Palmpay

anytime, anywhere, anything

Palmpay China (Holdings) Limited
(Incorporated in Bermuda with limited liability)
(Stock Code : 8047)

Annual Report 2011-2012

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 other than 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 of the Stock Exchange and no assurance is given that there will be a liquid market in the securities traded on GEM.

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

Contents

Corporate Information

BOARD OF DIRECTORS

Executive Directors
Yuan Shengjun *(Chairman and Chief Executive Officer)*
Chan Francis Ping Kuen *(Deputy Chairman)*
Chan Hin Wing, James
Hsu Tung Chi *(resigned on 1 July 2011)*

Independent Non-executive Directors
Kwok Chi Sun, Vincent
Yeung Kam Yan
Cheung Chi Hwa, Justin

COMPANY SECRETARY

Law Ho Ming *ACCA, CPA*

COMPLIANCE OFFICER

Chan Francis Ping Kuen

AUTHORISED REPRESENTATIVES

Chan Francis Ping Kuen
Law Ho Ming

AUDIT COMMITTEE

Kwok Chi Sun, Vincent *(Chairman)*
Yeung Kam Yan
Cheung Chi Hwa, Justin

REMUNERATION COMMITTEE

Kwok Chi Sun, Vincent *(Chairman)*
Yeung Kam Yan
Cheung Chi Hwa, Justin
Chan Francis Ping Kuen

NOMINATION COMMITTEE

Kwok Chi Sun, Vincent *(Chairman)*
Yeung Kam Yan
Cheung Chi Hwa, Justin
Chan Francis Ping Kuen

AUDITOR

Mazars CPA Limited
Certified Public Accountants

LEGAL ADVISER

Michael Li & Co.

PRINCIPAL BANKER

Standard Chartered Bank (Hong Kong) Limited

REGISTERED OFFICE

Clarendon House,
2 Church Street,
Hamilton HM 11,
Bermuda

HEAD OFFICE AND PRINCIPAL PLACE OF BUSINESS IN HONG KONG

Unit 1601, 16/F.,
Ruttonjee House, Ruttonjee Centre,
11 Duddell Street, Central,
Hong Kong

PRINCIPAL PLACE OF BUSINESS IN CHINA

Room 2702, Block A, Fuli Twins Mall,
No.59 East Third Ring Middle Road,
Chaoyang District,
Beijing, China

SHARE REGISTRARS AND TRANSFER OFFICERS

Principal registrar
HSBC Securities Services (Bermuda) Limited
6 Front Street,
Hamilton HM 11,
Bermuda

Branch registrar
Tricor Tengis Limited
26/F., Tesbury Centre,
28 Queen's Road East,
Hong Kong

WEBSITE

www.palmpaychina.com

STOCK CODE

8047

Chairman's Statement

On behalf of the board of directors (the "Board"), I hereby present the Annual Report of Palmpay China (Holdings) Limited (the "Company") and its subsidiaries (together, the "Group") for the year ended 31 March 2012 to our shareholders.

OPERATIONAL REVIEW

Business and Operation Review

During the year, the Group has completed the rationalization of its business model. The Group recorded a loss of approximately HK$71.6 million, which are mainly due to one-off impairment provision, written off of trade and other receivable and stock in relation to the unpromising payment by deduction business of approximately HK$57.2 million and one-off loss on disposal of investment of approximately HK$15.8 million. Whilst the optic fiber business continued to grow and recorded a profit of approximately HK$12.0 million during the year, the foundation of the telecommunication enhancement business in the PRC (the "Business") has laid down through acquisitions of related businesses during the year.

The optic fiber business recorded a full year turnover of approximately HK$22.2 million during the year as compared to HK$6.3 million in the previous financial year. The Group has achieved breakthrough on the business relationships with China Unicom and China Telecom through which direct contractual agreements will be entered into for the provision of fiber and maintenance services in the PRC.

The Group acquired the resources / energy conservation business during the year, which is a forerunner in the industry. It was awarded "2010 China Association of Communications Enterprises Energy Management Innovation Award" "2010年中國通信行業協會節能管理創新一等獎". During the year, the Group has secured contract of over HK$4.8 million of the related business in eight provinces. The Group is currently in negotiation of contracts of over HK$12.0 million of the related business in five provinces in the PRC.

In recent years, the PRC Government has put high emphasis to create a nation-wide green energy / environment. It plans to inject close to RMB100 Billion in the area of resources / energy conservations in the PRC during 2012 with tax benefits granted to participants. Telecommunication operators are among one of the largest consumers of resources / energy in the PRC. Leveraging on the existing connections and infrastructure of the Group, the Group has commenced to engage in the provision of resources / energy conservation products to telecommunication operators in the PRC. The Group is in advanced negotiation stage for provision of such products to China Unicom in several provinces in the PRC.

In January 2012, the Group entered into a contractual agreement for the purchase of the electronic pulse management business, which holds Class C qualification in lightening protection design and construction (防雷工程專業設計丙級資質及防雷工程專業施工丙級資質). Such acquisition was subsequently completed in May 2012. The business contracts that the Group has entered into has developed and expanded from five provinces / municipal cities in 2010 to as at now over nine provinces / municipal cities with China Unicom in Hubei (湖北), Tianjin (天津), Anhui (安徽), Shanxi (山西), Jilin (吉林) Guangdong (廣東) and national enterprises.

The Group raised over HK$30.0 million by way of open offer in September 2011 which has strengthened the financial position of the Company and facilitated its future investments.

PROSPECTS

With the completion of the rationalization process, the Group is well facilitated to commence a new era of the Business. To further extend the scope of the Business, the Group will continue to look for investment opportunities in the related operations particularly in the area of one-stop solution / provider of resources / energy conservation products, which will generate significant profitability in medium to long term.

Finally, on behalf of the Board, I would like to take this opportunity to express my gratitude to all members of the Board and staff for their dedication and contribution to the Group and to those who have supported us. We will continue to make our best efforts in developing our businesses to produce good economic results and better return for our shareholders.

Yuan Shengjun
Chairman

Hong Kong, 28 June 2012

Management Discussion and Analysis

OPERATIONAL REVIEW

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In recent years, the PRC Government has put high emphasis to create a nation-wide green energy / environment. It plans to inject close to RMB100 Billion in the area of resources / energy conservations in the PRC during 2012 with tax benefits granted to participants. Telecommunication operators are among one of the largest consumers of resources / energy in the PRC. Leveraging on the existing connections and infrastructure of the Group, the Group has commenced to engage in the provision of resources / energy conservation products to telecommunication operators in the PRC. The Group is in advanced negotiation stage for provision of such products to China Unicom in several provinces in the PRC.

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The Group raised over HK$30.0 million by way of open offer in September 2011 which has strengthened the financial position of the Company and facilitated its future investments.

