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)

Stock Code : 8053

CHARACTERISTICS OF THE GROWTH ENTERPRISE MARKET ("GEM") OF THE STOCK EXCHANGE OF HONG KONG LIMITED (THE "STOCK EXCHANGE")

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

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

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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
8053

CHAIRMAN'S STATEMENT

The Group is grateful to our shareholders and the community for their trust, understanding and support during the past financial year 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.

As at 31st March 2011, the electric power technology business and education informatization business remained as the main sources of the Group's revenue. For electric power technology business, due to changes in the operation environment and increasingly fierce competition, the revenue decreased and operation cost increased, and together with the effects from the impairment on goodwill and intangible assets, the Group's subsidiaries which engaged in the electric technology business recorded a loss for two consecutive years. Meanwhile, the development of education informatization business has shown a higher stability with its revenue increasing, and such has become an integral core business of the Group, which substantially mitigated the Group's market risk of concentrating on a single business.

In 2011, global and domestic economic situation will both experience a number of significant changes, which may bring problems yet more opportunities. In the coming financial year, the Group will conduct adequate analysis on the issues that it is facing; adjust its development strategies timely to accommodate the changes in the economic environment; seize any opportunity should it arise to conduct group integration and reorganization; retreat gradually from industry that posses fierce competition and declining operation environment; focus on developing businesses with good prospects, utilize the financing capacity of Hong Kong listed companies in the meantime by exploring the investment in high-yield projects in the PRC through various financial practices, and by such, the market risk of having a single industry and business would then be scattered, and more solid and sustainable return would also be generated to the Shareholders.

LI Kangying
Chairman

Hong Kong, 24 June 2011

MANAGEMENT DISCUSSION AND ANALYSIS

BUSINESS REVIEW AND PROSPECTS 2010-2011

Business review

As at 31st March 2011, the electric power technology business and education informatization business remained as the main sources of the Group's revenue. For the electric power technology business, due to changes in the operation environment and increasingly fierce competition, the revenue decreased and the operation cost increased, and together with the effects from the impairment on goodwill and intangible assets, the Group's subsidiaries which engaged in the electric technology business recorded a loss for two consecutive years. Meanwhile, the development of education informatization business has shown a higher stability with its revenue increasing.

Prospect and outlook

In the future, the Group will adjust its development strategies timely to accommodate the changes in economic environment; seize any opportunity should it arise to conduct group integration and reorganisation; retreat gradually from the industry that possesses fierce competition and declining operation environment and focus on developing businesses with good prospects; utilize the financing capacity of Hong Kong listed companies in the meantime by exploring investments, through various financial practices, in high-yield projects in the PRC, and by such, the market risk of having a single industry and business would then be scattered, and more solid and sustainable return would also be generated to the Shareholders.

FINANCIAL REVIEW

Turnover

The Group achieved a consolidated turnover of approximately RMB85.97 million, a decrease of approximately 4.42% in comparison with year ended 31 March 2010. The following table is the breakdowns of turnover for the year ended 31 March 2011:

	RMB'000	Approximately % attributable to the turnover of the Group
Information technology services in the electricity power industry	45,570	53.01%
Judicial authentication services and sales of application software	1,540	1.79%
School network integration services	38,861	45.20%
	85,971	100%

Cost of sales

The cost of sales of the continuing operations for the year ended 31 March 2011 was approximately RMB62.07 million. It was approximately 56.46% 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 2011 mainly consists of value added tax refund RMB0.9 million.

Impairment loss on intangible assets

For the year ended 31 March 2011, the impairment loss of approximately RMB13.96 million recognised was arising from the Group's information technology services in the electricity power industry and school network integration services amounting to RMB3.59 million and RMB10.37 million respectively. The main factor contributing to the impairment was adverse market environment.

For the year ended 31 March 2010, the Group's impairment loss on intangible assets was approximately RMB33.42 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.

Impairment loss on goodwill

For the year end 31 March 2011, the Group recognised approximately RMB115.21 million as impairment loss on goodwill, arising from information technology service in the electricity power industry. The main factor contributing to the impairment was adverse market environment.

For the year ended 31 March 2010, the Group recognised approximately RMB188.03 million as impairment loss on goodwill. 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.

Administrative and other operating expenses

For the year ended 31 March 2011, the Group's administrative and other operating expenses was approximately RMB58.73 million. As compared with the year ended 31 March 2010, it was approximately 22.78% decrease. The reason of decrease was mainly due to decrease of professional fee expenses for acquisition of subsidiary.

Loss per share

The loss per share of the Group is covered in note 13 to the financial statements.

Segment Information

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

CAPITAL STRUCTURE

Movements in capital structure of the Company during the year are set out in note 28 to the financial statement. The capital of the Company comprises only ordinary shares. The Company and the Group has RMB110.31 million convertible notes.

SIGNIFICANT INVESTMENTS

As at 31 March 2011, the Group did not have any significant investments (2010: nil).

MATERIAL ACQUISITIONS AND DISPOSALS OF SUBSIDIARIES

There has been no material acquisition and disposal of the subsidiaries during the year.

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.

GEARING RATIO

The Group's gearing ratio (being non-current liabilities over total equity) is 30 times as at 31 March 2011 (2010: 71.91%). The increase in gearing ratio is mainly due to the loss incurred for the year.

LIQUIDITY AND FINANCIAL RESOURCES

As at 31 March 2011, the shareholders' funds of the Group amounted to approximately RMB2.91 million. Current assets amounted to approximately RMB77.22 million of which approximately RMB5.68 million were cash and cash equivalents and approximately RMB68.09 million were trade receivables, prepayments, deposits and others receivables and inventories. The Group's current liabilities amounted to approximately RMB35.40 million.

CHARGE OF ASSETS

The Group did not have any charge on its assets as at 31 March 2011 (2010: nil).

CAPITAL COMMITMENT

As at 31 March 2011, the Group's capital commitment in respect of property, plant and equipment contracted but not provided for is nil (2010: nil).

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 2011, the Group did not have any material contingent liabilities (2010: nil).

DIVIDEND

The Board did not recommend any payment of final dividend for the year ended 31 March 2011 (2010: nil).

HUMAN RESOURCES

As at 31 March 2011, the Group had 429 full time employees 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 2011.

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 2011 are as follows:

Total number of meetings held	9
Name of directors	**Attended/Eligible to attend**
Executive directors	
Mr. Li Kangying *(Chairman)*	8/9
Mr. Wang Dongbin	9/9
Mr. Wu Zhanjiang	7/9
Mr. Li Wing Sang	6/9
Independent non-executive directors	
Mr. Yeung King Wah	7/9
Mr. Gao Feng	6/9
Mr. Wu Kehe	6/9

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 2011 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 no new directors appointed by the full Board during the year.

AUDITOR'S REMUNERATION

For the year ended 31 March 2011, the remuneration in respect of audit services provided by the auditors, CCIF CPA Ltd., amounted to approximately HK$490 thousand.

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 2011 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 2011 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 54, 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 43, 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 42, 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 (李永生), aged 53, 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 日立家電販賣珠式會社 (Hitachi Appliance Sales Company Limited) and Gome Trading Co. Ltd etc. He holds a bachelor degree from the Kobe University of Commerce, Japan, majoring in corporate management. He is currently the chairman of the board and an executive director of Tech Pro Technology Development Limited (3823), a company listed on the Main Board of The Stock Exchange of Hong Kong Limited. He was an executive director of Siberian Mining Group Company Limited (1142), a company listed on the Main Board of The Stock Exchange of Hong Kong Limited and was resigned on 31 July 2010. Save as disclosed above, Mr. Li did not hold any directorships in any listed public company in the last three years.

INDEPENDENT NON-EXECUTIVE DIRECTORS AND AUDIT COMMITTEE

Mr. Yeung Kenneth King Wah, aged 52, 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 42, 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 48, 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.

SENIOR MANAGEMENT

Mr. Li Xinguang, aged 49, 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 48, 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 43, 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 37, 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 47, 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 40, 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 38, 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 2011.

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 2011 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 2011 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 2011 (2010: 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 116. 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 30 to the financial statements.

DISTRIBUTABLE RESERVES

As at 31 March 2011 and 31 March 2010, the Company has no 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 28 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 (2010: 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*
Mr. Wang Dongbin, *Chief Executive Officer*
Mr. Li Wing Sang
Mr. Wu Zhanjiang

Independent non-executive directors

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

In accordance with article 87 of the Company's Articles of Association, Mr. Wang Dongbin, Mr. Wu Kehe and Mr. Yeng King Wah 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 2011 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	**Beneficial Owner**	**Controlled Corporation**	**Underlying Shares** (Note 3)	**Total**	**Percentage of Shareholding**
Mr. Li Kangying *(Chairman)*	–	45,500,000 (Note 1)	8,500,000	54,000,000	6.02%
Mr. Wang Dongbin	–	90,000,000 (Note 2)	1,496,600	91,496,600	10.21%
Mr. Li Wing Sang	230,000	–	300,000	530,000	0.06%
Mr. Wu Zhanjiang	2,000,000	–	8,500,000	10,500,000	1.17%
Mr. Yeung King Wah	–	–	923,600	923,600	0.10%
Mr. Gao Feng	–	–	923,600	923,600	0.10%
Mr. Wu Kehe	–	–	530,000	530,000	0.06%

Notes:

(1) These Shares are registered in the name of and beneficially owned by Manrich Investments Limited ("Manrich Investments") and Fortune Sun Holdings Limited ("Fortune Sun"). Manrich Investments and Fortune Sun 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 2011, 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 2011, 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)	117,760,000	65,000,000	182,760,000	20.39%
Cheung Yuet	Interest of controlled corporation (Note 1)	117,760,000	65,000,000	182,760,000	20.39%
Sunfame Enterprises Limited	Beneficial owner (Note 2)	144,586,000	–	144,586,000	16.13%

Name	Nature of Interest	Number of Shares	Number of underlying Shares	Total	Percentage of shareholding
Wong Mei	Interest of controlled corporation (Note 2)	144,586,000	–	144,586,000	16.13%
Ying Da	Beneficial owner (Note 3)	90,000,000	–	90,000,000	10.04%
Wincrest Ventures, LP	Beneficial owner (Note 4)	30,670,000	30,670,000	61,340,000	6.84%
Charles Louis Watson	Interest of controlled corporation (Note 4)	30,670,000	30,670,000	61,340,000	6.84%

Notes:

(1) Gold Oriental Group Limited, a company 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 2011, 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 2011 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 2010	Granted during the year	Exercised during the year	Cancelled/ lapsed during the year	Balance as at 31 March 2011
(i) Directors								
Wang Dongbin	26 March 2008	27 March 2008 to 26 March 2013	1.677	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				28,339,200	-	-	-	28,339,200

Name or category of participant	Date of grant	Exercisable period	Exercise price per share HK$	Balance as at 1 April 2010	Granted during the Year	Exercised during the Year	Cancelled/ lapsed during the Year	Balance as at 31 March 2011
				Number of share options				
(ii) Directors								
Li Kangying	18 March 2009	19 March 2009 to 18 March 2014	0.149	5,500,000	–	(5,500,000)	–	–
Wang Dongbin				230,000	–	–	–	230,000
Wu Zhanjiang				2,000,000	–	(2,000,000)	–	–
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	–	(15,200,000)	–	5,500,000
Total				29,350,000	–	(22,930,000)	–	6,420,000
(iii) Directors								
Li Kangying	27 April 2010	27 April 2010 to 26 April 2015	0.45	–	8,500,000	–	–	8,500,000
Wang Dongbin				–	873,000	–	–	873,000
Wu Zhanjiang				–	8,500,000	–	–	8,500,000
Li Wing Sang				–	300,000	–	–	300,000
Yeung King Wah				–	300,000	–	–	300,000
Gao Feng				–	300,000	–	–	300,000
Wu Kehe				–	300,000	–	–	300,000
Employees				–	47,800,000	–	–	47,800,000
Total				–	66,873,000	–	–	66,873,000

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 30 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 31 to the financial statements.

