fair value of the shares of the subsidiaries acquired pursuant to the reorganisation over the nominal value of the Company's shares issued in exchange therefor.

iii) Convertible bond equity reserve

The convertible bond equity reserve comprises the value of the unexercised equity component of convertible bonds issued by the Group recognised in accordance with the accounting policy adopted for convertible bonds in note 2(p).

iv) Capital reserve

Capital reserve arose as a result of the increase in registered capital of the Group's subsidiary, Jiangxi A & K, in May and October 1997, which represents the excess of the net assets of Jiangxi A & K over the nominal value of the share capital after the capital verification report was issued. The capital reserve was released on disposal of Jiangxi A & K during the year 2010.

v) Share-based compensation reserve

The share-based compensation reserve represents the fair value of the actual or estimated number of unexercised share options granted to employees of a subsidiary recognised in accordance with the accounting policy adopted for share-based payments set out in note 2(q)(ii) and note 32.

vi) Statutory common reserve

In accordance with the PRC accounting regulations and the articles of the association of Jiangxi A & K, Jiangxi A & K is required to appropriate at least 10% of profit after tax after offsetting prior year's losses to the statutory common reserve fund. Thereafter, any further appropriation can be made at the directors' discretion.

The common reserve fund can be utilised to offset prior years' losses, or to increase the capital on the condition that the common reserves fund shall be maintained at a minimum of 50% of the registered capital after such increase.

The statutory common reserve was released on disposal of Jiangxi A & K during the year 2010.

33. RESERVES (Continued)

Company (Continued)

vii) Foreign currency translation

The foreign currency translation reserve comprises all foreign exchange differences arising from the translation of the financial statements of subsidiaries operating outside Hong Kong. The reserve is dealt with in accordance with the accounting policy set out in note 2(u).

34. RETIREMENT BENEFIT COSTS

The Group has implemented a provident fund scheme for its staff in Hong Kong in compliance with the requirements of the Mandatory Provident Fund Schemes Ordinance (the "MPF Ordinance") effective from 1 December 2000. The Group contributed according to the minimum requirements of the MPF Ordinance (i.e., 5% of staff's relevant income with an upper monthly limit of HK$1,000) and the contributions are charged to the consolidated statement of comprehensive income.

As stipulated by the rules and regulations in the PRC, the Group contributed to a state-sponsored retirement plan for its employees in the PRC at a rate of 10% of the basic salaries of its employees, and has no further obligations for the actual pension payments or post-retirement benefits beyond the annual contributions. The relevant government agencies are responsible for the entire pension obligation payable to all retired employees.

35. COMMITMENTS

i) Operating lease commitments

The Group leases certain of its office premises under operating lease arrangements. Leases for office premises are negotiated for a lease term of 2 years. The terms of the lease require the lessee to pay security deposits.

At the end of the reporting period, the Group had future aggregate minimum lease payments under non-cancellable operating leases which fall due as follows:

	2010	2009
	RMB'000	RMB'000
Within one year	**2,655**	1,663
In the second to fifth year inclusive	**1,901**	2,428
	4,556	4,091

ii) Capital commitments

The Group's capital commitment in respect of the acquisition of property, plant and equipment outstanding at the year end, contracted but not provided for in the financial statements amounted to approximately RMBnil (2009: RMB440,000).

36. RELATED PARTY TRANSACTIONS

In addition to the transactions and balances disclosed elsewhere in these financial statements, the Group entered into the following significant transactions with related parties:

i) Related party transactions included in the consolidated statement of financial position

	2010 RMB'000	2009 RMB'000
Amount due to former shareholders of subsidiaries	**5,793**	14,601

The amount arose from the acquisition of subsidiaries (note 38).

ii) Compensation of key management personnel of the Group

	2010 RMB'000	2009 RMB'000
Salaries, allowances and other benefits	**2,872**	4,850
Retirement scheme contributions	**58**	63
	2,930	4,913

Note: Further details of pension scheme contributions and directors' emoluments are included in note 6 and note 9 to the financial statements respectively.