FINANCIAL REVIEW

Results

The Group recorded an increase of approximately 19.7% in its turnover for the year ended 31 March 2012 to approximately HK$28.5 million as compared to approximately HK$23.8 million in the previous year. The increase in turnover was due to the full year contribution from the telecommunication optic fiber business.

The Group recorded an increase in gross profit of approximately 22.4% to approximately HK$20.8 million in the current year as compared to approximately HK$17.0 million in the previous year mainly due to the increase in turnover of the telecommunication optic fiber business.

Net loss attributable to equity holders of the Company for the year amounted to approximately HK$68.2 million (2011 net loss of approximately: HK$328.6 million). Loss during the year was mainly due to the impairment loss of intangible asset and allowance for bad and doubtful debts amounted approximately HK$30.7 million and approximately HK$20.8 million respectively.

Liquidity, financial resources and capital structure

As at 31 March 2012, the Group had total assets of approximately HK$152.1 million (2011: HK$167.5 million), including net cash and bank balances of approximately HK$55.0 million (2011: HK$59.6 million).

For the year ended 31 March 2012, the Group financed its operations mainly with its own working capital and there was no general banking facilities (2011: Nil). There was no charge on the Group's assets as at 31 March 2012 (2011: Nil).

As at 31 March 2012, the gearing ratio (defined as the ratio between total bank borrowings and total assets) was zero (2011: Nil). The Group had no bank borrowings as at 31 March 2012 (2011: Nil).

Exposure to fluctuations in exchange rates and related hedges

Most of the transactions of the Group are denominated in Hong Kong Dollar ("HKD") and Renminbi ("RMB"). The Group adopts a conservative treasury policy with most of the bank deposits being kept in HKD, or in the local currencies of the operating subsidiaries to minimize exposure to foreign exchange risks. As at 31 March 2012, the Group had no foreign exchange contracts, interests or currency swaps or other financial derivatives for hedging purposes.

Management Discussion and Analysis

Charge on Group assets

As at 31 March 2012, the Group did not have any charge on its assets (2011: Nil).

Segment information

The revenue of the Group comprises the provision of payment gateway business, manufacturing and trading of products related to optimal optical fibers, telecommunications, electric power network systems and equipment and the provision of energy management business.

As to the geographical segments, sale of the Group generated in the PRC market was approximately HK$28.5 million during the year ended 31 March 2012 (2011: HK$23.8 million in the PRC).

Please also refer to note 4 to the consolidated financial statements in this annual report for details of segment information.

New products and services

During the year, the Group continued to develop new products to increase its products range and strengthen its competitive position.

Significant investments

Other than equity investments in a company, the Group did not have any significant investment during the year (2011: Nil).

Please also refer to note 15 to the consolidated financial statements in this annual report for details of investment.

Material acquisitions or disposals of subsidiaries and affiliated companies

During the year, the Group has acquired 51% equity interests in Viva Champion Limited and its subsidiaries. Viva Champion Limited and its subsidiaries are principally engaged in the provision of energy and other resources management and conservation system and integrated solutions to optimize usage for enterprises, including the telecommunication operators, in the PRC which is the forerunner in such industry.

Details of the acquisition are disclosed in the Company's announcements dated 4 October 2011.

Besides, during the year, the Group has disposed 55% equity interests in Great Plan Group Limited and its subsidiaries. Great Plan Group Limited and its subsidiaries are principally engaged in the provision of contactless payment system in the PRC.

Details of the disposal are disclosed in the Company's announcement dated 2 March 2012.

Future plans for material investments and expected source of funding

The Group did not have any plan for material investment or acquisition of material capital assets as at 31 March 2012. However, the Group is constantly looking for opportunities for investments or capital assets to enhance shareholders' value.

Contingent liabilities

The Group had no contingent liability as at 31 March 2012.

Employees and remuneration policies

As at 31 March 2012, the Group had 125 (2011: 79) employees including directors. Total staff costs (excluding directors' emoluments) amounted to approximately HK$8.1 million for the year ended 31 March 2012 (2011: HK$4.9 million). Remuneration is determined with reference to market terms and the performance, qualification and experience of individual employee. Year-end bonus based on individual performance will be paid to employees as recognition of and reward for their contributions. Other benefits include contributions to statutory mandatory provident fund scheme to its employees in Hong Kong and basic insurance for the elderly, basic medical insurance, work injury insurance and unemployment insurance to its employees in the PRC.

Directors and Senior Management

EXECUTIVE DIRECTORS

Yuan Shengjun, aged 40, was appointed as an executive director and chief executive officer of the Company on 1 June 2009 and redesignated as chairman and chief executive officer of the Company on 1 January 2011. Mr. Yuan holds a double degree of law and economics from the Renmin University (人民大學) of the People's Republic of China (the "PRC"). Mr. Yuan has over 10 years' experience in advisory on management, operation and strategic planning. Mr. Yuan is responsible for management function and business operation of Media Magic Technology Limited and its subsidiaries which are currently principally engaged in the provision of payment gateway services in the PRC.

Chan Francis Ping Kuen, aged 53, the executive director and deputy chairman of the Company, who is also a member of the remuneration committee and the nomination committee, holds a bachelor's degree in economics from the University of Sydney in Australia. He is an associate member of the Institute of Chartered Accountants in Australia and also a member of the Hong Kong Institute of Certified Public Accountants. Mr. Chan has over 20 years of experience in auditing, accounting and financial management and previously worked for an international accounting firm and a number of companies listed in Hong Kong and the United States. He was appointed as an executive director and the deputy chairman on 22 May 2007. He is an independent non-executive director of Sinocop Resources (Holdings) Limited (Stock Code: 476) and Earnest Investments Holdings Limited (Stock Code: 339). The two companies are listed on main board of the Stock Exchange.

Chan Hin Wing, James, aged 63, was appointed as an executive director of the Company on 1 November 2006, graduated from Hong Kong Polytechnic University majoring in marketing, economics and finance. Mr. Chan is also a member of American Marketing Association, British Institute of Management and Chartered Institute of Marketing. Mr. Chan has over 37 years of experience in sales, marketing, franchising, and chain store establishments in the Asia Pacific region. Mr. Chan is currently the managing director of a company principally engaging in the field of nanotechnology.

INDEPENDENT NON-EXECUTIVE DIRECTORS

Kwok Chi Sun, Vincent, aged 49, who is also appointed as a member of the audit committee, the remuneration committee and the nomination committee, is the sole proprietor of Vincent Kwok & Co. and is a Certified Public Accountant. He is also an independent non-executive director of six other listed companies in Hong Kong, i.e. Shun Ho Resources Holdings Limited, Shun Ho Technology Holdings Limited, Magnificent Estates Limited, Emperor Capital Group Limited, Evergreen International Holdings Limited and China Digital Licensing (Group) Limited, the former five named companies are listed on main board of the Stock Exchange while the last named company is listed on GEM.