CONNECTED TRANSACTIONS

The Company did not have connected transactions for the year ended 31 March 2011.

COMPETING INTERESTS

For the year ended 31 March 2011, 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 2011.

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 2011 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	39.55%
– Five largest suppliers in aggregate	74.79%
Sales	
– The largest customer	6.05%
– Five largest customers in aggregate	12.97%

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 reports and results announcements. The audit committee has reviewed and commented that the financial statements of the Company and the Group for the year ended 31 March 2011 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, 24 June 2011

CCIF

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") and its subsidiaries (together "the Group") set out on pages 27 to 115, which comprise the consolidated and Company statements of financial position as at 31 March 2011 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 information.

DIRECTORS' RESPONSIBILITY FOR THE CONSOLIDATED FINANCIAL STATEMENTS

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

INDEPENDENT AUDITOR'S REPORT

AUDITOR'S RESPONSIBILITY

Our responsibility is to express an opinion on these consolidated financial statements based on our audit. This report is made solely to you, as a body, in accordance with section 141 of the Hong Kong Companies Ordinance, and for no other purpose. We do not assume responsibility towards or accept liability to any other person for the contents of this report.

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

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

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

OPINION

In our opinion, the consolidated financial statements give a true and fair view of the state of affairs of the Company and of the Group as at 31 March 2011 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, 24 June 2011

Kwok Cheuk Yuen
Practising Certificate Number P02412

CONSOLIDATED STATEMENT OF COMPREHENSIVE INCOME

FOR THE YEAR ENDED 31 MARCH 2011

	Note	2011 RMB'000	2010 RMB'000
Continuing operations			
Turnover	4	**85,971**	89,945
Cost of sales		**(62,065)**	(39,668)
Gross profit		**23,906**	50,277
Other revenue	5	**941**	2,777
Other net loss	5	**–**	(19)
Impairment loss on intangible assets	16	**(13,961)**	(33,420)
Impairment loss on goodwill	18	**(115,205)**	(188,031)
Distribution costs		**–**	(1,642)
Administrative and other operating expenses		**(58,731)**	(76,059)
Loss from operations		**(163,050)**	(246,117)
Finance costs	6(a)	**(6,837)**	(6,156)
Loss before taxation from continuing operations	6	**(169,887)**	(252,273)
Income tax credit	7(a)	**1,918**	2,878
Loss for the year from continuing operations		**(167,969)**	(249,395)
Discontinued operations			
Loss for the year from discontinued operations	8	**–**	(450)
Loss for the year		**(167,969)**	(249,845)
Other comprehensive income/(loss) for the year			
Exchange differences on translation of financial statements of subsidiaries		**105**	(390)
Total comprehensive loss for the year		**(167,864)**	(250,235)
Loss for the year attributable to owners of the Company		**(167,969)**	(249,845)
Total comprehensive loss for the year attributable to owners of the Company		**(167,864)**	(250,235)
Loss per share	13		
From continuing and discontinued operations			
– Basic		**RMB(0.189)**	RMB(0.328)
– Diluted		**RMB(0.172)**	RMB(0.322)
From continuing operations			
– Basic		**RMB(0.189)**	RMB(0.327)
– Diluted		**RMB(0.172)**	RMB(0.321)

CONSOLIDATED STATEMENT OF FINANCIAL POSITION

AT 31 MARCH 2011

	Note	2011 RMB'000	2010 RMB'000
Non-current assets			
Property, plant and equipment	15	**1,605**	1,173
Intangible assets	16	**13,277**	30,876
Goodwill	18	**62,245**	177,450
		77,127	209,499
Current assets			
Intangible assets	16	**2,715**	4,657
Inventories	19	**–**	202
Trade and other receivables	20	**68,088**	80,138
Income tax recoverable	7(b)	**737**	218
Cash and cash equivalents	21	**5,679**	11,502
		77,219	96,717
Current liabilities			
Trade payables	22	**10,403**	12,658
Other payables and accruals	23	**14,559**	12,180
Obligations under a finance lease	25	**6**	6
Income tax payable	7(b)	**10,434**	10,172
		35,402	35,016
Net current assets		**41,817**	61,701
Total assets less current liabilities		**118,944**	271,200
Non-current liabilities			
Obligations under a finance lease	25	**4**	10
Convertible bonds	26	**110,306**	103,470
Deferred tax liabilities	27(a)	**5,720**	9,965
		116,030	113,445
NET ASSETS		**2,914**	157,755
EQUITY			
Equity attributable to owners of the Company			
Share capital	28	**83,852**	81,926
Reserves	30	**(80,938)**	75,829
TOTAL EQUITY		**2,914**	157,755

Li Kangying
Director

Wang Dongbin
Director

The notes on pages 32 to 115 form part of these financial statements.

STATEMENT OF FINANCIAL POSITION

AT 31 MARCH 2011

	Note	2011 RMB'000	2010 RMB'000
Non-current assets			
Property, plant and equipment	15	**103**	135
Interests in subsidiaries	17	**140,902**	263,490
		141,005	263,625
Current assets			
Trade and other receivables	20	**4,630**	6,600
Cash and cash equivalents	21	**719**	3,331
		5,349	9,931
Current liabilities			
Other payables and accruals	23	**628**	628
Amounts due to subsidiaries	24	**8**	8
Obligations under a finance lease	25	**6**	6
		642	642
Net current assets		**4,707**	9,289
Total assets less current liabilities		**145,712**	272,914
Non-current liabilities			
Obligations under a finance lease	25	**4**	10
Convertible bonds	26	**110,306**	103,470
Deferred tax liabilities	27(a)	**3,322**	4,635
		113,632	108,115
NET ASSETS		**32,080**	164,799
EQUITY			
Equity attributable to Owners of the Company			
Share capital	28	**83,852**	81,926
Reserves	30	**(51,772)**	82,873
TOTAL EQUITY		**32,080**	164,799

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

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

The notes on pages 32 to 115 form part of these financial statements.

CONSOLIDATED STATEMENT OF CHANGES IN EQUITY

FOR THE YEAR ENDED 31 MARCH 2011

		Attributable to owners of the Company									
	Note	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 RMB'000
At 1 April 2009		61,223	158,287	933	–	115	6,722	4,862	(11,257)	3,051	223,936
Changes in equity for 2009											
Exchange differences on translation of financial statements of subsidiaries		–	–	–	–	–	–	–	(390)	–	(390)
Other comprehensive expense for the year		–	–	–	–	–	–	–	(390)	–	(390)
Loss for the year		–	–	–	–	–	–	–	–	(249,845)	(249,845)
Total comprehensive loss		–	–	–	–	–	–	–	(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
At 1 April 2010		81,926	293,831	933	28,596	–	6,027	–	(12,436)	(241,122)	157,755
Changes in equity for 2010											
Exchange differences on translation of financial statements of subsidiaries		–	–	–	–	–	–	–	105	–	105
Other comprehensive income for the year		–	–	–	–	–	–	–	105	–	105
Loss for the year		–	–	–	–	–	–	–	–	(167,969)	(167,969)
Total comprehensive loss		–	–	–	–	–	–	–	105	(167,969)	(167,864)
Shares issued under share option scheme	29	1,926	2,464	–	–	–	(1,520)	–	–	–	2,870
Equity-settled share-based transactions		–	–	–	–	–	10,153	–	–	–	10,153
At 31 March 2011		83,852	296,295	933	28,596	–	14,660	–	(12,331)	(409,091)	2,914

CONSOLIDATED STATEMENT OF CASH FLOWS

FOR THE YEAR ENDED 31 MARCH 2011

	Note	2011 RMB'000	2010 RMB'000
Operating activities			
Loss for the year		**(167,969)**	(249,845)
Adjustments for:			
Income tax expenses recognised in profit or loss	7(a)	**(1,918)**	(2,878)
Depreciation of property, plant and equipment	6(c)	**377**	374
Impairment loss for trade receivables	20	**4,547**	37,054
Amortisation of intangible assets	16	**5,580**	8,855
Impairment loss for intangible assets	16	**13,961**	33,420
Finance costs	6(a)	**6,837**	6,156
Interest income	5	**(32)**	(27)
Impairment loss for goodwill	18	**115,205**	188,031
Loss on disposal of property, plant and equipment	5	**–**	19
Equity-settled share-based payment expenses	6(b)	**10,153**	–
		(13,259)	21,159
Changes in working capital			
Decrease in inventories		**202**	1,721
Decrease/(increase) in trade and other receivables		**7,503**	(25,167)
Decrease in trade payables		**(2,255)**	(1,137)
Increase/(decrease) in accruals and other payables		**2,379**	(12,868)
Cash used in operations		**(5,430)**	(16,292)
Income tax paid – PRC	7(b)	**(2,397)**	(2,019)
Net cash used in operating activities		**(7,827)**	(18,311)
Investing activities			
Payment for the acquisition of property, plant and equipment		**(815)**	(228)
Net cash outflow in asset swap		**–**	(41,506)
Interest received		**32**	27
Net cash used in investing activities		**(783)**	(41,707)
Financing activities			
Proceeds from placing of new shares		**–**	6,790
Share issued under share option scheme		**2,870**	–
Capital element of finance lease payments		**(6)**	(5)
Interest element of finance lease payments		**(1)**	(2)
Net cash generated from financing activities		**2,863**	6,783
Net decrease in cash and cash equivalents		**(5,747)**	(53,235)
Cash and cash equivalents at the beginning of the year		**11,502**	65,127
Effect of foreign exchange rates changes		**(76)**	(390)
Cash and cash equivalents at the end of the year	21	**5,679**	11,502

The notes on pages 32 to 115 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 Company and its subsidiaries are hereafter together referred to as the Group.

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 consolidated 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 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.

The HKICPA has issued certain amendments and interpretations which are or have become effective. It has also issued certain new and revised HKFRSs that are first effective or available for early adoption for the current accounting period of the Group and the Company. Note 3 provides information on any changes in accounting policies resulting from initial application of these developments to the extent that they are relevant to the Group for the current and prior accounting periods reflected in the 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 2011 comprise the Company and its subsidiaries.

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 that are believed to be reasonable under the circumstances, the results of which form the basis of making the judgements about carrying amounts 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 major sources of estimation uncertainty are discussed in note 37.

c) Consolidation

The consolidated financial statements include the financial statements of the Company and all of its subsidiaries made up to 31 March. The results of subsidiaries acquired or disposed of during the year are included in the consolidated statement of comprehensive income from the effective date of acquisition or up to the effective date of disposal, as appropriate.

All material inter-company transactions and balances within the Group are eliminated on consolidation.

The gain or loss on the disposal of a subsidiary represents the difference between the sales proceeds and the Group's share of its net assets together with any goodwill or capital reserve which was not previously charged or recognised in the consolidated statement of comprehensive income.

2. SIGNIFICANT ACCOUNTING POLICIES (Continued)

d) 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 are presently exercisable are taken into account.

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

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

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

e) Business combinations

Business combinations on or after 1 January 2010

Acquisitions of businesses are accounted for using the acquisition method. The consideration transferred in a business combination is measured at fair value, which is calculated as the sum of the acquisition-date fair values of the assets transferred by the Group, liabilities incurred by the Group to the former owners of the acquiree and the equity interests issued by the Group in exchange for the control of the acquiree. Acquisition related costs are generally recognised in profit or loss as incurred.