37. ACQUISITION AND DISPOSAL OF SUBSIDIARIES UNDER AN ASSET SWAP ARRANGEMENT

On 30 June 2009, the Company, Dragon Era Investments Limited ("Dragon Era"), a wholly-owned subsidiary of the Company, entered into a sale and purchase agreement (the "Asset Swap"), pursuant to which the Group agreed to acquire from vendor (i) 100% equity interest Jumbo Lucky Limited ("Jumbo Lucky") and its subsidiaries (the "Jumbo Lucky Group") and (ii) the unsecured and interest-free shareholder's loan owed by Superco Development Limited (Superco"), a wholly-owned subsidiary of Jumbo Lucky, to the vendor (the "Superco Shareholder Loan") in consideration for the Group's disposal of (i) 100% equity interest in A & K Software (BVI) Limited ("A & K (BVI)") and its subsidiaries (the "A & K (BVI) Group") and (ii) the unsecured and interest-free shareholder's loan owed by the A & K (BVI) Group to the Company (the "A & K (BVI) Shareholder Loan"). An Additional consideration of RMB33,017,000 were satisfied by the Group under the Asset Swap as to RMB5,000,000 in cash, and as to RMB28,017,000 by the allotment and issue of 144,586,000 shares ("Consideration Shares") of the Company with a par value of HK$0.1 each at an issue price of each by the Company. The fair value of the shares issued for the acquisition of Jumbo Lucky Group amounting to HK$31,809,000 (equivalent to approximately RMB28,017,000) was determined by reference to the closing quoted bid price at the date of acquisition. The Asset Swap was completed on 30 September 2009.

Part of the additional consideration (Consideration Share") of HK$31,809,000 (equivalent to approximately RMB28,017,000) is subject to adjustments based on the audited profit after taxation of Jumbo Lucky Group for the period from 1 October 2009 to 30 September 2010. If the audited profit of Jumbo Lucky Group is less than RMB12,000,000, a portion of the Considerations Shares will not be released to the vendor but will be placed pursuant to the terms of the adjustment to the acquisition consideration as stated in the Asset Swap agreement. All of the Consideration Shares will be issued and placed in an escrow account specified by the Company until 15 business days after the issue of the audited consolidated financial statements of Jumbo Lucky Group.

The initial accounting for the acquisition of Jumbo Lucky Group had been determined provisionally at the end of the reporting period as the cost of the acquisition could not be determined reliably. Therefore, the differences between the initial and final cost of acquisition will be adjusted upon the issue of the audited consolidated financial statements as specified above. From the date of acquisition to 1 October 2009, the Jumbo Lucky Group contributed approximately RMB28,386,000 and RMB7,779,000 respectively to the revenue and consolidated profit of the Group for the year ended 31 March 2010. Had the acquisition occurred on 1 April 2009, the revenue and consolidated profit of the Group for the year ended 31 March 2010 would have been approximately RMB39,535,000 and RMB8,871,000 respectively. The pro forma information is for illustrative purposes only and is not necessarily an indication of revenue and results of the Group that actually would have been achieved had the acquisition been completed on 1 April 2009, nor is it intended to be projection of future results.

37. ACQUISITION AND DISPOSAL OF SUBSIDIARIES UNDER AN ASSET SWAP ARRANGEMENT (Continued)

i) Acquisitions of subsidiaries under the Asset Swap

During the year, the Jumbo Lucky Group became subsidiaries of the Group and their results were consolidated to the Group's consolidated financial statements since the date of acquisition in the current year.

Details of net assets of subsidiaries acquired in the Asset Swap are as follows:

	Carrying amounts RMB'000	Fair value adjustments RMB'000	Recognised values RMB'000
Property, plant and equipment	73	–	73
Intangible assets acquired on acquisition	–	28,067	28,067
Inventory	1,923	–	1,923
Tax recoverables	97	–	97
Trade and other receivables	7,953	–	7,953
Cash and cash equivalents	872	–	872
Trade and other payables	(8,396)	–	(8,396)
Superco shareholder loan	(1,500)	–	(1,500)
Deferred tax liabilities	–	(4,210)	(4,210)
Net assets of the Jumbo Lucky Group acquired	1,022	23,857	24,879
Assignment of the Superco Shareholder Loan			1,500
Goodwill arising on acquisition *(note 18)*			46,896
			73,275
Consideration satisfied by:			
Cash			5,000
Consideration Shares			28,017
Net assets of the A & K (BVI) Group and A & K (BVI) shareholder loan acquired *(note 37(ii))*			40,258
			73,275

The intangible assets consist of business contracts, customer relationships and acquired computer software.