Yeung Kam Yan, aged 59, who is also appointed as a member of the audit committee, the remuneration committee and the nomination committee, is a member of the Air & Waste Management Association-Hong Kong Section. Mr. Yeung has over 9 years of experience in accounting, sales and marketing in different international companies including Olivetti (Hong Kong) Ltd. from 1979 to 1982, O.P.D. Limited from 1982 to 1985 and Henry Boot Far East Limited from 1986 to 1990. Mr. Yeung also operated his own trading and investment business in the PRC from 1990 to 1998.

Cheung Chi Hwa, Justin, aged 58, who is also appointed as a member of the audit committee, the remuneration committee and the nomination committee, holds a bachelor degree of laws from the Manchester Metropolitan University in the United Kingdom, a master degree of laws from University of London in the United Kingdom and a master of business administration degree from California State University in the United States. Mr. Cheung is a member of the American Institute of Certified Public Accountants and has over 20 years of banking, accounting and company secretarial experiences. Mr. Cheung was previously an executive director of Ming Kei Holdings Limited (Stock code: 8239, formerly known as Ming Kei Energy Holdings Limited) and an independent non-executive director of Richfield Group Holdings Limited (Stock code: 183, formerly known as Maxitech International Holdings Limited and FX Creations International Holdings Limited) respectively. The former named company is listed on GEM while the latter named company is listed on the main board of the Stock Exchange.

SENIOR MANAGEMENT

Law Ho Ming, is the company secretary and authorised representative of the Company. He is an associate member of the Association of Chartered Certified Accountants and also a member of the Hong Kong Institute of Certified Public Accountants. He holds a degree of Bachelor of Arts in Accountancy. He was first appointed as an assistant financial controller of the Company in May 2006.

Report of the Directors

The directors herein present their annual report and the audited financial statements of Palmpay China (Holdings) Limited (the "Company") and its subsidiaries (hereinafter collectively referred to as the "Group") for the year ended 31 March 2012.

PRINCIPAL ACTIVITIES

The principal activity of the Company is investment holding. Details of the principal activities of the subsidiaries are set out in note 16 to the consolidated financial statements in this annual report.

SEGMENT INFORMATION

An analysis of the Group's turnover and contribution to results by reporting segments and geographical areas of operations for the year is set out in note 4 to the consolidated financial statements in this annual report.

RESULTS AND DIVIDENDS

The Group's result for the year ended 31 March 2012 are set out in the consolidated statement of comprehensive income in this annual report on page 28.

The directors do not recommend the payment of any dividend during the year.

SUMMARY FINANCIAL INFORMATION

The following is a summary of the published results of the Group for each of the five years ended 31 March 2012 and of the assets, liabilities and non-controlling interests of the Group as at 31 March 2012, 2011, 2010, 2009 and 2008.

Consolidated results

	Year ended 31 March				
	2012	2011	2010	2009	2008
	HK$'000	HK$'000	HK$'000	HK$'000	HK$'000
Turnover	**28,516**	23,786	43,409	56,810	142,363
(Loss) / Profit before taxation	**(71,866)**	(327,722)	18,064	29,737	(6,468)
Income tax credit / (expenses)	**229**	(1,412)	(2,201)	(1,043)	(2,544)
(Loss) / Profit for the year	**(71,637)**	(329,134)	15,863	28,694	(9,012)
Attributable to:					
Equity holders of the Company	**(68,192)**	(328,601)	13,761	20,063	(18,751)
Non-controlling interests	**(3,445)**	(533)	2,102	8,631	9,739
	(71,637)	(329,134)	15,863	28,694	(9,012)

Consolidated assets and liabilities and non-controlling interests

	As at 31 March				
	2012	2011	2010	2009	2008
	HK$'000	HK$'000	HK$'000	HK$'000	HK$'000
Total assets	**152,128**	167,451	392,680	292,488	312,961
Total liabilities	**(29,698)**	(43,756)	(39,884)	(27,414)	(94,246)
Non-controlling interests	**(13,365)**	(4,309)	–	(16,088)	(6,850)
	109,065	119,386	352,796	248,986	211,865

PROPERTY, PLANT AND EQUIPMENT

Details of movements in the property, plant and equipment of the Group during the year are set out in note 14 to the consolidated financial statements.

SHARE CAPITAL

Details of movements in the Company's issued share capital are set out in note 24 to the consolidated financial statements.

ACQUISITIONS AND DISPOSALS OF SUBSIDIARIES

During the year, the Group has acquired 51% equity interests in Viva Champion Limited and its subsidiaries. Viva Champion Limited and its subsidiaries are principally engaged in the provision of energy and other resources management and conservation system and integrated solutions to optimize usage for enterprises, including the telecommunication operators, in the PRC which is the forerunner in such industry.

Besides, during the year, the Group has disposed 55% equity interests in Great Plan Group Limited and its subsidiaries. Great Plan Group Limited and its subsidiaries are principally engaged in the provision of contactless payment system in the PRC.

Other than the above, the Group did not have any acquisition and disposal of subsidiaries during the year.

PRE-EMPTIVE RIGHTS

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

Report of the Directors

PURCHASE, REDEMPTION OR SALE OF LISTED SECURITIES OF THE COMPANY

Neither the Company, nor any of its subsidiaries purchased, redeemed or sold any of the Company's listed securities during the year.

RESERVES

Details of movements in the reserves of the Group and the Company during the year are set out in the consolidated statement of changes in equity on pages 32 to 33 of the annual report and in note 25 to the financial statements.

DISTRIBUTABLE RESERVES

At 31 March 2012, the Company's reserves available for cash distribution and / or distribution in specie amounted to zero (2011: zero), as computed in accordance with the Companies Act 1981 of Bermuda. In addition, the Company's share premium account has a balance of approximately HK$139,706,000 as at 31 March 2012 (2011: HK$135,870,000).

EVENTS AFTER THE REPORTING PERIOD

In May 2012, a promissory note with a nominal value of HK$5,000,000 relating to the acquisition of 50.1% equity interest in China Optic in February 2011 was early redeemed. The promissory note is interest-free and repayable on 17 February 2013, which has been classified as current liabilities at the end of the reporting period.

In May 2012, Power Chance Holdings Limited, a wholly-owned subsidiary of the Company, acquired 55% equity interest in Boomtech Limited at a total consideration of HK$77,305,000. The principal activities of Boomtech Limited and its subsidiaries (together "Boomtech Group") are the provision of integrated solutions for lightning electromagnetic pulse protection and its related engineering design, construction and technical services in the PRC.

Details of the acquisition are disclosed in the Company's announcement dated 13 January 2012 and the circular dated 3 May 2012.

MAJOR CUSTOMERS AND SUPPLIERS

During the year, turnover made to the Group's five largest customers accounted for 95% (2011: 89%) of the total turnover for the year. Turnover made to the largest customer included therein accounted for 78% (2011: 26%) of the total turnover for the year.