2. SIGNIFICANT ACCOUNTING POLICIES (Continued)

e) Business combinations (Continued)

Business combinations on or after 1 January 2010 (Continued)

At the acquisition date, the identifiable assets acquired and the liabilities assumed are recognised at their acquisition-date fair values, except that:

– deferred tax asset or liability arising from the assets acquired and liabilities assumed in a business combination and the potential tax effects of temporary differences and carry forwards of an acquiree that exist at the acquisition date or arise as a result of the acquisition are recognised and measured in accordance with HKAS 12, *Income Tax*;

– liabilities or assets relating to employee benefit arrangements are recognised and measured in accordance with HKAS 19 *Employee Benefits*;

– liabilities or equity instruments relating to share-based payment transactions of the acquiree or the replacement of an acquiree's share-based payment transactions with share-based payment transactions of the Group are measured in accordance with HKFRS 2 Share-based Payment at the acquisition date; and

– assets (or disposal groups) that are classified as held for sale in accordance with HKFRS 5 *Non-current Assets Held for Sale and Discontinued Operations* are measured in accordance with that Standard.

Goodwill is measured as the excess of the sum of the consideration transferred, the amount of any non-controlling interests in the acquiree, and the fair value of the acquirer's previously held equity interest in the acquiree (if any) over the net of the acquisition-date amounts of the identifiable assets acquired and the liabilities assumed. If, after re-assessment, the net of the acquisition-date amounts of the identifiable assets acquired and liabilities assumed exceeds the sum of the consideration transferred, the amount of any non-controlling interests in the acquiree and the fair value of the acquirer's previously held interest in the acquiree (if any), the excess is recognised immediately in profit or loss as a bargain purchase gain.

2. SIGNIFICANT ACCOUNTING POLICIES (Continued)

e) Business combinations (Continued)

Business combinations on or after 1 January 2010 (Continued)

Where the consideration the Group transfers in a business combination includes assets or liabilities resulting from a contingent consideration arrangement, the contingent consideration is measured at its acquisition-date fair value and considered as part of the consideration transferred in a business combination. Changes in the fair value of the contingent consideration that qualify as measurement period adjustments are adjusted retrospectively, with the corresponding adjustments being made against goodwill or gain on bargain purchase. Measurement period adjustments are adjustments that arise from additional information obtained during the measurement period about facts and circumstances that existed as of the acquisition date. Measurement period does not exceed one year from the acquisition date.

The subsequent accounting for changes in the fair value of the contingent consideration that do not qualify as measurement period adjustments depends on how the contingent consideration is classified. Contingent consideration that is classified as equity is not remeasured at subsequent reporting dates and its subsequent settlement is accounted for within equity. Contingent consideration that is classified as an asset or a liability is remeasured at subsequent reporting dates in accordance with HKAS 39, or HKAS 37 *Provisions, Contingent Liabilities and Contingent Assets*, as appropriate, with the corresponding gain or loss being recognised in profit or loss.

When a business combination is achieved in stages, the Group's previously held equity interest in the acquiree is remeasured to fair value at the acquisition date (i.e. the date when the Group obtains control), and the resulting gain or loss, if any, is recognised in profit or loss. Amounts arising from interests in the acquiree prior to the acquisition date that have previously been recognised in other comprehensive income are reclassified to profit or loss where such treatment would be appropriate if that interest were disposed of.

Changes in the value of the previously held equity interest recognised in other comprehensive income and accumulated in equity before the acquisition date are reclassified to profit or loss when the Group obtains control over the acquiree.

If the initial accounting for a business combination is incomplete by the end of the reporting period in which the combination occurs, the Group reports provisional amounts for the items for which the accounting is incomplete. Those provisional amounts are adjusted during the measurement period (see above), or additional assets or liabilities are recognised, to reflect new information obtained about facts and circumstances that existed as of the acquisition date that, if known, would have affected the amounts recognised as of that date.

2. SIGNIFICANT ACCOUNTING POLICIES (Continued)

e) Business combinations (Continued)

Business combinations prior to 1 January 2010

Acquisition of businesses was accounted for using the purchase method. The cost of the acquisition was measured at the aggregate of the fair values, at the date of exchange, of assets given, liabilities incurred or assumed, and equity instruments issued by the Group in exchange for control of the acquiree, plus any costs directly attributable to the business combination. The acquiree's identifiable assets, liabilities and contingent liabilities that met the relevant conditions for recognition were generally recognised at their fair value at the acquisition date.

Goodwill arising on acquisition was recognised as an asset and initially measured at cost, being the excess of the cost of the acquisition over the Group's interest in the recognised amounts of the identifiable assets, liabilities and contingent liabilities recognised. If, after assessment, the Group's interest in the recognised amounts of the acquiree's identifiable assets, liabilities and contingent liabilities exceeded the cost of the acquisition, the excess was recognised immediately in profit or loss.

The non-controlling interest in the acquiree was initially measured at the non-controlling interest's proportionate share of the recognised amounts of the assets, liabilities and contingent liabilities of the acquiree.

Contingent consideration was recognised, if and only if, the contingent consideration was probable and could be measured reliably. Subsequent adjustments to contingent consideration were recognised against the cost of the acquisition.

Business combinations achieved in stages were accounted for as separate steps. Goodwill was determined at each step. Any additional acquisition did not affect the previously recognised goodwill.

2. SIGNIFICANT ACCOUNTING POLICIES (Continued)

f) Goodwill

Goodwill represents the excess of

(i) the aggregate of the fair value of the consideration transferred, the amount of any non-controlling interest in the acquiree and the fair value of the Group's previously held equity interest in the acquiree; over

(ii) the Group's interest in the net fair value of the acquiree's identifiable assets and liabilities measured as at the acquisition date.

When (ii) is greater than (i), this excess is recognised immediately in profit or loss as a gain on a bargain purchase.

Goodwill is carried at cost less accumulated impairment losses. For the purposes of equipment testing, goodwill is allocated to each of the cash-generating unit, or groups of cash generating units, that is expected to benefit from the synergies of the combination.

A cash-generating unit to which goodwill has been allocated is tested for impairment annually, or more frequently whenever there is indication that the unit may be impaired. For goodwill arising on an acquisition in a reporting period, the cash-generating unit to which goodwill has been allocated is tested for impairment before the end of that reporting period. If the recoverable amount of the cash-generating unit is less than the carrying amount of the unit, the impairment loss is allocated first to reduce the carrying amount of any goodwill allocated to the unit and then to the other assets of the unit pro rata on the basis of the carrying amount of each asset in the unit. Any impairment loss for goodwill is recognised directly in profit or loss in the consolidated statement of comprehensive income. An impairment loss recognised for goodwill is not reversed in subsequent periods.

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

g) 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.

2. SIGNIFICANT ACCOUNTING POLICIES (Continued)

g) Research and development costs (Continued)

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.

h) Property, plant and equipment

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

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 or valuation of the item is allocated on a reasonable basis between the parts and each part is depreciated separately. Both the useful life of an asset and its residual value, if any, are reviewed annually.

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

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

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

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)

i) Intangible assets (other than goodwill)

Intangible assets acquired separately and with finite useful lives are carried at costs less accumulated amortisation and any accumulated impairment losses. Amortisation for intangible assets with finite useful lives is provided on a straight-line basis over their estimated useful lives. Intangible assets with indefinite useful lives are carried at cost less any subsequent accumulated impairment losses.

Gains or losses arising from derecognition of an intangible asset are measured at the difference between the net disposal proceeds and the carrying amount of the asset and are recognised in profit or loss in the period when the asset is derecognised.

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.

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.

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.

2. SIGNIFICANT ACCOUNTING POLICIES (Continued)

j) Leased assets (Continued)

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 is recognised 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(h). 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.

k) Impairment of assets

i) Impairment of investments in equity securities and other receivables

Investments in equity securities (other than investments in subsidiaries: see note 2(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;

2. SIGNIFICANT ACCOUNTING POLICIES (Continued)

k) Impairment of assets (Continued)

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

- 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 unquoted 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.

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.

2. SIGNIFICANT ACCOUNTING POLICIES (Continued)

k) Impairment of assets (Continued)

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

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.

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;
– intangible assets;
– investments in subsidiaries (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 greater of its fair value less costs to sell and value in use. In assessing value in use, the estimated future cash flows are discounted to their present value using a pre-tax discount rate that reflects current market assessments of the time value of money and the risks specific to the asset. 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).

2. SIGNIFICANT ACCOUNTING POLICIES (Continued)

k) Impairment of assets (Continued)

ii) Impairment of other assets (Continued)

– Recognition of impairment losses

An impairment loss is recognised in profit or loss if 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.

– 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.

2. SIGNIFICANT ACCOUNTING POLICIES (Continued)

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.

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 losses 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 losses 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(t)(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 that are 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.

2. SIGNIFICANT ACCOUNTING POLICIES (Continued)

p) Convertible bonds

Convertible bonds issued by the Company are classified separately as financial liabilities and equity in accordance with the substance of the contractual arrangements and the definitions of a financial liability and an equity instrument. Conversion option that will be settled by the exchange of a fixed amount of cash or another financial asset for a fixed number of the Company's own equity instruments is an equity instrument.

At the date of issue, the fair value of the liability component is estimated using the prevailing market interest rate for similar non-convertible instruments. This amount is recorded as a liability on an amortised cost basis using the effective interest method until extinguished upon conversion or at the instrument's maturity date.

The conversion option classified as equity is determined by deducting the amount of the liability component from the fair value of the compound instrument as a whole. This is recognised and included in equity, net of income tax effects, and is not subsequently remeasured. In addition, the conversion option classified as equity will remain in equity until the conversion option is exercised, in which case, the balance recognised in equity will be transferred to share premium. Where the conversion option remains unexercised at the maturity date of the convertible note, the balance recognised in equity will be transferred to retained profits. No gain or loss is recognised in profit or loss upon conversion or expiration of the conversion option.

Transaction costs that relate to the issue of the convertible notes are allocated to the liability and equity components in proportion to the allocation of the gross proceeds. Transaction costs relating to the equity component are recognised directly in equity. Transaction costs relating to the liability component are included in the carrying amount of the liability component and are amortised over the lives of the convertible notes using the effective interest method.

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 retirement plans, leave passage and the cost to the Group of non-monetary benefits are accrued in the year in which the associated services are rendered by employees of the Group. 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 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 options, the total estimated fair value of the options is spread over the vesting period, taking into account the probability that the options will vest.

2. SIGNIFICANT ACCOUNTING POLICIES (Continued)

q) Employee benefits (Continued)

ii) Share-based payments (Continued)

During the vesting period, the number of share options that is expected to vest is reviewed. Any resulting 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 capital reserve. On vesting date, the amount recognised as an expense is adjusted to reflect the actual number of options that vest (with a corresponding adjustment to 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 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.

r) Retirement scheme

The Group operates a defined contribution mandatory provident fund retirement benefits scheme (the "Hong Kong Scheme") under the Mandatory Provident Fund Scheme Ordinance, for those employees who are eligible to participate in the Hong Kong Scheme. The Hong Kong Scheme became effective on 1 December 2000. Contributions are made based on a percentage of the employees' basic salaries and are charged to the statement of comprehensive income as they become payable in accordance with the rules of the Hong Kong Scheme. The assets of the Hong Kong Scheme are held separately from those of the group in an independently administered fund. The Group's employer contributions vest fully with the employees when contributed into the Hong Kong Scheme.

The Group's PRC operations participate in defined contribution retirement plans managed by the local municipal government in the locations in which it operates. The relevant authorities of the local municipal government in the PRC is responsible for the retirement benefit obligations payable to the Group's retired employees. The Group has no obligation for payment of retirement benefits beyond the annual contribution. The contribution payable is charged as an expense to profit or loss as and when incurred.

2. SIGNIFICANT ACCOUNTING POLICIES (Continued)

s) Income tax

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

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

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

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)

s) 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.

t) 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)

t) 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(t)(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 assumed in business combinations

Contingent liabilities assumed in a business combination which are present obligations at the date of acquisition 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(t)(iii). Contingent liabilities assumed in a business combination that cannot be reliably fair valued or were not present obligations at the date of acquisition are disclosed in accordance with note 2(t)(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)

u) Revenue recognition

Revenue is measured at fair value of the consideration received or receivable. 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) *School network integration services*

Revenue from the provision of school network integration services is recognised when the goods are deliveried and 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 and returns.

ii) *Sales of application software*

Revenue from the sale of application software is recognised when the goods are deliveried and 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 and returns.

iii) *Information technology services for the electricity power industry*

Revenue from the provision of services is recognised when goods are delivered and 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 deduction of any trade discounts and returns.

iv) *Interest income*

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

v) *Value added tax refunds*

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

v) Translation of foreign currencies

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 functional currency of the primary entities within the Group.