The intangible assets were valued at approximately RMB28,067,000 by an independent qualified valuer, Greater China Appraisal Limited under the income capitalisation approach at the date of acquisition.

37. ACQUISITION AND DISPOSAL OF SUBSIDIARIES UNDER AN ASSET SWAP ARRANGEMENT (Continued)

i) Acquisitions of subsidiaries under the Asset Swap (Continued)

Goodwill arose in the business combination as the cost of the combination included amounts in relation to the benefits of expected synergy, revenue growth and future market development. These benefits are not recognised separately from goodwill as the future economic benefits arising from them cannot be reliably measured.

ii) Disposal of subsidiaries under the Asset Swap

The assets and liabilities of the A & K (BVI) Group disposed of in the Asset Swap are as follows:

	RMB'000
Property, plant and equipment	209
Deposit paid for acquisition of available-for-sale investment	120
Intangible assets acquired on acquisition property, plant and equipment	5,086
Trade and other receivables	3,706
Cash and cash equivalents	37,378
Trade and other payables	(4,282)
Tax payables	(788)
Deferred tax liabilities	(382)
Superco Shareholder Loan	(8,162)
Net assets of the Jumbo Lucky Group acquired	32,885
Assignment of the A & K (BVI) Shareholder Loan	8,162
Exchange reserve realized upon disposal	(789)
Gain/(loss) on the Asset Swap	–
	40,258
Satisfied by:	
Part of consideration on acquisition of subsidiaries under the Asset Swap *(note 37(i))*	40,258
Net cash inflow/(outflow) in Asset Swap:	
Cash consideration paid	(5,000)
Cash and cash equivalents disposed of	(37,378)
Cash and cash equivalents acquired	872
	(41,506)

38. ACQUISITION OF SUBSIDIARIES

For the year ended 31 March 2009

On 17 November 2008, the Company's wholly-owned subsidiary, Topsheen Limited, acquired 100% equity interests (the "Acquisitions) in Intelligent Investment Development Limited ("Intelligent Investment") and China Sino Holdings Limited ("China Sino"). Intelligent Investment and China Sino are limited companies incorporated in Hong Kong on 10 January 2008 and 4 March 2008 respectively, Intelligent Investment and China Sino altogether held the entire equity interest in a subsidiary known as 北京普華雅龍科技有限公司 ("Along") (altogether the "Along Group"). The Along Group is engaged in the research, development and provision of integrated information systems for power grid companies in the PRC.

The total acquisition cost of HK$133,750,000 (equivalent to approximately RMB117,810,000) was satisfied as to (i) HK$60,000,000 (equivalent to approximately RMB52,850,000) in cash, (ii) HK$10,000,000 (equivalent to approximately RMB8,808,000) payable, and (iii) HK$63,750,000 (equivalent to approximately RMB56,152,000) by the allotment and issue of 125,000,000 shares of the Company with a par value of HK$0.1 each at an issue price of HK$0.51 each by the Company. The fair value of the shares issued for the acquisition of Along Group amounting to HK$63,750,000 (equivalent to approximately RMB56,152,000) was determined using the closing quoted bid price at the date of the acquisition.

The total consideration of HK$133,750,000 (equivalent to approximately RMB117,810,000) is subject to adjustments based on the audited profit after taxation of Along for the period from 1 October 2008 to 31 March 2009. According to the agreement, if the audited profit of Along exceeds RMB27,750,000 but below RMB32,700,000, a convertible note subject to a maximum principal amount of HK$223,560,000 (equivalent to approximately RMB196,732,000) will be issued, and if the audited profit of Along exceeds RMB32,720,000, another convertible note subject to a maximum principal amount of HK$63,940,000 (equivalent to approximately RMB56,267,000) will be issued. In the opinion of the directors, the value of the convertible notes cannot be measured reliably at 31 March 2009 and accordingly, no provision for the additional consideration was made.

The initial accounting for the acquisition of Along Group had been determined provisionally by year-end date as the cost of the acquisition could not be determined reliably. Therefore, the differences between the final and initial cost of acquisition would be adjusted upon the issue of the audited consolidated financial statements.

The acquisition was subsequently finalized and two convertible bonds were issued and the cost of acquisition was adjusted accordingly (note 18).