During the year, purchases from the Group's five largest suppliers accounted 63% (2011: 98%) of the total purchases for the year. Purchases from the Group's largest supplier included therein accounted for 27% (2011: 69%) of the total purchases for the year.

As far as the directors are aware, neither the directors of the Company, any of their associates nor any shareholders which, to the best knowledge of the directors, own more than 5% of the Company's issued share capital had any beneficial interests in the Group's five largest customers and suppliers during the year.

DIRECTORS

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

Executive directors:

Mr. Yuan Shengjun *(Chairman and Chief Executive Officer)*
Mr. Chan Francis Ping Kuen
Mr. Chan Hin Wing, James
Mr. Hsu Tung Chi (Resigned on 1 July 2011)

Independent non-executive directors:

Mr. Kwok Chi Sun, Vincent
Mr. Yeung Kam Yan
Mr. Cheung Chi Hwa, Justin

In accordance with Bye-laws of the Company and the Appendix 15 of the GEM Listing Rules, Yuan Shengjun, Chan Francis Ping Kuen, Chan Hin Wing, James, Kwok Chi Sun, Vincent, Yeung Kam Yan and Cheung Chi Hwa, Justin will hold office only until the forthcoming annual general meeting of the Company and, being eligible, offer themselves for re-election.

The Company confirmed that it has received from each of its independent non-executive directors the annual confirmation of his independence pursuant to Rule 5.09 of the Rules Governing the Listing of Securities on Growth Enterprise Market of The Stock Exchange of Hong Kong Limited (the "GEM Listing Rules") and considered them to be independent as at the date of this report.

DIRECTORS' AND SENIOR MANAGEMENT'S BIOGRAPHIES

Biographical details of the directors of the Company and the senior management of the Group are set out on pages 10 and 11 of the annual report.

DIRECTORS' SERVICE CONTRACTS

Each of the executive directors and independent non-executive directors of the Company has entered into a letter of appointment with the Company for a term of one year commencing from the date of appointment, will continue thereafter until terminated by either party giving not less than one month's notice in writing to the other party.

Save as aforesaid, none of the directors proposed for re-election at the forthcoming annual general meeting has a service contract with the Company which is not determinable by the Company within one year without payment of compensation, other than statutory compensation.

DIRECTORS' INTERESTS IN CONTRACTS

No director of the Company had a significant beneficial 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 the year.

RELATED AND CONNECTED PARTY TRANSACTION

Except otherwise disclosed in note 31 to the consolidated financial statements the Group had no transactions which need to be disclosed as connected transaction in accordance with the requirements of the GEM Listing Rules.

DIRECTORS' AND CHIEF EXECUTIVE'S INTERESTS IN SHARES, UNDERLYING SHARES AND DEBENTURES

As at 31 March 2012, the interests and short position of the directors and chief executive of the Company in the shares, underlying shares and debentures of the Company or any of its associated corporation (within the meaning of Part XV of the Securities and Futures Ordinance ("SFO")), which were required to be notified to the Company and the Stock Exchange pursuant to the provisions of Divisions 7 and 8 of Part XV of the SFO, including interests or short positions which they were deemed or taken to have under such provisions of the SFO, or which were required, pursuant to section 352 of the SFO, to be entered in the register to therein, or which were required, pursuant to the rules 5.46 to 5.67 of the GEM Listing Rules relating to securities transactions by directors, to be notified to the Company and the Stock Exchange, were as follows:

Interest in shares:

Name of directors	Nature of interests	Number of the shares held	Approximate percentage of issued share capital
Yuan Shengjun	Beneficial	14,804,800(L)	1.07%

(L) denotes Long position

Save as disclosed above, as at 31 March 2012, none of the directors nor the chief executive of the Company had any interests or short positions in any shares, underlying shares or debentures of the Company or any of its associated corporation (within the meaning of Part XV of the SFO) which are required to be notified to the Company and the Stock Exchange pursuant to Divisions 7 and 8 of Part XV of the SFO (including interests or short positions which he is taken or deemed to have under such provisions of the SFO); or are required, pursuant to Section 352 of the SFO, to be entered in the register referred to therein; or are required, pursuant to Rules 5.46 to 5.67 of the GEM Listing Rules relating to the securities transactions by directors to be notified to the Company and the Stock Exchange.

DIRECTORS' RIGHTS TO ACQUIRE SHARES OR DEBENTURES

Apart from as disclosed under the heading "Directors and chief executive's interests in shares, underlying shares and debentures" above, at no time since the incorporation of the Company were rights to acquire benefits by means of the acquisition of shares in or debentures of the Company or of any other body corporate granted to any directors or their respective spouse or children under 18 years of age, or were any such rights exercised by them; or was the Company, its holding company or any of its subsidiaries or fellow subsidiaries a party to any arrangement to enable the directors, their respective spouse or children under 18 years of age to acquire such rights in any other body corporate.

SUBSTANTIAL SHAREHOLDERS' INTERESTS

As at 31 March 2012, other than the interests of a director of the Company as disclosed under the heading "Directors and chief executive's interests in shares, underlying shares and debentures" above, the interests and short positions of persons, in the shares and 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, directly or indirectly, interested 10% 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 members of the Group, or substantial shareholders as recorded in the register of substantial shareholders required to be kept by the Company under Section 336 of the SFO were as follows:

Name	**Nature of interests**	**Number of the shares held**	**Approximate percentage of issued share capital**
Starryland Profits Limited *(Note 1)*	Beneficial	346,404,682(L)	25.09%
Lau Kim Hung, Jack *(Note 1)*	Interests in controlled corporation	346,404,682(L)	25.09%
	Beneficial	4,483,200(L)	0.32%
	Deemed	1,480,000(L)	0.11%
Chan Yiu Kan, Katie *(Note 1)*	Deemed	350,887,882(L)	25.41%
	Beneficial	1,480,000(L)	0.11%

(L) denotes Long position

Note:

1. Starryland Profits Limited, a company incorporated in BVI, is wholly and beneficially owned by Mr. Lau Kim Hung, Jack ("Mr. Lau"). Mr. Lau is deemed to be interested in 346,404,682 shares held by Starryland Profits Limited. In addition, by virtue of being the spouse of Ms. Chan Yiu Kan Katie, he is also deemed to be interested in 1,480,000 shares held by Ms. Chan Yiu Kan Katie.

   Ms. Chan Yiu Kan Katie, being the spouse of Mr. Lau, is deemed to be interested in 346,404,682 shares held by Starryland Profits Limited and 4,483,200 shares held by Mr. Lau.

Report of the Directors

Save as disclosed above, as at 31 March 2012, the directors of the Company were not aware of any other person (other than the directors of the Company) who 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 Division 2 and 3 of Part XV of the SFO or, who is directly or indirectly, interested in 10% 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 members of the Group, or any other substantial shareholders whose interests or short positions were recorded in the register required to be kept by the Company under Section 336 of the SFO.