2. SIGNIFICANT ACCOUNTING POLICIES (Continued)

v) Translation of foreign currencies (Continued)

Foreign currency transactions during the year are translated at the foreign exchange rates ruling at the transaction dates. Monetary assets and liabilities denominated in foreign currencies are translated at the transaction rates ruling at the end of the reporting period. Exchange gains and losses are recognised in profit or loss.

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

The results of foreign operations are translated into RMB at the exchange rates approximating the foreign exchange rates ruling at the dates of the transactions. Statement of financial position items, including goodwill arising on consolidation of foreign operations acquired on or after 1 January 2005, are translated into RMB at the foreign exchange rates ruling at the end of the reporting period. The resulting exchange differences are recognised in other comprehensive income and accumulated separately in equity in the exchange reserve. Goodwill arising on consolidation of a foreign operation acquired before 1 January 2005 is translated at the foreign exchange rate that applied at the date of acquisition of the foreign operation.

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

In the case of a partial disposal of a subsidiary that does not result in the Group losing control over the subsidiary, the proportionate share of accumulated exchange differences are re-attributed to non-controlling interests are not recognised in profit or loss.

2. SIGNIFICANT ACCOUNTING POLICIES (Continued)

w) Borrowing costs

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

The capitalisation of borrowing costs as part of the cost of a qualifying asset commences when expenditure for the asset is being incurred, borrowing costs are being incurred and activities that are necessary to prepare the asset for its intended use or sale are in progress. Capitalisation of borrowing costs is suspended or ceases when substantially all the activities necessary to prepare the qualifying asset for its intended use or sale are interrupted or complete.

x) Related parties

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

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

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

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

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

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

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

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

2. SIGNIFICANT ACCOUNTING POLICIES (Continued)

y) 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 chief operating decision maker for the purposes of allocating resources to, and assessing the performance of, the Group's various business operation 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.

z) Discontinued operations

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

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

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

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

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

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

Application of new and revised 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.

HKFRSs (Amendments)	Amendment to HKFRS 5 as part of Improvements to HKFRSs 2008
HKFRSs (Amendments)	Improvements to HKFRSs 2009
HKAS 27 (Revised 2008)	Consolidated and Separate Financial Statements
HKAS 32 (Amendments)	Classification of Right Issues
HKAS 39 (Amendments)	Financial Instruments
HKFRS 2 (Amendments)	Group Cash-settled Share-based Payment Transactions
HKFRS 3 (Revised 2008)	Business Combinations
HK-Interpretation ("Int")5	Presentation of Financial Statements – Classification by the Borrower of a Term Loan that Contains a Repayment on Demand Clause
HK(IFRIC) – Int 17	Distributions of Non-cash Assets to Owners

The application of the above new and revised HKFRSs had no material effect on the consolidated financial statements of the Group for the current or prior accounting periods.

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 in the PRC.

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

	2011	2010
	RMB'000	RMB'000
Information technology services in the electricity power industry	**45,570**	60,759
Judicial authentication services and sales of application software	**1,540**	800
School network integration services	**38,861**	28,386
Total turnover	**85,971**	89,945

5. OTHER REVENUE AND OTHER NET LOSS

	2011	2010
	RMB'000	RMB'000
Other revenue		
Interest income on bank deposits	**32**	27
Total interest income on financial assets not at fair value through profit or loss	**32**	27
Value added tax refunds *(note)*	**909**	2,750
	941	2,777
Other net loss		
Loss on disposal of property, plant and equipment	**–**	(19)

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 BEFORE TAXATION FROM CONTINUING OPERATIONS

Loss before taxation from continuing operations are arrived at after charging the followings:

	2011 RMB'000	2010 RMB'000
Continuing operations		
a) Finance costs:		
Finance charge on obligations under a finance lease	**1**	2
Interest on convertible bonds	**6,836**	6,154
Total interest expense on financial liabilities not at fair value through profit or loss	**6,837**	6,156
b) Staff costs (directors' emoluments included):		
Contributions to defined contribution retirement plans	**1,854**	1,071
Equity-settled share-based payment expenses	**10,153**	–
Salaries, wages and other benefits	**33,010**	17,817
	45,017	18,888
c) Other items:		
Amortisation of intangible assets	**5,580**	8,855
Impairment loss of:		
– trade receivables	**4,547**	37,054
– intangible assets	**13,961**	33,420
– goodwill	**115,205**	188,031
Depreciation for property, plant and equipment	**377**	374
Auditor's remuneration	**420**	450
Operating lease charges: minimum lease payments	**2,316**	2,686
Cost of inventories sold	**20,122**	13,685
Cost of services rendered	**41,943**	26,191
Research and development costs	**12,885**	945

7. INCOME TAX IN THE CONSOLIDATED STATEMENT OF COMPREHENSIVE INCOME

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

	2011	2010
	RMB'000	RMB'000
Current tax		
PRC Enterprise Income Tax	**1,714**	4,478
Under-provision in respect of prior years		
PRC Enterprise Income Tax	**426**	–
Deferred tax		
Current year (note 27)	**(4,058)**	(7,356)
	(1,918)	(2,878)

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 (2010: Nil).

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

北京普華雅龍科技有限公司"Along" and 北京普華智維科技有限公司"智維" (formerly known as 北京智義仁信息技術有限公司) were subject to PRC EIT. Along and 智維, as advanced technology enterprises (高新技術企業), were entitled to enjoy a reduced tax rate of 15% for three years from 2008 and 2009 respectively.

7. 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 credit and accounting loss at the applicable tax rates:

	2011 RMB'000	2010 RMB'000
Loss before taxation	**(169,887)**	(252,723)
Notional tax on loss before taxation, calculated at the rates applicable to the tax jurisdictions concerned	**(41,393)**	(35,273)
Tax effect of non-deductible expenses	**46,881**	43,775
Tax effect of non-taxable income	**(2,624)**	(1,038)
Tax effect of profits entitled to tax exemption in the PRC	**(1,150)**	(2,986)
Tax effect of unused tax losses	**(4,058)**	(7,356)
Under-provision in prior years	**426**	–
Actual tax credit	**(1,918)**	(2,878)

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

	2011 RMB'000	2010 RMB'000
At the beginning of the year	**9,954**	8,380
Provision for the year	**1,714**	4,478
Under-provision in respect of prior years	**426**	–
Acquisition of subsidiaries (note 34)	**–**	(97)
Disposal of subsidiaries (note 34)	**–**	(788)
Tax paid	**(2,397)**	(2,019)
At the end of the year	**9,697**	9,954
Income tax recoverable recognised in the consolidated statement of financial position	**(737)**	(218)
Income tax payable recognised in the consolidated statement of financial position	**10,434**	10,172
	9,697	9,954

8. DISCONTINUED OPERATIONS

As detailed in note 34, the sale and purchase agreement dated 30 June 2009 was completed on 30 September 2009. Subsequent to that date, the Group has not engaged in the self-developed education software and internet learning card operation, which was previously conducted by the subsidiaries of A&K Software (BVI) Limited. The operation of such segment is discontinued in the current year.

Analysis of loss for the year from discontinued operations

The results of the discontinued operation (i.e. self-developed education software and internet learning card) included in the consolidated statement of comprehensive income and consolidated statement of cash flows are set out below. The comparative loss and cash flows from discontinued operations have been re-presented to include those operations classified as discontinued in the current year.

	2011 **RMB'000**	2010 RMB'000
Loss for the year from discontinued operations		
Turnover	–	10
Cost of sales	–	(208)
Expenses	–	(250)
Loss before tax	–	(450)
Income tax expense	–	–
	–	(450)
Loss for the year from discontinued operations attributable to owners of the Company	–	(450)
Loss for the year from discontinued operations include the following:		
Depreciation and amortisation	–	65
Cash flows from discontinued operations		
Net cash outflows from operating activities	–	(1,592)
Net cash inflows from investing activities	–	875
Net cash outflows	–	(717)

9. DIRECTORS' EMOLUMENTS

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

	Year ended 31 March 2011					
	Fees	Salaries, allowances and benefits in kind	Retirement scheme contributions	Sub-total	Equity-settled share-based payments	Total
	RMB'000	RMB'000	RMB'000	RMB'000	RMB'000	RMB'000
Executive directors						
Wang Dong Bin	103	889	23	1,015	185	1,200
Li Wing Sang	103	–	–	103	64	167
Li Kang Ying *(Chairman)*	103	1,117	30	1,250	1,804	3,054
Wu Zhan Jiang	103	541	39	683	1,804	2,487
Independent non-executive directors						
Yeung Kenneth King Wah	103	–	–	103	64	167
Geo Feng	103	–	–	103	64	167
Wu Kehe	103	–	–	103	64	167
	721	2,547	92	3,360	4,049	7,409

9. DIRECTORS' EMOLUMENTS (Continued)

	Year ended 31 March 2010					
	Fees RMB'000	Salaries, allowances and benefits in kind RMB'000	Retirement scheme contributions RMB'000	Sub-total RMB'000	Equity-settled share-based payments RMB'000	Total RMB'000
Executive directors						
Peng Ge Xiong *(note i)*	–	–	–	–	–	–
Wang Dong Bin	106	957	33	1,096	–	1,096
Li Wing Sang	106	–	–	106	–	106
Lau Kam Ying *(note ii)*	41	–	–	41	–	41
Li Kang Ying *(Chairman)* *(note iii)*	15	872	11	898	–	898
Wu Zhan Jiang *(note iv)*	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

Notes:

i) Resigned on 8 February 2010

ii) Resigned on 19 August 2009

iii) Appointed on 8 February 2010

iv) Appointed on 1 January 2010

As at 31 March 2011, 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 29.

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 2011 (2010: nil).

10. INDIVIDUALS WITH HIGHEST EMOLUMENTS

Of the five individuals with the highest emoluments in the Group, three (2010: three) were directors of the Company whose emoluments are included in the disclosures in note 8 above. The emoluments of the remaining two (2010: two) individuals were as follows:

	2011	2010
	RMB'000	RMB'000
Salaries and other benefits	**673**	693
Contributions to retirement benefit schemes	**12**	11
Equity-settled share based payments	**2,002**	–
	2,687	704

During the years ended 31 December 2010 and 2011, 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 emoluments of the two (2010: two) individuals with the highest emoluments are within the following bands:

	2011	2010
Nil to HK$500,000	**–**	–
HK$500,001 to HK$1,000,000	**–**	2
HK$1,000,001 to HK$1,500,000	**1**	–
HK$1,500,001 to HK$2,000,000	**–**	–
HK$2,000,001 to HK$2,500,000	**1**	–

11. LOSS ATTRIBUTABLE TO OWNERS OF THE COMPANY

The consolidated loss attributable to owners of the Company includes a loss of approximately RMB145,851,000 (2010: loss of RMB189,653,000) which has been dealt with in the financial statements of the Company.

12. DIVIDENDS

The directors do not propose any dividend in respect of the year ended 31 March 2011 (2010: nil).