From the date of acquisition to 31 March 2009, the Along Group contributed approximately RMB71,979,000 and RMB47,597,000 respectively to the revenue and consolidated profit of the Group for the year ended 31 March 2009. Had the acquisition occurred on 1 April 2008, the revenue and consolidated profit of the Group for the year ended 31 March 2009 would have been approximately RMB155,263,000 and RMB102,557,000 respectively. The pro forma information is for illustrative purposes only and is not necessarily an indication of revenue and results of the Group that actually would have been achieved had the acquisition been completed on 1 April 2008, nor is it intended to be a projection of future results.

38. ACQUISITION OF SUBSIDIARIES (Continued)

The fair value of net assets acquired in the transaction, and goodwill on acquisition, are as follows:

	Carrying amounts	Fair value adjustment	Recognised values
	RMB'000	RMB'000	RMB'000
Property, plant and equipment	550	43	593
Intangible assets acquired on acquisition *(note)*	–	52,457	52,457
Inventory	30	–	30
Trade and other receivables	19,803	–	19,803
Cash and cash equivalents	898	–	898
Trade and other payables	(6,738)	–	(6,738)
Amount due to former shareholders	(5,793)	–	(5,793)
Tax payables	(1,155)	–	(1,155)
Deferred tax liabilities	–	(7,868)	(7,868)
	7,595	44,632	52,227
Goodwill arising on acquisition *(note 18)*			65,583
Total consideration			117,810
Total consideration satisfied by:			
Cash consideration paid			52,850
Payable in cash within 1 year *(note 26)*			8,808
Issue of shares			56,152
			117,810
Net cash outflow arising on acquisition			
Cash consideration paid			(52,850)
Cash and cash equivalents acquired			898
			(51,952)

Note:

The intangible assets consist of customer base regarding existing projects for electricity supply companies and the technology know-how on application software in relation to the management of electricity supply.

The intangible assets were valued at approximately RMB52,457,000 by independent qualified valuer, Greater China Appraisal Limited, under the income capitalisation approach at the date of acquisition.

Goodwill arose in the business combination as the cost of the combination included amounts in relation to the benefits of expected synergy, assembled workforce revenue growth and future market development. These benefits are not recognised separately from goodwill as the future economic benefits arising from them cannot be reliably measured.

39. PARENT AND ULTIMATE CONTROLLING PARTY

The directors consider that the Company does not have a parent company or a controlling party.

40. FINANCIAL RISK MANAGEMENT OBJECTIVES AND POLICIES

The Group's major financial instruments include equity investments, trade receivable and trade payables. Details of the financial instruments are disclosed in the respective notes. The risks associated with these financial instruments include credit risk, liquidity risk, currency risk and interest rate risk. The policies on how to mitigate these risks are set out below. The management manages and monitors these exposures to ensure appropriate measures are implemented on a timely and effective manner.

a) Credit risk

i) As at 31 March 2010, the maximum exposure to credit risk is represented by the carrying amount of each financial asset in the consolidated statement of financial position after deducting any impairment allowance.

ii) In respect of trade and other receivables, in order to minimize risk, the management has a credit policy in place and the exposures to these credit risks are monitored on an ongoing basis. Credit evaluations of its customers' financial position and condition is performed on each and every major customer periodically. These evaluations focus on the customer's past history of making payments when due and current ability to pay, and take into account information specific to the customer as well as pertaining to the economic environment in which the customer operates. The Group does not require collaterals in respect of its financial assets. Debts are usually due within 90 days from the date of billing.

iii) In respect of trade receivables, the Group's exposure to credit risk is influenced mainly by the individual characteristics of each customer. The default risk of the industry and country in which customers operate also has an influence on credit risk. As at 31 March 2010, the Group had a certain concentration of credit risk as 37.0% (2008: 28.1%) and 76.6% (2008: 72.4%) of the total trade and other receivables was due from the Group's largest customer and the five largest customers respectively.

iv) In respect of deposits with banks, the Group mitigates its exposure to credit risk by placing deposits with the financial institutions with high credit rating. Given the high credit ratings of the banks, management does not expect any counterparty to fail to meet its obligations.

40. FINANCIAL RISK MANAGEMENT OBJECTIVES AND POLICIES (Continued)

b) Liquidity risk

Individual operating entities within the Group are responsible for their own cash management, including the short-term investment of cash surpluses and the raising of loans to cover expected cash demands, subject to board approval. The Group's policy is to regularly monitor current and expected liquidity requirements to ensure that it maintains sufficient amount of cash and obtains adequate lines of funding from major financial institutions to meet its liquidity requirements in the short and longer term.