SUFFICIENCY OF PUBLIC FLOAT

Based on the information that is publicly available to the Company and to the best knowledge of the Directors as at the date of this report, there is sufficient public float of the Company's issued shares as required under the Listing Rules throughout the year ended 31 March 2012.

SHARE OPTION SCHEME

The Company adopted a share option scheme (the "Old Scheme") on 1 November 2001. This scheme was subsequently terminated at the Annual General Meeting of the Company held on 24 August 2011 and the Company adopted a new share option scheme (the "New Scheme") with effect from 18 October 2011. The purpose of both share option schemes is to enable the directors of the Company, at their discretion, to recognise and motivate the contribution of the employees of the Group and to provide incentives and help the Group in retaining its existing employees and recruiting additional employees and to provide them with a direct economics interest in attaining the long term business objectives of the Group.

Categories of grantees	Date of grant	Exercisable period	Share price of the Company at the grant date HK$	Exercise price per share HK$ (adjusted)	Outstanding as at 31/3/2011	Forfeited during the year	Exercised during the year	Cancelled during the year	Outstanding as at 31/3/2012
Directors									
Mr. Yuan Shengjun	21/12/2007	21/12/2007 – 20/12/2017	0.465	1.9375*	768,000	–	–	(768,000)	–
Mr. Chan Francis Ping Kuen	14/08/2007	14/08/2007 – 13/08/2017	0.520	2.1665*	2,640,000	–	–	(2,640,000)	–
	21/12/2007	21/12/2007 – 20/12/2017	0.465	1.9375*	432,000	–	–	(432,000)	–
Mr. Hsu Tung Chi	21/12/2007	21/12/2007 – 20/12/2017	0.465	1.9375*	768,000	–	–	(768,000)	–
Mr. Chan Hin Wing, James	21/12/2007	21/12/2007 – 20/12/2017	0.465	1.9375*	768,000	–	–	(768,000)	–
Employees	17/12/2007	17/12/2007 – 16/12/2017	0.440	1.8875*	4,560,000	(1,920,000)	–	(2,640,000)	–
	21/12/2007	21/12/2007 – 20/12/2017	0.465	1.9375*	768,000	–	–	(768,000)	–
Consultants	17/12/2007	17/12/2007 – 16/12/2017	0.440	1.8875*	4,800,000	(1,440,000)	–	(3,360,000)	–
					15,504,000	(3,360,000)	–	(12,144,000)	–

* These represented options granted to directors, employees and consultants with exercise prices ranging from HK$0.453 to HK$0.52 per share. The exercise price of these share options granted at the price of HK$0.453, HK$0.465 and HK$0.52 per share had been adjusted to HK$1.8875, HK$1.9375 and HK$2.1665 per share respectively for the effect of the bonus issue and the share consolidation of the Company's shares.

New Scheme

Eligible participants of the New Scheme include any employees, consultants, suppliers or customers of the Company and its subsidiaries, including any independent non-executive directors of the Company. The New Scheme became effective on 18 October 2011 and, unless otherwise cancelled or amended, will remain in force for 10 years from that date.

The maximum number of unexercised share options currently permitted to be granted under the New Scheme, upon their exercise may not be aggregate exceed 10% of the shares of the Company in issue at any time. The maximum number of shares issuable under share options to each eligible participant in the New Scheme within any 12-month period up to the date of grant, is limited to 1% of the shares of the Company in issue at that date of grant. Any further grant of share options in excess of this limit is subject to shareholders' approval in a general meeting. As at 31 March 2012, 138,079,565 shares of the Company, representing 10% of its issued capital, are available for issue under the New Scheme.

The offer of a grant of share options may be accepted in writing within 7 days from the date of the offer, upon payment of a nominal consideration of HK$1 per option in total by the grantee. Any share option may be exercised in accordance with the terms of the New Scheme at any time during a period to be notified by the board of directors to an eligible participant but may not be exercised after the expiry of 10 years from the date of grant of the share option but subject to the early termination of the New Scheme.

The exercise price of the share options is determinable by the board of directors, but may not be less than the highest of (i) the closing price of the Company's shares as stated in the Stock Exchange's daily quotations sheet on the date of offer of the option, which must be a business day, (ii) the average of the closing prices of the Company's shares as stated in the Stock Exchange's daily quotations sheets for the five business days immediately preceding the date of offer of the option, (iii) the average of the closing prices of the Company's shares as stated in the Stock Exchange's daily quotations sheets for the ten business days immediately preceding the date of offer of the option, and (iv) the nominal value of the Company's shares on the date of offer.

DIRECTORS' INTEREST IN COMPETING BUSINESS

During the year under review, none of the directors or the management shareholders or substantial shareholders or their respective associates (as defined in the GEM Listing Rules) of the Company had an interest in a business which competed with or might compete with the business of the Group.

Report of the Directors

CORPORATE GOVERNANCE PRACTICES

The Company has adopted the code provisions set out in the Code on Corporate Governance Practices (the "Code") as set out in Appendix 15 of the Rules Governing the Listing of Securities on The Stock Exchange of Hong Kong Limited (the "Listing Rules"). The Company has applied the principles in the Code and complied with the code provisions set out in the Code for the year ended 31 March 2012.

AUDIT COMMITTEE

The Company set up an audit committee on 18 October 2001, with written terms of reference in compliance with the GEM Listing Rules, for the purpose of reviewing and providing supervision over the financial reporting process and internal control of the Group. During the year, the audit committee comprises the three independent non-executive directors of the Company, namely, Mr. Kwok Chi Sun, Vincent, Mr. Yeung Kam Yan and Mr. Cheung Chi Hwa, Justin. During the year, the audit committee held four meetings to review and supervise the financial reporting process, and to provide advice and recommendations to the board of directors. The financial statements of the Group for the year ended 31 March 2012 have been reviewed by the audit committee, who is of the opinion that such statements comply with the applicable accounting standards, the Stock Exchange and legal requirements, and that adequate disclosures have been made.

AUDITOR

The consolidated financial statements for the financial year ended 31 March 2012 were audited by Mazars CPA Limited, Certified Public Accountants. A resolution will be submitted to the forthcoming annual general meeting to re-appoint Mazars CPA Limited as auditor of the Company.

ON BEHALF OF THE BOARD

Chan Francis Ping Kuen
Executive Director

Hong Kong
28 June 2012

Corporate Governance Report

CORPORATE GOVERNANCE PRACTICES

The Company has adopted the code provisions set out in the Code on Corporate Governance Practices (the "Code") as set out in Appendix 15 of the Rules Governing the Listing of Securities on The Stock Exchange of Hong Kong Limited. The Company has applied the principles in the Code and complied with the code provisions set out in the Code for the year ended 31 March 2012.