13. LOSS PER SHARE

From continuing and discontinued operations

The calculation of the basic and diluted losses per share attributable to owners of the Company is based on the following data:

	2011 RMB'000	2010 RMB'000
Loss		
Loss for the purpose of basic loss per share (loss for the year attributable to owners of the Company)	**(167,969)**	(249,845)
Effect of dilutive potential ordinary shares:		
Interest on convertible notes (net of tax)	**5,708**	–
Loss for the purpose of diluted loss per share	**(162,261)**	(249,845)

	2011 '000	2010 '000
Number of shares		
Weighted average number of ordinary shares for the purpose of basic loss per share	**889,140**	761,623
Effect of dilutive potential ordinary shares:		
Share options issued by the Company	**2,440**	13,376
Warrants	**–**	1,647
Convertible notes	**51,122**	–
Weighted average number of ordinary shares for the purpose of diluted loss per share	**942,702**	776,646

13. LOSS PER SHARE (Continued)

From continuing operations

The calculation of the basic and diluted loss per share from continuing operations attributable to owners of the Company is based on the following data:

Loss figures are calculated as follows:

	2011 RMB'000	2010 RMB'000
Loss for the year attributable to owners of the Company	**(167,969)**	(249,845)
Less:		
Loss for the year from discontinued operations	**–**	450
Loss for the purpose of basic loss per share from continuing operations	**(167,969)**	(249,395)
Effect of dilutive potential ordinary shares:		
Interest on convertible notes (net of tax)	**5,708**	–
Loss for the purpose of diluted loss per share from continuing operations	**(162,261)**	(249,395)

The denominators used are the same as those detailed above for both basic and diluted loss per share.

From discontinued operations

Basic loss per share for the discontinued operations attributable to owners of the Company is nil (2010: loss of RMB0.001 cents per share) and diluted loss per share for the discontinued operations attributable to owners is loss of nil (2010: loss of RMB0.001 cents per share), based on the loss for the year from the discontinued operations of the Company of loss nil (2010: loss of RMB450,000) and the denominators detailed above for both basic and diluted earnings per share.

14. SEGMENT INFORMATION

Operating segments are identified on the basis of internal reports which provide information about components of the Group. These information are reported to and reviewed by the Board of Directors, the chief operating decision-makers for the purpose of resource allocation and performance assessment.

The Group has presented the segment information by the following categories. These segments are managed separately.

1. Information technology services for the electricity power industry.

2. Judicial authentication services and sales of application software.

3. School network integration services.

The self-developed education software and internet learning card operation was discontinued in the current year. The segment information reported below does not include any amount for this discontinued operation, which are described in more detail in note 8.

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 makers monitor 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 three reportable operating segments are as follows, these segments are managed separately. All segments are operating in the PRC and provide services to customers in the PRC:

i) Information technology services for the electricity power industry segment is engaged in the provision of information technology services for the customers operating in the electricity power industry.

ii) Judicial authentication services and sales of application software segment is engaged in the provision of judicial authentication services and selling of application software.

iii) School network integration services segment is engaged in the provision of school network integration services to schools and educational institutes.

14. SEGMENT INFORMATION (Continued)

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

Segment revenues and results

The following is an analysis of the Group's revenue and results from continuing operations by reportable segments.

	Segment revenue		Segment profit/(loss)	
	2011 RMB'000	2010 RMB'000	2011 RMB'000	2010 RMB'000
Information technology services for the electricity power industry	45,570	60,759	8,681	37,227
Judicial authentication services and sales of application software	1,540	800	380	470
School network integration services	38,861	28,386	14,845	12,580
Total for continuing operations	85,971	89,945	23,906	50,277
Other revenue			941	2,777
Other net loss			–	(19)
Impairment loss on intangible asset			(13,961)	(33,420)
Impairment loss on goodwill			(115,205)	(188,031)
Distribution costs			–	(1,642)
Administrative and other operating expenses			(58,731)	(76,059)
Finance costs			(6,837)	(6,156)
Loss before taxation (continuing operations)			(169,887)	(252,273)

Segment revenue reported above represents revenue generated from external customers. There were no inter-segment sales in the current year (2010: nil).

The accounting policies of the reportable segments are the same as the Group's accounting policies described in note 2(y). Segment profit/(loss) represents the profit/(loss) earned by each segment without allocation of central administration costs including directors' salaries, other revenue, other net loss, impairment loss on intangible asset, impairment loss on goodwill, distribution costs, administrative and other operating expenses and finance costs. This is the measure reported to the chief operating decision-makers for the purposes of resource allocation and assessment of segment performance.

14. SEGMENT INFORMATION (Continued)

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

Segment assets and liabilities

	2011 RMB'000	2010 RMB'000
Segment assets		
Information technology services for the electricity power industry	71,367	208,227
Judicial authentication services and sales of application software	1,980	4,442
School network integration services	79,424	87,103
Total segment assets	152,771	299,772
Unallocated	1,575	6,444
Consolidated assets	154,346	306,216
Segment liabilities		
Information technology services for the electricity power industry	27,350	22,932
Judicial authentication services and sales of application software	65	5,864
School network integration services	1,560	3,754
Total segment liabilities	28,975	32,550
Unallocated	122,457	115,911
Consolidated liabilities	151,432	148,461

14. SEGMENT INFORMATION (Continued)

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

Segment assets and liabilities (Continued)

For the purposes of monitoring segment performance and allocating resources between segments:

- all assets are allocated to reportable segments other than unallocated corporate assets. Goodwill is allocated to reportable segments as described in note 18. No assets are used jointly by segments.

- all liabilities are allocated to reportable segments other than obligation under finance leases and unallocated corporate liabilities. No liabilities for which segment are jointly liable.

Other segment information

	Additions to non-current assets		Depreciation and amortisation		Share-based payments expenses	
	2011	2010	**2011**	2010	**2011**	2010
	RMB'000	RMB'000	**RMB'000**	RMB'000	**RMB'000**	RMB'000
Information technology services for the electricity power industry	**519**	116	**2,574**	7,308	**–**	–
Judicial authentication services and sales of application software	**103**	32	**89**	–	**–**	–
School network integration services	**175**	73	**3,250**	1,620	**–**	–
Discontinued operations	**–**	5	**–**	65	**–**	–
Unallocated	**18**	78	**45**	236	**10,153**	–
Total	**815**	304	**5,958**	9,229	**10,153**	–

14. SEGMENT INFORMATION (Continued)

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

Revenue from major products and services

The Group's revenue from continuing operations from its major products and services were as follows:

	2011 RMB'000	2010 RMB'000
Information technology services for the electricity power industry	**45,570**	60,759
Judicial authentication services and sales of application software	**1,540**	800
School network integration services	**38,861**	28,386
	85,971	89,945

b) Geographical Information

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

c) Information about major customers

Revenue from external customers contributing 10% or more of the total revenue of the Group's are as follows:

	2011 RMB'000	2010 RMB'000
Customer A	**34,000**	22,000
Customer B	**17,391**	20,500
Customer C	**–**	16,300
	51,391	58,800

Further details of concentration of credit risk arising from these customers are set out in note 36(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 2009	368	4,360	369	1,265	6,362
Additions	–	132	96	–	228
Additions – through acquisition of subsidiaries under asset swap	–	27	9	37	73
Disposals – through disposal of subsidiaries under asset swap	(308)	(3,890)	(163)	(708)	(5,069)
Disposals	–	–	(31)	–	(31)
At 31 March 2010	60	629	280	594	1,563
At 1 April 2010	60	629	280	594	1,563
Exchange adjustment	(3)	–	(9)	–	(12)
Additions	16	325	371	103	815
At 31 March 2011	73	954	642	697	2,366
Accumulated depreciation					
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	(308)	(3,759)	(145)	(648)	(4,860)
Written back on disposal	–	–	(12)	–	(12)
At 31 March 2010	60	154	82	94	390
At 1 April 2010	60	154	82	94	390
Exchange adjustment	(3)	–	(3)	–	(6)
Charge for the year	11	170	72	124	377
At 31 March 2011	68	324	151	218	761
Carrying amount					
At 31 March 2011	5	630	491	479	1,605
At 31 March 2010	–	475	198	500	1,173

15. PROPERTY, PLANT AND EQUIPMENT (Continued)

The Company

	Leasehold improvements RMB'000	Furniture and equipment RMB'000	Total RMB'000
Cost			
At 1 April 2009	60	151	211
Additions	–	77	77
Disposals	–	(31)	(31)
At 31 March 2010	60	197	257
At 1 April 2010	60	197	257
Exchange adjustment	(3)	(9)	(12)
Additions	16	1	17
At 31 March 2011	73	189	262
Accumulated depreciation			
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
At 1 April 2010	60	62	122
Exchange adjustment	(3)	(4)	(7)
Charge for the year	11	33	44
At 31 March 2011	68	91	159
Carrying amount			
At 31 March 2011	5	98	103
At 31 March 2010	–	135	135

The carrying amount of property, plant and equipment of the Group and the Company held under a finance lease at 31 March 2011 amounted to RMB10,000 (2010: RMB16,000) (note 25).

16. INTANGIBLE ASSETS

The Group

	Judicial authentication services and sales of application software		Information technology services in the electricity power industry		School network integration services			
	Customer contracts RMB'000	Forensic centre contractual rights RMB'000	Customer base RMB'000	Technology know-how RMB'000	Customer contracts RMB'000	Customer base RMB'000	Acquired computer software RMB'000	Total RMB'000
Cost								
At 1 April 2009	884	10,562	29,960	22,497	–	–	–	63,903
Additions through acquisition of subsidiaries	–	–	–	–	4,214	23,805	48	28,067
Additions	–	–	–	–	–	–	–	–
Disposals	–	–	–	–	–	–	–	–
At 31 March 2010 and 1 April 2010	884	10,562	29,960	22,497	4,214	23,805	48	91,970
Additions	–	–	–	–	–	–	–	–
Disposals	–	–	–	–	–	–	–	–
At 31 March 2011	884	10,562	29,960	22,497	4,214	23,805	48	91,970
Accumulated amortisation and impairment								
At 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 and 1 April 2010	884	10,562	27,475	15,904	351	1,253	8	56,437
Charge for the year	–	–	537	1,819	702	2,506	16	5,580
Impairment	–	–	–	3,591	3,161	7,209	–	13,961
At 31 March 2011	884	10,562	28,012	21,314	4,214	10,968	24	75,978
Net carrying amount								
At 31 March 2011	–	–	1,948	1,183	–	12,837	24	15,992
At 31 March 2010	–	–	2,485	6,593	3,863	22,552	40	35,533
Analysed for reporting purposes as								
At 31 March 2011								
Current assets	–	–	537	450	–	1,712	16	2,715
Non-current assets	–	–	1,411	733	–	11,125	8	13,277
	–	–	1,948	1,183	–	12,837	24	15,992
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

16. INTANGIBLE ASSETS (Continued)

The Group (Continued)

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

The amortisation charge for the year is included in administrative expenses in the consolidated statement of comprehensive income.

In respect of the judicial authentication services and application software segment, the intangible assets arising from customer contracts were fully amortized during the year ended 31 March 2008. For the forensic centre contractual rights, full impairment was made during the year ended 31 March 2009 since the directors of the Company considered that it was unlikely that there will be any substantial future value in use due to the change in regulation in the PRC and provided that the contractual rights is not transferable, the fair value less cost to sell is nil.

The directors of the Company had reviewed the recoverable amounts of the Group's remaining intangible assets as at 31 March 2011 and 31 March 2010.

The recoverable amount of the remaining 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 who have among their staff, fellow members of the Hong Kong Institute of Surveyors and with experience in the valuation of similar assets in the relevant industries. In respect of the information technology services in the electricity power industry segment, the intangible assets of the customer base and technology know-how are determined using income approach. 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. The cash flows are discounted using a discount rate of 15.01% (2010: 16.14%). The discount rate used is after-tax and reflects specific risks relating to the information technology services in the electricity power industry segment.

In respect of the school network integration services segment, the intangible assets of customer contracts and customer base are determined using income approach. For the customer contracts, there was no revenue derived from such customer contracts since October 2010 and the directors of the Company considered that they do not expect to renew the contracts and there would be no further revenue to be generated from such customer contracts. Accordingly, the recoverable amount of the customer contracts is determined to be nil as at 31 March 2011. For the customer base, the recoverable amount is calculated by reference to the cash flow projections based on the revenue derived from such customer base for the year ended 31 March 2011 and extrapolated using a steady 3% (2010: 3%) growth rate which is the long term average growth rate for the relevant industry. The cash flows are determined using an after-tax discount rate of 17.93% (2010: 16.14%) which reflects specific risks relating to the school network integration services industry.