The following liquidity tables set out the remaining contractual maturities at the end of the reporting period of the Group's and the Company's financial liabilities based on contractual undiscounted cash flows (including interest payments computed using contractual rates) and the earliest date the Group and the Company are required to pay:

The Group

	2010				
	Within 1 year or on demand RMB'000	**More than 1 year but less than 2 years RMB'000**	**More than 2 years but less than 5 years RMB'000**	**Total contractual undiscounted cash flow RMB'000**	**Carrying amount RMB'000**
Trade payables	**12,658**	**–**	**–**	**12,658**	**12,658**
Other payables	**8,612**	**–**	**–**	**8,612**	**8,612**
Obligations under a finance lease	**7**	**7**	**4**	**18**	**16**
Convertible bonds	**–**	**–**	**131,560**	**131,560**	**103,470**
	21,277	**7**	**131,564**	**152,848**	**124,756**

	2009				
	Within 1 year or on demand RMB'000	More than 1 year but less than 2 years RMB'000	More than 2 years but less than 5 years RMB'000	Total contractual undiscounted cash flow RMB'000	Carrying amount RMB'000
Trade payables	8,056	–	–	8,056	8,056
Other payables	20,188	–	–	20,188	20,188
Obligations under a finance lease	7	7	12	26	21
	28,251	7	12	28,270	28,265

40. FINANCIAL RISK MANAGEMENT OBJECTIVES AND POLICIES (Continued)

b) Liquidity risk (Continued)

The Company

	2010				
	Within 1 year or on demand RMB'000	More than 1 year but less than 2 years RMB'000	More than 2 years but less than 5 years RMB'000	Total contractual undiscounted cash flow RMB'000	Carrying amount RMB'000
Amount due to subsidiaries	8	–	–	8	8
Obligation under a finance lease	7	7	4	18	16
Convertible bonds	–	–	131,560	131,560	103,470
	15	7	131,564	131,586	103,494

	2009				
	Within 1 year or on demand RMB'000	More than 1 year but less than 2 years RMB'000	More than 2 years but less than 5 years RMB'000	Total contractual undiscounted cash flow RMB'000	Carrying amount RMB'000
Amount due to subsidiaries	21,043	–	–	21,043	21,043
Obligation under a finance lease	7	7	12	26	21
	21,050	7	12	21,069	21,064

c) Fair value and cash flow interest rate risk

Fair value interest rate risk is the risk that the value of a financial instrument will fluctuate because of changes in market interest rates. Cash flow interest rate risk is the risk that the future cash flows of a financial instrument will fluctuate because of changes in market interest rates.

As the Group has no material interest-bearing liabilities, the Group's expenses and financing cash flows are independent of changes in market interest rates.

The Group is exposed to cashflow interest rate risks as the Group has significant cash and cash equivalents which are deposited in banks offering variable interest rate. The management monitors interest rate exposures by keeping the cash in floating rate bank accounts and considers that there is no significant impact on cash flow interest rate risk. The Group's interest rate profile as monitored by management is set out in (i) below.

40. FINANCIAL RISK MANAGEMENT OBJECTIVES AND POLICIES (Continued)

c) Fair value and cash flow interest rate risk (Continued)

i) Interest rate profile

The following table details the interest rate profile of the Group's interest-earning financial assets at the end of the reporting period:

The Group

	2010		2009	
	Effective interest rate	**One year or less**	Effective interest rate	One year or less
	%	**RMB'000**	%	RMB'000
Cash and cash equivalents	**1.6%**	**11,502**	1.1%	65,127

ii) Sensitivity analysis

At 31 March 2010, it is estimated that a general decrease/increase of 100 basis points in interest rates, with all other variables held constant, would increase/decrease the Group's loss after tax and retained profits by approximately RMB98,000 (2009: RMB651,000). Other components of consolidated equity would not be affected (2009: RMB Nil) by the changes in interest rates.

The sensitivity analysis above has been determined assuming that the change in interest rates had occurred at the end of the reporting period and had been applied to the exposure to interest rate risk for cash and cash equivalents in existence at that date. The 100 basis point increase or decrease represents management's assessment of a reasonably possible change in interest rates over the period until the end of the next reporting period. The analysis is performed on the same basis for 2009.