CODE OF CONDUCT REGARDING DIRECTORS' SECURITIES TRANSACTIONS

The Company has adopted a code of conduct regarding directors' securities transactions 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. Having made specific enquiry of all directors, the directors have complied with such code of conduct and the required standard of dealings regarding securities transactions throughout the year ended 31 March 2012.

BOARD OF DIRECTORS AND BOARD MEETINGS

The Board members for the year ended 31 March 2012 were:

Executive directors:

Mr. Yuan Shengjun *(Chairman and Chief Executive Officer)*
Mr. Chan Francis Ping Kuen
Mr. Chan Hin Wing, James
Mr. Hsu Tung Chi (Resigned on 1 July 2011)

Independent non-executive directors:

Mr. Kwok Chi Sun, Vincent
Mr. Yeung Kam Yan
Mr. Cheung Chi Hwa, Justin

The board of directors (the "Board") is responsible for the Group's corporate policy formulation, business strategies planning, business development, risk management, major acquisitions, disposals and capital transactions, and other significant operational and financial matters. Major corporate matters that are specifically delegated by the Board to the management include the preparation of annual, interim and quarterly accounts for board approval before public reporting, execution of business strategies and initiatives adopted by the Board, implementation of adequate systems of internal controls and risk management procedures, and compliance with relevant statutory requirements and rules and regulations.

Corporate Governance Report

The directors' biographical information is set out on pages 10 and 11 of this annual report. All executive directors have given sufficient time and attention to the affairs of the Group. Each executive director has sufficient experience to hold the position so as to carry out his duties effectively and efficiently. There is no relationship among the members of the Board.

The Company appointed three independent non-executive directors who have appropriate and sufficient experience and qualification to carry out their duties so as to protect the interests of shareholders. All of them have been appointed for a term of one year commencing from the date of appointment and will continue thereafter until terminated by either party giving each other not less than one month's notice. Every director should be subject to retirement by rotation at least once every three years.

Pursuant to the requirements of the GEM Listing Rules, the Company has received written confirmation from each independent non-executive director of his independence to the Company. Based on such confirmations of independence, the Company considers all of the independent non-executive directors to be independent.

The Board held a full board meeting for each quarter.

Details of the attendance of the meetings of the Board are as follows:

Directors		**Attendance**
Mr. Yuan Shengjun		4/4
Mr. Chan Francis Ping Kuen		4/4
Mr. Chan Hin Wing, James		4/4
Mr. Hsu Tung Chi	(Resigned on 1 July 2011)	1/4
Mr. Kwok Chi Sun, Vincent		4/4
Mr. Yeung Kam Yan		4/4
Mr. Cheung Chi Hwa, Justin		4/4

Apart from the above regular board meetings of the year, the Board will meet on other occasions when a board-level decision on a particular matter is required.

Chairman and Chief Executive Officer

Since 1 January 2011, the roles of Chairman and Chief Executive Officer of the Company has been performed by Mr. Yuan Shengjun. The board considered that the non-segregation would not result in considerable concentration of power in one person and has the advantage of a strong and consistent leadership is conducive to making and implementing decisions quickly and consistently The Board will review the effectiveness of this arrangement from time to time and will consider appointing an individual as chief executive officer when it considers appropriate.

Remuneration of Directors

The remuneration committee was established in January 2006 with written terms of reference in compliance with the code provision. The remuneration committee consists of four members, of which three are independent non-executive directors, namely Mr. Kwok Chi Sun, Vincent, Mr. Yeung Kam Yan and Mr. Cheung Chi Hwa, Justin, and one is executive director being Mr. Chan Francis Ping Kuen. The chairman of the committee is Mr. Kwok Chi Sun, Vincent.

The role and function of the remuneration committee include the determination of the specific remuneration packages of all executive directors, including benefits in kind, pension rights and compensation payments, including any compensation payable for loss or termination of their office or appointment, and make recommendations to the Board of the remuneration of non-executive directors.

During the period under review, a meeting of the remuneration committee was held in February 2012. Details of the attendance of the meeting of the remuneration committee are as follows:

Members	**Attendance**
Mr. Chan Francis Ping Kuen	1/1
Mr. Kwok Chi Sun, Vincent	1/1
Mr. Yeung Kam Yan	1/1
Mr. Cheung Chi Hwa, Justin	1/1

Nomination of Directors

The Company has established a nomination committee on 23 March 2012 with written terms of reference in compliance with the GEM Listing Rules. The nomination committee comprises four members, of which one executive director, namely Mr. Chan Francis Ping Kuen and three independent non-executive directors namely Mr. Kwok Chi Sun, Vincent, Mr. Yeung Kam Yan and Mr. Cheung Chi Hwa, Justin. The chairman of the committee is Mr. Kwok Chi Sun, Vincent.

The nomination committee is mainly responsible for making recommendations to the Board on appointment of directors and succession planning for the directors. The Board took into consideration criteria such as expertise, experience, the market situation and applicable laws and regulations when considering new director appointments.

Since the nomination committee has only been established on 23 March 2012, there was no meeting held during the period under review.

Auditor's Remuneration

The Company has appointed Mazars CPA Limited as the auditor of the Group (the "Auditor"). The Board is authorised in the annual general meeting to determine the remuneration of the Auditor. During the year, the fees charged by the Auditor for the statutory audit and non-audit assignments of the Group amounted to approximately HK$470,000 and HK$495,000 respectively. The non-audit services included mainly professional services in connection with circulars to shareholders.

Corporate Governance Report

Audit Committee

The Company established an audit committee with written terms of reference in compliance with Rules 5.28 and 5.33 of the GEM Listing Rules. The primary duties of the audit committee are to review and supervise the financial reporting process and internal controls system of the Group and provide advice and comments on the Company's draft annual reports and accounts, half year reports and quarterly reports to directors. The audit committee comprises three members, Mr. Kwok Chi Sun, Vincent, Mr. Yeung Kam Yan and Mr. Cheung Chi Hwa, Justin, all of them are independent non-executive directors. The chairman of the audit committee is Mr. Kwok Chi Sun, Vincent.

The audit committee held 4 meetings during the year under review. Details of the attendance of the audit committee meetings are as follows:

Members	Attendance
Mr. Kwok Chi Sun, Vincent	4/4
Mr. Yeung Kam Yan	4/4
Mr. Cheung Chi Hwa, Justin	4/4

The Group's unaudited quarterly and interim results and annual audited results for the year ended 31 March 2012 have been reviewed by the audit committee during the year, which was of the opinion that the preparation of such results complied with the applicable accounting standards and requirements and that adequate disclosures have been made.

Internal Control

The board is responsible for maintaining the Group's internal controls and for reviewing the effectiveness of these controls. Internal control systems are designed to meet the particular needs of the Group and the risk to which it is exposed,

In consideration of the size of the Group, the Board does not consider to establish an internal audit team at present. However, the key control procedures established by the Group are day-to-day supervision of the business by the executive directors, supported by the managers responsible for the operation and the key division support functions of finance, information system and human resources. Key elements of internal controls described below have been in place throughout the year under review:

– procedures for the approval of capital expenditure and payments;

– regular financial information provided to management for reviewing the Group's performance;

– clearly defined management structure and lines of responsibility.