The recoverable amount of the acquired computer software under the school network integration services segment is determined using the replacement cost approach based on the cost information obtained by the directors of the Company. There is no significant change in the major costs of the computer software in compare with the previous years.

16. INTANGIBLE ASSETS (Continued)

Impairment tests for intangible assets (Continued)

In conclusion, the impairment loss of approximately RMB13,961,000 (2010: RMB33,420,000) recognised during the year was arising from the Group's information technology services in the electricity power industry and school network integration services amounting to RMB3,591,000 (2010: RMB33,420,000) and RMB10,370,000 (2010: nil) respectively.

The impairment loss of approximately RMB3,591,000 in the current year in respect of the segment of information technology services in the electricity industry was attributable to the considerable increase in the related cost of materials and workforce while the profit margin decreases as a result of the keen market competition during the recovery from the continuous economic downturn in previous years.

The impairment loss of approximately RMB33,420,000 for the year 2010 was attributable to the adverse market environment caused by the global financial turmoil occurred in September 2008 which had an enduring adverse effect on the economy. The global financial turmoil has caused significant deterioration in electricity usage in the PRC, 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 had been cut down, leading to the significant decrease in the growth potential of the business opportunity in the information technology services in the electricity power industry. Hence the impairment loss is recognised.

The impairment loss of approximately RMB10,370,000 in the current year in respect of the segment of school network integration services was contributed by the unavoidable impacts from the cyclical fluctuation of the industry and the accumulated adverse effect on the economic environment caused by the global financial turmoil in previous years. Hence, impairment loss is recognized accordingly.

17. INTERESTS IN SUBSIDIARIES

	2011	2010
	RMB'000	RMB'000
Unlisted shares, at cost	**430,829**	430,829
Impairment loss*	**(289,927)**	(167,339)
	140,902	263,490

* Impairment loss of RMB289,927,000 (2010: RMB167,339,000) was made as the aggregate estimated recoverable amount of the interests in certain subsidiaries were less than their aggregate carrying amount of RMB397,812,000 (2010: 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. The impairment loss in 2010 was attributable to the adverse market environment caused by the global financial turmoil occurred in September 2008 which seriously affected the business opportunity of certain subsidiaries of the Company. The impairment loss in the current year was attributable to the keen market competition and cyclical fluctuation of the industry which resulted in reduction in expected future return of certain subsidiaries.

17. INTERESTS IN SUBSIDIARIES (Continued)

The following shows the details of the subsidiaries (including a special purpose entity) as at 31 March 2011:

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

17. INTERESTS IN SUBSIDIARIES (Continued)

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

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) 北京普華智維科技有限公司 (formerly known as 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	
	2011	2010
	RMB'000	RMB'000
Cost		
At the beginning of the year	**372,426**	72,528
Additions through acquisitions of subsidiaries under Asset Swap (note 34)	**–**	46,896
Adjustments to the cost of acquisition	**–**	253,002
At the end of the year	**372,426**	372,426
Accumulated impairment losses		
At the beginning of the year	**194,976**	6,945
Impairment loss	**115,205**	188,031
At the end of the year	**310,181**	194,976
Carrying amount		
At the end of the year	**62,245**	177,450

For the year 2010 – Adjustments to cost of acquisition

The goodwill for the CGU of the information technology services in the electricity power industry of RMB318,585,000, 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 2010 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					
	2011			2010		
	Cost	**Accumulated impairment losses**	**Carrying amount**	Cost	Accumulated impairment losses	Carrying amount
	RMB'000	**RMB'000**	**RMB'000**	RMB'000	RMB'000	RMB'000
Sales of application software	**6,945**	**6,945**	**–**	6,945	6,945	–
Information technology services in the electricity power industry	**318,585**	**303,236**	**15,349**	318,585	188,031	130,554
School network integration services	**46,896**	**–**	**46,896**	46,896	–	46,896
At 31 March	**372,426**	**310,181**	**62,245**	372,426	194,976	177,450

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	
	2011	2010
	%	%
Gross margin	**44.00 – 53.00**	54.00
Growth rate	**(50.00) – 4.00**	3.00 – 5.00
Discount rate	**14.01**	15.10

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 after-tax and reflect specific risks relating to the relevant segments.

The impairment loss of approximately RMB115,205,000 in the current year was attributable to the considerable increase in the related cost of materials and workforce while the profit margin decreases as a result of the keen market competition during the recovery from the continuous economic downturn in previous years.

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 RMB115,205,000 (2010: RMB188,031,000) and was partly impaired as at 31 March 2011.

The impairment loss of approximately RMB115,205,000 in the current year was attributable to the considerable increase in the related cost of materials and workforce while the profit margin decreases as a result of the keen market competition during the recovery from the continuous economic downturn in previous years.

The impairment loss of RMB188,031,000 in 2010 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 the 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 2011, 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 2011. 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.

18. GOODWILL (Continued)

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

Notes: (Continued)

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	
	2011	2010
	%	%
Gross margin	**40.00**	58.00
Growth rate	**3.00 – 5.00**	3.00 – 5.00
Discount rate	**15.93**	14.10

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 after-tax and reflect specific risks relating to the relevant segments.

Based on the impairment tests performed, no impairment loss is considered necessary (2010: nil).

The calculations of the recoverable amounts of the CGUs stated above are by reference to the valuation reports issued by Messrs. Greater China Appraisal Limited ("Greater China"), independent qualified professional valuers who have among their staff, fellow members of the Hong Kong Institute of Surveyors and with experience in the valuation of similar assets in the relevant industries.

19. INVENTORIES

	2011	2010
	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:

	2011	2010
	RMB'000	RMB'000
Cost of inventories sold	**20,122**	13,685

20. TRADE AND OTHER RECEIVABLES

	The Group		The Company	
	2011	2010	**2011**	2010
	RMB'000	RMB'000	**RMB'000**	RMB'000
Trade receivables	**102,416**	110,764	**–**	–
Less: Allowance for impairment losses for doubtful debts (note 20(b))	**(41,601)**	(37,054)	**–**	–
	60,815	73,710	**–**	–
Other receivables	**1,934**	2,453	**–**	–
Amount due from a subsidiary (note 24)	**–**	–	**4,449**	6,411
Loans and receivables	**62,749**	76,163	**4,449**	6,411
Prepayments	**2,917**	1,830	**1**	1
Deposits	**2,422**	2,145	**180**	188
	5,339	3,975	**181**	189
	68,088	80,138	**4,630**	6,600

All of the trade and other receivables are expected to be recovered or recognised as expense within one year.

a) Aging analysis

An aging analysis of trade receivables presented based on invoice date as of the end of the reporting period is as follows:

	The Group	
	2011	2010
	RMB'000	RMB'000
0-30 days	**3,369**	3,978
31-90 days	**13,225**	25,990
91-365 days	**34,517**	50,068
Over 1 year	**51,305**	30,728
	102,416	110,764

Trade receivables are normally due within 30 to 360 days from the date of billing.

20. TRADE AND OTHER RECEIVABLES (Continued)

b) Impairment of trade receivables

Impairment losses in respect of trade receivables 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 receivables directly (see note 2(k)).

Movements in the allowance for impairment losses for doubtful debts

	The Group	
	2011	2010
	RMB'000	RMB'000
At the beginning of the year	**37,054**	525
Impairment losses recognised	**4,547**	37,054
Disposal of subsidiaries	**–**	(525)
At the end of the year	**41,601**	37,054

Note:

i) As at 31 March 2011, trade receivables of the Group amounting to RMB41,601,000 (2010: RMB37,054,000) were individually determined to be impaired and full provision had been made. These individually impaired receivables were overdue for over 365 days as at the end of the reporting period or were due from companies with financial difficulties. The Group does not hold any collateral over these balances.

20. TRADE AND OTHER RECEIVABLES (Continued)

c) Trade receivables that are not impaired

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

	The Group	
	2011	2010
	RMB'000	RMB'000
Neither past due nor impaired	**9,220**	13,668
Past due but not impaired		
Less than 1 month past due	**228**	5,563
1 to 3 months past due	**13,225**	12,239
3 months to 1 year past due	**28,437**	32,266
Over 1 year past due	**9,705**	9,974
	60,815	73,710

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 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.

21. CASH AND CASH EQUIVALENTS

	The Group		The Company	
	2011	2010	**2011**	2010
	RMB'000	RMB'000	**RMB'000**	RMB'000
Cash at banks and on hand	**5,679**	11,502	**719**	3,339
Cash and cash equivalents in the consolidated statement of financial position and the consolidated statement of cash flows	**5,679**	11,502	**719**	3,331

The interest rates on the cash at banks ranged from 0.01% to 0.40% (2010: 0.01% to 0.36%) per annum. The directors consider the carrying value of the amounts at the end of the reporting period approximates their fair value.

22. TRADE PAYABLES

The aging analysis of trade payables is as follows:

	The Group	
	2011	2010
	RMB'000	RMB'000
Within 1 month	**4,323**	298
Over 1 month but within 3 months	**623**	556
Over 3 months but within 1 year	**3,530**	8,429
Over one year	**1,927**	3,375
	10,403	12,658
Financial liabilities measured at amortised cost:		
Trade payables	**10,403**	12,658
Other payables and accruals (note 23)	**14,559**	12,180
	24,962	24,838

23. OTHER PAYABLES AND ACCRUALS

	The Group		The Company	
	2011	2010	**2011**	2010
	RMB'000	RMB'000	**RMB'000**	RMB'000
Accruals	**629**	629	**628**	628
Accrued benefits	**189**	191	**–**	–
Advances received	**185**	582	**–**	–
Other tax payables	**3,066**	2,166	**–**	–
Amount due to former shareholders of subsidiaries *(note (ii))*	**5,793**	5,793	**–**	–
Accrued salaries	**2,857**	1,224	**–**	–
Other payables	**1,840**	1,595	**–**	–
	14,559	12,180	**628**	628

Notes:

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 is interest-free, unsecured and has no fixed terms of repayment.

24. AMOUNTS DUE FROM/(TO) SUBSIDIARIES

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

25. OBLIGATIONS UNDER A FINANCE LEASE

The Group and the Company

	Total minimum lease payments		Present value of minimum lease payments	
	2011	2010	**2011**	2010
	RMB'000	RMB'000	**RMB'000**	RMB'000
Amounts payable:				
Within one year	**7**	7	**6**	6
After 1 year but within 5 years	**4**	11	**4**	10
	11	18	**10**	16
Less: Finance charges	**(1)**	(2)		
Present value of finance lease payables	**10**	16		
Less: Portion classified as current liabilities	**(6)**	(6)		
Non-current portion	**4**	10		

The finance lease obligations are secured by a computer equipment of the Group with a carrying amount of approximately RMB10,000 (2010: RMB16,000). 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 of the years 2010 and 2011.

26. CONVERTIBLE BONDS

In accordance with the terms of acquisition of Along Group, 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.

26. CONVERTIBLE BONDS (Continued)

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

In the year 2010, 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 28).