40. FINANCIAL RISK MANAGEMENT OBJECTIVES AND POLICIES (Continued)

d) Currency risk

Presently, there is no hedging policy with respect to the Group's foreign exchange exposure. The Group's transactional currency is Renminbi as substantially all the business operations are in Renminbi. The Group's transactional foreign exchange exposure was insignificant.

i) Exposure to currency risk

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

The Group

	Exposure to foreign currencies	
	2010	2009
	RMB'000	RMB'000
HKD		
Cash and cash equivalents	**5,902**	22,973
Prepayment, deposits and other receivables	**189**	1,107
Obligations under a finance lease	**(16)**	(21)
Other payable and accruals	**(628)**	(748)
Overall net exposure	**5,447**	23,311

The Company

	Exposure to foreign currencies	
	2010	2009
	RMB'000	RMB'000
HKD		
Cash and cash equivalents	**3,332**	18,898
Other receivables	**189**	185
Obligations under a finance lease	**(16)**	(21)
Other payables and accruals	**628**	(748)
Overall net exposure	**2,877**	18,314

40. FINANCIAL RISK MANAGEMENT OBJECTIVES AND POLICIES (Continued)

d) Currency risk (Continued)

ii) Sensitivity analysis

The following table indicates the approximate change in the Group's loss after tax and accumulated losses/retained profits in response to reasonably possible changes in the foreign exchange rates to which the Group has significant exposure at the end of the reporting period.

The Group

	2010		2009	
	Increase/ (decrease) in foreign exchange rates	**Effect on loss after tax and retained profits RMB'000**	Increase/ (decrease) in foreign exchange rates	Effect on loss after tax and accumulated losses RMB'000
Hong Kong	**5%**	**309**	5%	1,320
Dollars	**(5)%**	**(309)**	(5)%	(1,320)

Other components of consolidated equity would not be affected (2009: RMBNil) by the changes in foreign exchange rates.

The sensitivity analysis has been determined assuming that the change in foreign exchange rate had occurred at the end of the reporting period and had been applied to each of the Group entities' exposure to currency risk for non derivative financial instruments in existence at that date, and that all other variables, in particular interest rates, remain constant.

The stated changes represent management's assessment of reasonably possible changes in foreign exchange rate over the period until the end of the next annual reporting period. Results of the analysis as presented in the above table represent an aggregation of the effects on each of the Group entities profit/loss after tax and equity measured in the respective functional currencies, translated into Renminbi at the exchange rate ruling at the end of the reporting period for presentation purposes. The analysis is performed on the same basis for 2009.

40. FINANCIAL RISK MANAGEMENT OBJECTIVES AND POLICIES (Continued)

e) Fair values

The fair values of cash and cash equivalents, bank deposits, trade and other receivables, trade and other payables are not materially different from their carrying amounts because of the immediate or short-term maturity of these financial instruments.

f) Capital risk management

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

The gearing ratios at 31 December 2009 and 2008 were as follows:

	2009	2008
	$'000	$'000
Convertible bonds	**103,470**	–
Less: Cash and cash equivalents	**(11,502)**	(65,127)
Net debt	**91,968**	(65,127)
Total equity	**157,755**	223,936
Gearing ratio	**58%**	N/A

Neither the company nor any of its subsidiaries are subject to externally imposed capital requirements.

41. CRITICAL ACCOUNTING ESTIMATES AND JUDGEMENTS

Estimates and judgements are continually evaluated and are based on historical experience and other factors, including expectations of future events that are considered to be reasonable under the circumstances.

The Group's management makes estimates and assumptions concerning the future. The resulting accounting estimates will, by definition, seldom equal the related actual results. The estimates and assumptions 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:

a) Useful lives of property, plant and equipment

The Group's management determines the estimated useful lives and related depreciation charges for its property, plant and equipment. This estimate is based on the historical experience of the actual useful lives of property, plant and equipment of similar nature and functions. It could change significantly as a result of technical innovations and competitor actions in response to severe industry cycles. Management will increase the depreciation charge where useful lives are less than previously estimated lives, or it will write-off or write-down technically obsolete or non-strategic assets that have been abandoned or sold.