Shareholders' Rights

Under the Bye-laws of the Company, shareholders holding at the date of deposit of the requisition not less than one-tenth of the paid up capital of the Company carrying the right of voting at general meetings of the Company shall at all times have the right, by written requisition to the Board or the Secretary of the Company, to require a special general meeting to be called by the Board for the transaction of any business specified in such requisition; and such meeting shall be held within two months after the deposit of such requisition. Within 21 days of such deposit the Board should proceed to convene such meeting.

Directors' and Auditor's Responsibility for the Financial Statements

The directors acknowledge their responsibility for the preparation of the financial statements of the Group. In preparing the financial statements, the generally accepted accounting standards in Hong Kong have been adopted, appropriate accounting policies have been used and applied consistently, and reasonable and prudent judgments and estimates have been made.

The Board is not aware of any material uncertainties relating to events or conditions which may cast significant doubt over the Group's ability to continue as a going concern. Accordingly, the Board has continued to adopt the going concern basis in preparing the financial statements.

The auditor's responsibilities are set out in the Auditor's Report.

Independent Auditor's Report

MAZARS CPA LIMITED
瑪澤會計師事務所有限公司
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Website網址: www.mazars.cn

To the shareholders of
PALMPAY CHINA (HOLDINGS) LIMITED
(incorporated in Bermuda with limited liability)

We have audited the consolidated financial statements of Palmpay China (Holdings) Limited (the "Company") and its subsidiaries (together the "Group") set out on pages 28 to 100, which comprise the consolidated and the Company's statements of financial position as at 31 March 2012, and the consolidated statement of comprehensive income, consolidated statement of changes in equity and consolidated statement of cash flows for the year then ended, and a summary of significant accounting policies and other explanatory information.

Directors' responsibility for the consolidated financial statements

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

Auditor's responsibility

Our responsibility is to express an opinion on these consolidated financial statements based on our audit and to report our opinion solely to you, as a body, in accordance with Section 90 of the Bermuda Companies Act 1981, 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 judgement, 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 the consolidated financial statements that give a true and fair view in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the entity's internal control. An audit also includes evaluating the appropriateness of accounting policies used and the reasonableness of accounting estimates made by the directors, as well as evaluating the overall presentation of the consolidated financial statements.

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

Opinion

In our opinion, the consolidated financial statements give a true and fair view of the state of the affairs of the Company and of the Group as at 31 March 2012, and of the Group's loss and cash flows for the year then ended in accordance with Hong Kong Financial Reporting Standards and have been properly prepared in accordance with the disclosure requirements of the Hong Kong Companies Ordinance.

Mazars CPA Limited
Certified Public Accountants
Hong Kong, 28 June 2012

Eunice Y M Kwok
Practising Certificate number: P04604

Consolidated Statement of Comprehensive Income

Year ended 31 March 2012

	Note	2012 HK$'000	2011 HK$'000
Turnover	5	**28,516**	23,786
Cost of services rendered and cost of goods sold		**(7,761)**	(6,812)
Gross profit		**20,755**	16,974
Other revenue	5	**416**	19
Other income	6	**5,255**	3,954
Selling and distribution costs		**(3,819)**	(3,145)
Administrative expenses		**(62,327)**	(76,934)
Other operating expenses		**(32,146)**	(268,473)
Finance costs	7	**–**	(117)
Loss before taxation	7	**(71,866)**	(327,722)
Income tax credit (expenses)	10	**229**	(1,412)
Loss for the year		**(71,637)**	(329,134)
Other comprehensive income (loss) for the year, net of tax:			
Available-for-sale financial assets			
Change in fair value		**–**	(6,163)
Reclassification adjustment for disposals		**15,968**	(618)
Exchange differences on consolidation		**1,030**	5,320
		16,998	(1,461)
Total comprehensive loss for the year		**(54,639)**	(330,595)
Loss attributable to:			
Equity holders of the Company	11	**(68,192)**	(328,601)
Non-controlling interests		**(3,445)**	(533)
		(71,637)	(329,134)
Total comprehensive loss attributable to:			
Equity holders of the Company		**(51,399)**	(330,370)
Non-controlling interests		**(3,240)**	(225)
		(54,639)	(330,595)
Loss per share	13		*(adjusted)*
Basic		**(HK6.00 cents)**	(HK41.94 cents)
Diluted		**(HK6.00 cents)**	(HK41.94 cents)

Consolidated Statement of Financial Position

At 31 March 2012

	Note	2012 HK$'000	2011 HK$'000
Non-current assets			
Property, plant and equipment	14	**3,975**	5,879
Available-for-sale financial assets	15	**–**	389
Intangible assets	17	**800**	31,047
Goodwill	18	**40,910**	14,308
		45,685	51,623
Current assets			
Inventories	19	**2,541**	6,730
Trade and other receivables	20	**48,861**	49,470
Bank balances and cash	21	**55,041**	59,628
		106,443	115,828
Current liabilities			
Trade and other payables	22	**19,153**	33,164
Tax payable		**4,345**	5,892
Promissory note	23	**5,000**	–
		28,498	39,056
Net current assets		**77,945**	76,772
Total assets less current liabilities		**123,630**	128,395
Non-current liabilities			
Promissory note	23	**1,200**	4,700
NET ASSETS		**122,430**	123,695

Consolidated Statement of Financial Position

At 31 March 2012

	Note	2012 HK$'000	2011 HK$'000
Capital and reserves			
Share capital	*24*	**69,039**	31,381
Reserves		**40,026**	88,005
Equity attributable to equity holders of the Company		**109,065**	119,386
Non-controlling interests		**13,365**	4,309
TOTAL EQUITY		**122,430**	123,695

Approved and authorised for issue by the Board of Directors on 28 June 2012

Chan Francis Ping Kuen
Director

Chan Hin Wing James
Director

Statement of Financial Position

At 31 March 2012

	Note	2012 HK$'000	2011 HK$'000
Non-current assets			
Investment in subsidiaries	16	**–**	–
Current assets			
Other receivables	20	**73**	73
Due from subsidiaries	16	**88,078**	59,586
Bank balances and cash	21	**45,784**	56,010
		133,935	115,669
Current liabilities			
Other payables	22	**1,163**	799
Due to subsidiaries	16	**4,160**	4,020
Promissory note	23	**5,000**	–
		10,323	4,819
Net current assets		**123,612**	110,850
Total assets less current liabilities		**123,612**	110,850
Non-current liabilities			
Promissory note	23	**1,200**	4,700
NET ASSETS		**122,412**	106,150
Capital and reserves			
Share capital	24	**69,039**	31,381
Reserves	25	**53,373**	74,769
TOTAL EQUITY		**122,412**	106,150