The convertible bonds contain two components: liability and equity elements. The equity element is presented in equity heading "convertible bonds equity reserve". 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 amounts (as at 31 March 2010) are HK$67,245,000 (equivalents to approximately RMB59,091,000) and HK$58,283,000 (equivalent to approximately RMB51,215,000) 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 movements of the convertible bonds are set out below:

	The Group and the Company	
	2011	2010
	RMB'000	RMB'000
At the beginning of the year	**103,470**	–
Issue of convertible bonds	**–**	253,002
Equity component	**–**	(66,715)
Liability component on initial recognition	**–**	186,287
Interest expenses charged	**6,836**	6,154
Conversion of shares during the year	**–**	(88,971)
Liability component at the end of the year	**110,306**	103,470

27. DEFERRED TAX LIABILITIES

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

The Group

	Enterprise income tax RMB'000	Intangible assets RMB'000	Convertible bonds RMB'000	Total RMB'000
At 1 April 2009	382	7,461	–	7,843
Acquisition of subsidiaries	–	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	(382)	–	–	(382)
Credited to reserves	–	–	(5,358)	(5,358)
At 31 March 2010 and 1 April 2010	–	5,330	4,635	9,965
Charged to profit or loss	–	(2,931)	(1,127)	(4,058)
Exchange adjustments	–	–	(187)	(187)
At 31 March 2011	–	2,399	3,321	5,720

The Company

	Convertible bonds RMB'000
At 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 and 1 April 2010	4,635
Charged to profit or loss	(1,127)
Exchange adjustments	(186)
At 31 March 2011	3,322

27. DEFERRED TAX LIABILITIES (Continued)

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 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 RMB2,248,000 (2010: RMB8,781,000) 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 2011 will not be distributed in the foreseeable future.

28. SHARE CAPITAL

	2011		2010	
	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	873,603,500	81,926	638,347,500	61,223
Issue of shares upon a private placement (note i)	–	–	30,670,000	2,699
Issue of shares for acquisition of subsidiaries (note 34)	–	–	144,586,000	12,724
Issue of shares upon conversion of Bond A (note 26)	–	–	60,000,000	5,280
Issue of shares upon exercise of share option (note ii)	22,930,000	1,926	–	–
	896,533,500	83,852	873,603,500	81,926

Notes:

i) 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 HK$0.253 per share.

ii) On 18 May 2010, 27 July 2010 and 28 July 2010, options were exercised to subscribe for 22,930,000 ordinary shares in the Company at a consideration of RMB2,870,000 of which RMB1,930,000 was credited to share capital and the balance of RMB940,000 was credited to the share premium account.

The owners of ordinary shares are entitled to receive dividends as declared from time to time and are entitled to one vote per share at meetings of the Company. All ordinary shares rank equally with regard to the Company's residual assets.

29. 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 expire 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 contributed 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, exceeds 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. On 28 September 2010, the Scheme Mandate Limit was refreshed to 89,653,500 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. As at the date of this report, 943,719,473 shares of the Company were in issue.

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.

On 26 March 2008, the Company granted options to subscribe for 4,500,000 shares to its directors and 20,700,000 shares to its employees under the Share Option Scheme. Options granted must be taken 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.

29. SHARE OPTIONS (Continued)

Equity-settled share option schemes (Continued)

On 18 March 2009, the Company granted options to subscribe for 2,380,000 shares to its directors and 28,200,000 shares to its employees under the Share Option Scheme. 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.

On 27 April 2010, the Company granted options to subscribe for 19,073,000 shares to its directors and 47,800,000 shares to its employees under the Share Option Scheme. 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.

The following table discloses movements of the Company's share options granted under the Share Option Scheme and movements in such holdings:

Category of grantee	Exercise price per share HK$	Date of grant	Exercisable period	Vesting conditions	Contractual life of option
Directors	1.677	26 March 2008	26 March 2008 to 25 March 2013	Immediately from date of grant	5 years
	0.149	18 March 2009	18 March 2009 to 17 March 2014	Immediately from date of grant	5 years
	0.45	27 April 2010	27 April 2010 to 26 April 2015	Immediately from date of grant	5 years
Employees	1.677	26 March 2008	26 March 2008 to 25 March 2013	Immediately from date of grant	5 years
	0.149	18 March 2009	18 March 2009 to 17 March 2014	Immediately from date of grant	5 years
	0.45	27 April 2010	27 April 2010 to 26 April 2015	Immediately from date of grant	5 years

29. SHARE OPTIONS (Continued)

Equity-settled share option schemes (Continued)

a) The following table discloses movements of the Company's share options held by employees and directors.

For 2011

Option type	Outstanding at 1/4/2010	Granted during the year	Exercised during the year	Forfeited during the year	Expired during the year	Outstanding at 31/3/2011
2008	28,339,200	–	–	–	–	28,339,200
2009	29,350,000	–	(22,930,000)	–	–	6,420,000
2010	–	66,873,000	–	–	–	66,873,000
	57,689,200	66,873,000	(22,930,000)	–	–	101,632,200
Exercisable at the end of the year						101,632,200
Weighted average exercise price (HK$)	0.72	0.45	0.149	–	–	0.77
(Equivalent to RMB)	0.63	0.387	0.131	–	–	0.68

29. SHARE OPTIONS (Continued)

Equity-settled share option schemes (Continued)

a) The following table discloses movements of the Company's share options held by employees and directors. (Continued)

For 2010

Option type	Outstanding at 1/4/2009	Granted during the year	Exercised during the year	Forfeited during the year	Expired during the year	Outstanding at 31/3/2010
2008	32,668,800	–	–	(4,329,600)	–	28,339,200
2009	30,580,000	–	–	(1,230,000)	–	29,350,000
	63,248,000	–	–	(5,559,600)	–	57,689,200
Exercisable at the end of the year						57,689,200
Weighted average exercise price (HK$)	0.94	–	–	1.05	–	0.72
(Equivalent to RMB)	0.83	–	–	0.93	–	0.63

The following share options granted under the employee share option plan were exercised in the current year:

Option type	**Number exercised**	**Exercise date**	**Share price at exercise date**
2009	230,000	18/5/2010	HK$0.15
2009	13,700,000	27/7/2010	HK$0.23
2009	9,000,000	28/7/2010	HK$0.21
	22,930,000		

29. SHARE OPTIONS (Continued)

Equity-settled share option schemes (Continued)

b) Fair value of share options and assumptions

The fair value of services received in return of share options granted are measured by reference to the fair value of share options granted. The estimate of the fair value of the share options are measured based on a 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 lattice model.

Grand dates	Director 26 March 2008	Employee 26 March 2008	Director 18 March 2009	Employee 18 March 2009	Director 27 April 2010	Employee 27 April 2010
Fair value of share options and assumptions:						
Fair value at measurement date (HK$)	0.192	0.192	0.079	0.079	0.247	0.149
Share price (HK$)	1.68	1.68	0.149	0.149	0.45	0.45
Exercise price (HK$)	1.68	1.68	0.149	0.149	0.45	0.45
Expected volatility (expressed as a weighed average volatility used in the modelling under binomial lattice model)	41.75%	41.75%	71.45%	71.45%	77.23%	77.23%
Option life	5 years	5 years	5 years	5 years	5 years	5 years
Expected dividends	0%	0%	0%	0%	0%	0%
Rick-free interest rate (based on Exchange fund Notes)	1.954%	1.954%	1.70%	1.70%	2.09%	2.09%
Expected forfeiture rate	0%	0%	0%	0%	0%	0%

The expected volatility is based on the historic volatility, adjusted for any expected changes to future volatility due to 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.

30. RESERVES

The 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 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	–	–	–	–	–	–	(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
At 1 April 2010	293,831	933	28,596	–	6,027	–	(12,436)	(241,122)	75,829
Share issued under share option scheme	2,464	–	–	–	(1,520)	–	–	–	944
Equity-settled share-based transactions	–	–	–	–	10,153	–	–	–	10,153
Exchange differences on translation of financial statement of subsidiaries	–	–	–	–	–	–	105	–	105
Loss for the year	–	–	–	–	–	–	–	(167,969)	(167,969)
At 31 March 2011	296,295	933	28,596	–	14,660	–	(12,331)	(409,091)	(80,938)

30. RESERVES (Continued)

The Company

	Share premium (note i) RMB'000	Contributed 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	158,287	(18,702)	–	6,722	(12,497)	(25,437)	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	293,831	(18,702)	28,596	6,027	(12,484)	(214,395)	82,873
At 1 April 2010	293,831	(18,702)	28,596	6,027	(12,484)	(214,395)	82,873
Share issued under share option scheme	2,464	–	–	(1,520)	–	–	944
Equity-settled share-based transactions	–	–	–	10,153	–	–	10,153
Exchange differences on translation of financial statements	–	–	–	–	109	–	109
Loss for the year	–	–	–	–	–	(145,851)	(145,851)
At 31 March 2011	296,295	(18,702)	28,596	14,660	(12,375)	(360,246)	(51,772)

30. 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 the 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 for the year ended 31 March 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 29.

vi) Statutory common reserve

To follow the accounting principles and relevant financial regulations of the PRC applicable to wholly foreign-owned enterprises ("PRC GAAP – WFOE"), in the preparation of its accounting records and financial statements. Pursuant to the accounting regulations for business enterprises (企業會計制度[財會(200)25號]), and the articles of the association of Jiangxi A & K, Jiangxi A & K is required to appropriate at least 10% of its 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 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.

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(v).

31. 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 profit or loss.

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.

32. 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:

	2011	2010
	RMB'000	RMB'000
Within one year	**992**	2,655
In the second to fifth year inclusive	**45**	1,901
	1,037	4,556

33. 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

	2011	2010
	RMB'000	RMB'000
Amount due to former shareholders of subsidiaries (note 23)	**5,793**	5,793

The amount arose from the acquisition of subsidiaries.

ii) Compensation of key management personnel of the Group

	2011	2010
	RMB'000	RMB'000
Salaries, allowances and other benefits	**6,816**	2,872
Retirement scheme contributions	**92**	58
	6,908	2,930

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

34. 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 in 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. Since according to the audited consolidated financial statements of Jumbo Lucky Group for the period from 1 October 2009 to 30 September 2010, the audited profit of Jumbo Lucky Group is not less than RMB12,000,000, all of the Consideration Shares issued and placed in the escrow account were delivered to the vendor on 15 business days after the issue of the audited consolidated financial statements of Jumbo Lucky Group. No adjustment to the cost of acquisition is required.

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.

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

i) Acquisitions of subsidiaries under the Asset Swap

On completion of the Asset Swap, 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.

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 34(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.

34. 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 34(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)

35. PARENT AND ULTIMATE CONTROLLING PARTY

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

36. FINANCIAL RISK MANAGEMENT OBJECTIVES AND POLICES

The Group's major financial instruments include trade receivables 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 2011, the maximum exposure to credit risk is represented by the carrying amount of each financial asset in the consolidated statement of financial position after deducting any impairment allowance.

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 conditions 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 30 to 360 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 the country in which customers operate also has an influence on credit risk. As at 31 March 2011, the Group had a certain concentration of credit risk as 61.2% (2010: 37.0%) and 74.2% (2010: 76.6%) 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 financial institutions with high credit ratings. Given the high credit ratings of the banks, management does not expect any counterparty to fail to meet its obligations.

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.

36. FINANCIAL RISK MANAGEMENT OBJECTIVES AND POLICES (Continued)

b) Liquidity risk (Continued)

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 non-derivative 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

	2011				
	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	10,403	–	–	10,403	10,403
Other payables and accruals	14,559	–	–	14,559	14,559
Obligations under a finance lease	7	4	–	11	10
Convertible bonds	–	53,710	71,870	125,580	110,306
	24,969	53,714	71,870	150,553	135,278

	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 and accruals	12,180	–	–	12,180	12,180
Obligations under a finance lease	7	7	4	18	16
Convertible bonds	–	–	131,560	131,560	103,470
	24,845	7	131,564	156,416	128,324

36. FINANCIAL RISK MANAGEMENT OBJECTIVES AND POLICES (Continued)

b) Liquidity risk (Continued)

The Company

	2011				
	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**	**4**	**–**	**11**	**10**
Convertible bonds	**–**	**53,710**	**71,870**	**125,580**	**110,306**
	15	**53,714**	**71,870**	**125,599**	**110,324**

	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

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.

36. FINANCIAL RISK MANAGEMENT OBJECTIVES AND POLICES (Continued)

c) Interest rate risk (Continued)

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.