41. CRITICAL ACCOUNTING ESTIMATES AND JUDGEMENTS (Continued)

b) Impairment of receivables

The Group maintains impairment allowance for doubtful accounts based upon the periodically evaluation of the recoverability of the accounts receivables and other receivables, where applicable. The estimates are based on the aging of the accounts receivables and other receivables balances and the historical write-off experience, net of recoveries. If the financial condition of the debtors were to deteriorate, additional impairment allowance may be required.

c) Impairment of goodwill

Determining whether goodwill is impaired requires an estimation of the fair value of the cash-generating units to which goodwill has been allocated. When applying the value-in-use calculations, the Group estimates the future cash flows expected to arise from the cash-generating units and a suitable discount rate in order to calculate the present value. When applying the fair value less cost to sell, the Group estimates the cost of reproducing or replacing the asset, less depreciation charge based on the estimated useful lives and the expected physical deterioration and functional and economic obsolescence. If the estimated fair value of the cash-generating unit exceeds its recoverable amount, additional impairment allowance may be required.

d) Estimated net realisable value of inventories

The Group's management writes off slow-moving or obsolete inventories based on an assessment of the net realisable value of the inventories. Inventories will be written off where events or changes in circumstances indicates that the net realisable value is less than cost. The determination of net realisable value requires the use of judgement and estimates. Where the expectation is different from the original estimate, such difference will have an impact on the carrying value of the inventories and revision of the amount of inventories written off in the period in which such estimate has been changed is required to be made.

e) Impairment of intangible assets

The Group assesses annually whether intangible assets have any indication of impairment in accordance with the relevant accounting policies. If such indication exists, the recoverable amounts of the assets would be determined by reference to value in use and fair value less cost to sell. Value-in-use is determined using the discounted cash flow method. Owing to inherent risks associated with estimations in the timing and magnitude of future cash flows and fair value less cost to sell, the estimated recoverable amount of the assets may be different from their actual recoverable amount and profit or loss could be affected by the accuracy of the estimations.

f) Acquired intangible assets

Acquired intangible assets are customer base and technology know-how for information technology services in the electricity power industry and customer base and customer contracts for the school network integration services. They are amortised over their estimated useful lives. The valuation and estimated useful lives of customer base and customer contracts are dependent on a number of assumptions and judgements, such as expected cash flows, customer attrition, and royalty rates, variations in which could produce different values and/or useful lives.

g) Current taxation and deferred taxation

Judgement is required in determining the amount of the provision for taxation and the timing of payment of the related taxation. There are many transactions and calculations for which the ultimate tax determination is uncertain during the ordinary course of business. Where the final tax outcome of these matters is different from the amounts that were initially recorded, such differences will impact the income tax and deferred tax provisions in the periods in which such determination are made.

41. CRITICAL ACCOUNTING ESTIMATES AND JUDGEMENTS (Continued)

g) Current taxation and deferred taxation (Continued)

Deferred taxation relating to certain temporary differences and tax losses are recognised as management considers it is probable that future taxable profit will be available against which the temporary differences or tax losses can be utilised. Where the expectation is different from the original estimate, such differences will impact the recognition of deferred taxation in the periods in which such estimate is changed.

42. POSSIBLE IMPACT OF AMENDMENTS, NEW STANDARDS AND INTERPRETATIONS ISSUED BUT NOT YET EFFECTIVE FOR THE YEAR ENDED 31 MARCH 2010

Up to the date of issue of these financial statements, the HKICPA has issued the following amendments, new standards and Interpretations which are not yet effective for the year ended 31 March 2010.

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

HKFRSs (Amendments)	Amendments to HKFRS 5 as part of Improvements to HKFRSs 2008 [1]
HKFRSs (Amendments)	Improvements to HKFRSs 2009 [2]
HKAS 24 (Revised)	Related Party Disclosures [5]
HKAS 27 (Revised)	Consolidated and Separate Financial Statements [1]
HKAS 32 (Amendment)	Classification of Rights Issues [4]
HKAS 39 (Amendment)	Eligible hedged items [1]
HKFRS 1 (Amendment)	Additional Exemptions for First-time Adopters [3]
HKFRS 2 (Amendment)	Group Cash-settled Share-based Payment Transactions [3]
HKFRS 3 (Revised)	Business Combinations [1]
HKFRS 9	Financial Instruments [7]
HK(IFRIC) – Int 14 (Amendment)	Prepayments of a Minimum Funding Requirement [5]
HK(IFRIC) – Int 17	Distribution of Non-cash Assets to Owners [1]
HK(IFRIC) – Int 19	Extinguishing Financial Liabilities with Equity Instruments [6]

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

The application of HKFRS 3 (Revised) may affect the accounting for business combination for which the acquisition date is on or after the beginning of the first annual reporting period beginning on or after 1 July 2009. HKAS 27 (Revised) will affect the accounting treatment for changes in a parent's ownership interest in a subsidiary.