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				The Company			
	2011		2010		2011		2010	
	Effective interest rate %	One year or less RMB'000	Effective interest rate %	One year or less RMB'000	Effective interest rate %	One year or less RMB'000	Effective interest rate %	One year or less RMB'000
Variable rate bank balance and deposit	0.01% – 0.40%	5,508	0.01% – 1.6%	11,502	0.01%	561	0.01%	3,298

ii) Sensitivity analysis

At 31 March 2011, 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 accumulated loss by approximately RMB550 (2010: RMB98,000). Other components of consolidated equity would not be affected (2010: 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 2010.

d) Currency risk

The transactional currency of the entitles within the Group is substantially the same as each of their functional currency. The Company and the Group's transactional foreign exchange exposure was insignificant.

36. FINANCIAL RISK MANAGEMENT OBJECTIVES AND POLICES (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) Estimation of fair value

The fair value of obligations under finance leases is estimated as the present value of future cash flows, discounted at current market interest rates for similar financial instruments. The directors of the Company consider the carrying amounts of financial liabilities as recorded in the consolidated financial statements approximate their fair value at the end of the reporting period.

g) 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 maximizing the return to shareholders through the optimization of the debt and equity balance. The management reviews the capital structure by considering the cost of capital and the risks associated with each class of capital. In view of this, the Group will balance its overall capital structure through the payment of dividends, new share issues as well as the issue of new debt or the redemption of existing debt as it sees fit and appropriate.

The gearing ratios at 31 March 2011 and 2010 ware as follows:

	2011 **RMB'000**	2010 RMB'000
Convertible bonds	**110,306**	103,470
Less: Cash and cash equivalents	**(5,679)**	(11,502)
Net debt	**104,627**	91,968
Total equity	**2,914**	157,755
Gearing ratio	**3,590%**	58%

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

37. CRITICAL ACCOUNTING ESTIMATES

Estimates 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. The carrying amount of property, plant and equipment as at the end of the reporting period was RMB1,605,000.

b) Impairment of receivables

The Group maintains impairment allowance for doubtful accounts based upon the periodically evaluation of the recoverability of the trade and other receivables, where applicable. The estimates are based on the aging of the trade 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. The carrying amount of trade and other receivables as at the end of the reporting period was RMB68,088,000.

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. The carrying amount of goodwill as at the end of the reporting period was RMB62,245,000.

37. CRITICAL ACCOUNTING ESTIMATES (Continued)

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. The carrying amount of inventories as at the end of the reporting period was RMB nil.

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. The carrying amount of intangible assets as at the end of the reporting period was RMB2,715,000.

f) Acquired intangible assets

Acquired intangible assets of the segment of judicial authentication services and sales of application software are customer contracts and forensic centre contractual rights; the segment of information technology services in the electricity power industry are customer base and technology know-how; the segment of school network integration services are customer contracts, customer base and required computer software. 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. The carrying amount of intangible assets as at the end of the reporting period was RMB2,715,000.

37. CRITICAL ACCOUNTING ESTIMATES (Continued)

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.

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 expectations are different from the original estimate, such differences will impact the recognition of deferred taxation in the periods in which such estimate is changed.

The carrying amounts of current taxation and deferred tax liabilities were RMB nil and RMB5,720,000 respectively.

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

New/revised HKFRSs not adopted

Up to the date of issue of these financial statements, the HKICPA has issued the following amendments, new and revised standards and Interpretations which are not yet effective for the year ended 31 March 2011.

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

HKFRSs (Amendments)	Improvements to HKFRSs 2010 except for the amendments to HKFRS 3 (Revised in 2008), HKFRS 7, HKAS 1 and HKAS 28[1]
HKFRS 1 (Amendment)	Limited Exemption from Comparative HKFRS 7 Disclosures for First-time Adopters[2]
HKFRS 1 (Amendment)	Severe Hyperinflation and Removal of Fixed Dates for First-time Adopters[4]
HKFRS 7 (Amendments)	Disclosures – Transfers of Financial Assets[4]
HKFRS 9	Financial instruments[6]
HKAS 12 (Amendments)	Deferred Tax: Recovery of Underlying Assets[5]
HKAS 24 (Revised)	Related Party Disclosures[3]
HK(IFRIC)-Int 14 (Amendments)	Prepayments of a Minimum Funding Requirement[3]
HK(IFRIC)-Int 19	Extinguishing Financial Liabilities with Equity Instruments[2]

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

38. POSSIBLE IMPACT OF AMENDMENTS, NEW AND REVISED STANDARDS AND INTERPRETATIONS ISSUED BUT NOT YET EFFECTIVE FOR THE YEAR ENDED 31 MARCH 2011 (Continued)

New/revised HKFRSs not adopted (Continued)

HKFRS 9 Financial Instruments issued in November 2009 and amended in October 2010 introduces new requirements for the classification and measurement of financial assets and financial liabilities and for derecognition.

- HKFRS 9 requires all recognised financial assets that are within the scope of HKAS 39 Financial Instruments: Recognition and Measurement to be subsequently measured at amortised cost or fair value. Specifically, debt investments that are held within a business model whose objective is to collect the contractual cash flows, and that have contractual cash flows that are solely payments of principal and interest on the principal outstanding are generally measured at amortised cost at the end of subsequent accounting periods. All other debt investments and equity investments are measured at their fair values at the end of subsequent accounting periods.

- The most significant effect of HKFRS 9 regarding the classification and measurement of financial liabilities relates to the accounting for changes in fair value of a financial liability (designated as at fair value through profit or loss) attributable to changes in the credit risk of that liability. Specifically, under HKFRS 9, for financial liabilities that are designated as at fair value through profit or loss, the amount of change in the fair value of the financial liability that is attributable to changes in the credit risk of that liability is recognised in other comprehensive income, unless the recognition of the effects of changes in the liability's credit risk in other comprehensive income would create or enlarge an accounting mismatch in profit or loss. Changes in fair value attributable to a financial liability's credit risk are not subsequently reclassified to profit or loss. Previously, under HKSA 39, the entire amount of the changes in the fair value of the financial liability designated as at fair value through profit or loss was recognised in profit or loss.

HKFRS 9 is effective for annual periods beginning on or after 1 January 2013, with earlier application permitted.

The directors of the Company anticipate that HKFRS 9 will be adopted in the Group's consolidated financial statements for the annual period beginning 1 April 2013 and that the application of the new standard will have certain impact on amounts reported in respect of the Group's financial assets and financial liabilities. However, it is not practicable to provide a reasonable estimate of that effect until a detailed review has been completed.

38. POSSIBLE IMPACT OF AMENDMENTS, NEW AND REVISED STANDARDS AND INTERPRETATIONS ISSUED BUT NOT YET EFFECTIVE FOR THE YEAR ENDED 31 MARCH 2011 (Continued)

New/revised HKFRSs not adopted (Continued)

The amendments to HKFRS 7 titled Disclosures – Transfers of Financial Assets increase the disclosure requirements for transactions involving transfers of financial assets. These amendments are intended to provide greater transparency around risk exposures when a financial asset is transferred but the transferor retains some level of continuing exposure in the assets. The amendments also require disclosures where transfers of financial assets are not evenly distributed throughout the period. To date, the Group has not entered into transactions involving transfers of financial assets. However, if the Group enters into any such transactions in the future, disclosures regarding those transfers may be affected.

HKAS 24 Related Party Disclosures (as revised in 2009) modifies the definition of a related party and simplifies disclosures for government-related entities. The disclosure exemptions introduced in HKAS 24 (as revised in 2009) do not affect the Group because the Group is not a government-related entity.

The amendments to HK(IFRIC)-Int 14 require entities to recognise as an economic benefit any prepayment of minimum funding requirement contributions. As the Group has no defined benefit scheme, the amendments are unlikely to have any financial impact on the Group.

HK(IFRIC)-Int 19 provides guidance regarding the accounting the extinguishment of a financial liability by the issue of equity instruments. To date, the Group has not entered into transactions of this nature. However, if the Group does enter into such transactions in the future, HK(IFRIC)-Int 19 will affect the required accounting. In particular, under HK(IFRIC)-Int 19, equity instruments issued under such arrangements will be measured at their fair value, and any difference between the carrying amount of the financial liability extinguished and the fair value of equity instruments issued will be recognised in profit or loss.

The directors of the Company anticipate that the application of other new and revised standards, amendments or interpretations will have no material impact on the results and the financial position of the Group.

39. EVENTS AFTER THE REPORTING PERIOD

(a) Disposal of subsidiaries

On 12 May 2011, Topsheen Limited, a subsidiary of the Group, entered into a sales and purchase agreement with First Legend Holdings Limited, an independent third party, to dispose (the "Disposal") of its entire interests in its subsidiaries, China Sino Limited ("China Sino") and Intelligent Investment Limited ("Intelligent Investment"), and the sale loans at an aggregate consideration of HK$35 million. However, the consideration will be subject to adjustment. If the net asset value of the disposal group as at the date of completion increases by more than 5% of the net asset value of the disposal group as at 31 March 2011, the purchaser shall pay to the vendor an amount equal to the excess over the 5% increase. If the net asset value of the disposal group as at the date of completion decreases by more than 5% of the net asset value of the disposal group as at 31 March 2011, the vendor shall pay to the purchaser an amount equal to the deficit after the 5% decrease. China Sino and Intelligent Investment are limited companies incorporated in Hong Kong, altogether held the entire equity interest in a subsidiary, Along, a wholly foreign owned enterprise incorporated in the PRC, altogether the Along Group. The Along Group is engaged in its loss making research, development and provision of integrated information systems for power grid companies in the PRC which is under the segment of information technology services in the electricity power industry. Since the Along Group has been making losses for the two years ended 31 March 2011 and operating environment of the Along Group has become more competitive, the Disposal provides an opportunity to realize the investment in the Along Group. The Disposal is completed on 24 June 2011. Upon completion, the Along Group will cease to be subsidiaries of the Company and its financial results will no longer be consolidated into the Group's financial statements. The net carrying amounts of the CGU of information technology services in the electricity power industry included in goodwill and intangible assets as at the completion date will be included in the calculation of the profit or loss. The net asset value of the Along Group as at 31 March 2011 amounted to approximately RMB22.2 million. The consolidated net loss after tax of the Along Group for the year ended 31 March 2011 is amounted to approximately RMB24.1 million. Although the Disposal is completed on 24 June 2011, the directors of the Company did not have the intention and plan for the Disposal as at 31 March 2011, the Along Group was not classified as "asset held for sale" under HKFRS 5 "Non-current Assets Held for Sale and Discontinued Operations".

(b) Conversion of Convertible Bonds

On 22 June 2011, the Company issued and allotted 47,185,973 ordinary shares of HK$0.1 each to the holder of Bond B upon the exercise by the holder of all of its conversion rights attached to Bond B.

40. COMPARATIVE FIGURES

Certain comparative amounts have been reclassified to conform with the current year's presentation and accounting treatment.

FIVE YEARS FINANCIAL SUMMARY

FOR THE YEAR ENDED 31 MARCH 2011

The consolidated statement of comprehensive income of the Group for the financial years 2007 to 2011 and the consolidated statement of financial position of the Group as at 31 March 2007, 2008, 2009, 2010 and 2011 are as follows:

	Year ended 31 March				
	2011	2010	2009	2008	2007
	RMB'000	RMB'000	RMB'000	RMB'000	RMB'000
Results					
Turnover	**85,971**	89,955	77,828	9,117	3,882
Profit/(loss) before taxation	**(169,887)**	(252,723)	12,789	(11,468)	(5,784)
Taxation	**1,918**	2,878	(6,041)	(964)	39
Profit/(loss) attributable to owners	**(167,969)**	(249,845)	6,748	(12,432)	(5,745)

	As at 31 March				
	2011	2010	2009	2008	2007
	RMB'000	RMB'000	RMB'000	RMB'000	RMB'000
Assets and liabilities					
Total assets	**154,346**	306,216	275,896	154,047	62,195
Total liabilities	**(151,432)**	(148,461)	(51,960)	(7,151)	(8,331)
Total equity	**2,914**	157,755	223,936	146,896	53,864