42. POSSIBLE IMPACT OF AMENDMENTS, NEW STANDARDS AND INTERPRETATIONS ISSUED BUT NOT YET EFFECTIVE FOR THE YEAR ENDED 31 MARCH 2010 (Continued)

HKFRS 9 Financial Instruments introduces new requirements for the classification and measurement of financial assets and will be effective from 1 January 2013, with earlier application permitted. The Standard requires all recognised financial assets that are within the scope of HKAS 39 Financial Instruments: Recognition and Measurement to be measured at either amortised cost or fair value. Specifically, debt investments that (i) are held within a business model whose objective is to collect the contractual cash flows and (ii) have contractual cash flows that are solely payments of principal and interest on the principal outstanding are generally measured at amortised cost. All other debt investments and equity investments are measured at fair value. In addition, under HKFRS 9, changes in fair value of equity investments are generally recognized in other comprehensive income, with only dividend income recognized in profit or loss. The application of HKFRS 9 might affect the classification and measurement of the Group's financial assets.

In addition, as part of Improvements to HKFRSs issued in 2009, HKAS 17 Leases has been amended in relation to the classification of leasehold land. The amendments will be effective from 1 January 2010, with earlier application permitted. Before the amendments to HKAS 17, leasees were required to classify leasehold land as operating leases and present them as prepaid lease payments in the consolidated statement of financial position. The amendments have removed such a requirement. Instead, the amendments require the classification of leasehold land to be based on the general principles set out in HKAS 17, that are based on the extent to which risks and rewards incidental to ownership of a leased asset lie with the lessor or the lessee. The application of the amendments to HKAS 17 might affect the classification and measurement of the Group's leasehold land at revalued amount.

The directors of the Company anticipate that the application of the other new and revised Standards, Amendments or Interpretations will have no material impact on the consolidated financial statements.

43. MAJOR NON-CASH TRANSACTIONS

The additional consideration for acquisition of Along Group (note 18 and note 29) of HK$287,500,000 (RMB253,002,000) were settled by the issue of two convertible bonds to the vendors during the year.

44. EVENTS AFTER THE REPORTING PERIOD

On 27 April 2010, the Company granted options to subscribe for an aggregate of 66,873,000 shares to its directors 19,073,000 and employees 47,800,000 ordinary shares to its employees. The exercise price of share options was HK$0.45. The options may be exercised at any time after the date of grant of share options to the fifth anniversary of the date of grant.

45. COMPARATIVE FIGURES

As a result of the application of HKAS 1 (revised 2007), Presentation of financial statements, and HKFRS 8, Operating segments, certain comparative figures have been adjusted to conform to current year's presentation and to the provide comparative amounts in respect of items disclosed for the first time in 2010. Further details of these developments are disclosed in note 3.

FIVE YEARS FINANCIAL SUMMARY

FOR THE YEAR ENDED 31 MARCH 2010

The consolidated statement of comprehensive income of the Group for the financial years 2006 to 2010 and the consolidated statement of financial position of the Group as at 31 March 2006, 2007, 2008, 2009 and 2010 are as follows:

	Year ended 31 March				
	2006 RMB'000	2007 RMB'000	2008 RMB'000	2009 RMB'000	**2010** **RMB'000**
Results					
Turnover	10,448	3,882	9,117	77,828	**89,955**
Profit/(loss) before taxation	2,954	(5,784)	(11,468)	12,789	**(252,723)**
Taxation	(409)	39	(964)	(6,041)	**2,878**
Profit/(loss) attributable to owners	2,545	(5,745)	(12,432)	6,748	**(249,845)**

	As at 31 March				
	2006 RMB'000	2007 RMB'000	2008 RMB'000	2009 RMB'000	**2010** **RMB'000**
Assets and liabilities					
Total assets	69,106	62,195	154,047	275,896	**306,216**
Total liabilities	(8,661)	(8,331)	(7,151)	(51,960)	**(148,461)**
Total equity	60,445	53,864	146,896	223,936	**157,755**