Approved and authorised for issue by the Board of Directors on 28 June 2012

Chan Francis Ping Kuen
Director

Chan Hin Wing James
Director

Consolidated Statement of Changes in Equity

Year ended 31 March 2012

	Attributable to equity holders of the Company													
		Reserves												
	Share capital HK$'000	Share premium HK$'000	Contributed surplus HK$'000	Exchange reserve HK$'000	Convertible bonds reserve HK$'000	Employee share-based payment reserve HK$'000	Warrant reserve HK$'000	Available-for-sale financial assets reserve HK$'000	Statutory reserve HK$'000	Accumulated (losses) profits HK$'000	Total reserves HK$'000	Subtotal HK$'000	Non-controlling interests HK$'000	Total HK$'000
At 1 April 2010	117,611	60,370	145,126	3,385	443	2,923	–	(9,187)	1,037	31,088	235,185	352,796	–	352,796
Loss for the year	–	–	–	–	–	–	–	–	–	(328,601)	(328,601)	(328,601)	(533)	(329,134)
Other comprehensive income (loss)														
Available-for-sale financial assets														
– Change in fair value	–	–	–	–	–	–	–	(6,163)	–	–	(6,163)	(6,163)	–	(6,163)
– Reclassification adjustments for disposals	–	–	–	–	–	–	–	(618)	–	–	(618)	(618)	–	(618)
Exchange difference on consolidation	–	–	–	5,012	–	–	–	–	–	–	5,012	5,012	308	5,320
Total comprehensive income (loss) or the year	–	–	–	5,012	–	–	–	(6,781)	–	(328,601)	(330,370)	(330,370)	(225)	(330,595)
Transaction with owners														
Issue of shares upon private placing	10,350	27,945	–	–	–	–	–	–	–	–	27,945	38,295	–	38,295
Issue of unlisted warrants	–	–	–	–	–	–	621	–	–	–	621	621	–	621
Exercise of unlisted warrants	6,350	15,915	–	–	–	–	(381)	–	–	–	15,534	21,884	–	21,884
Redemption of convertible bonds	–	–	–	–	(443)	–	–	–	–	443	–	–	–	–
Share consolidation and capital reduction	(107,450)	–	107,450	–	–	–	–	–	–	–	107,450	–	–	–
Issue of consideration shares	4,520	31,640	–	–	–	–	–	–	–	–	31,640	36,160	–	36,160
Forfeit of share options	–	–	–	–	–	(138)	–	–	–	138	–	–	–	–
Transfer of statutory reserve	–	–	–	–	–	–	–	–	1,384	(1,384)	–	–	–	–
Acquisition of subsidiaries	–	–	–	–	–	–	–	–	–	–	–	–	4,534	4,534
	(86,230)	75,500	107,450	–	(443)	(138)	240	–	1,384	(803)	183,190	96,960	4,534	101,494
At 31 March 2011	31,381	135,870	252,576	8,397	–	2,785	240	(15,968)	2,421	(298,316)	88,005	119,386	4,309	123,695

	Note	Share capital HK$'000	Share premium HK$'000	Contributed surplus HK$'000	Exchange reserve HK$'000	Convertible bonds reserve HK$'000	Employee share-based payment reserve HK$'000	Warrant reserve HK$'000	Available-for-sale financial assets reserve HK$'000	Statutory reserve HK$'000	Accumulated losses HK$'000	Total reserves HK$'000	Subtotal HK$'000	Non-controlling interests HK$'000	Total HK$'000
		Attributable to equity holders of the Company													
			Reserves												
At 1 April 2011		31,381	135,870	252,576	8,397	–	2,785	240	(15,968)	2,421	(298,316)	88,005	119,386	4,309	123,695
Loss for the year		–	–	–	–	–	–	–	–	–	(68,192)	(68,192)	(68,192)	(3,445)	(71,637)
Other comprehensive income															
Reclassification adjustment for disposals of available-for-sale financial assets		–	–	–	–	–	–	–	15,968	–	–	15,968	15,968	–	15,968
Exchange difference on consolidation		–	–	–	825	–	–	–	–	–	–	825	825	205	1,030
Total comprehensive income (loss) for the year		–	–	–	825	–	–	–	15,968	–	(68,192)	(51,399)	(51,399)	(3,240)	(54,639)
Transaction with owners															
Issue of shares upon open offer	*24(i)*	31,383	(1,686)	–	–	–	–	–	–	–	–	(1,686)	29,697	–	29,697
Issue of consideration shares	*24(ii)*	6,275	5,522	–	–	–	–	–	–	–	–	5,522	11,797	–	11,797
Acquisition of subsidiaries	*32*	–	–	–	–	–	–	–	–	–	–	–	–	2,846	2,846
Cancellation of share options	*27(i)*	–	–	–	–	–	(2,303)	–	–	–	2,303	–	–	–	–
Forfeit of share options	*27(ii)*	–	–	–	–	–	(482)	–	–	–	482	–	–	–	–
Disposal of subsidiaries	*33*	–	–	–	(416)	–	–	–	–	–	–	(416)	(416)	9,450	9,034
Transfer of statutory reserve	*25(viii)*	–	–	–	–	–	–	–	–	643	(643)	–	–	–	–
		37,658	3,836	–	(416)	–	(2,785)	–	–	643	2,142	3,420	41,078	12,296	53,374
At 31 March 2012		**69,039**	**139,706**	**252,576**	**8,806**	**–**	**–**	**240**	**–**	**3,064**	**(364,366)**	**40,026**	**109,065**	**13,365**	**122,430**

Consolidated Statement of Cash Flows

Year ended 31 March 2012

	Note	2012 HK$'000	2011 HK$'000
OPERATING ACTIVITIES			
Loss before taxation		**(71,866)**	(327,722)
Allowances for bad and doubtful debts		**20,760**	48,282
Depreciation of property, plant and equipment		**1,391**	5,341
Loss (Gain) on disposal of available-for-sale financial assets		**15,815**	(1,523)
Gain on disposal of subsidiaries	*33*	**(935)**	–
Impairment loss of property, plant and equipment		**1,451**	5,670
Impairment loss of intangible assets		**30,695**	11,176
Impairment loss of goodwill		**–**	251,627
Write-down of inventories		**5,778**	–
Interest income		**(416)**	(19)
Fair value change in promissory note		**300**	–
Finance costs		**–**	117
Overprovision of business tax		**(3,047)**	–
Overprovision of staff social welfare		**(936)**	–
Write-off of other receivables		**–**	1,404
Write-back of other payables		**(19)**	(2,431)
Changes in working capital			
Inventories		**(1,423)**	(1,390)
Trade and other receivables		**(5,814)**	13,294
Trade and other payables		**(9,458)**	(8,608)
Exchange difference		**–**	147
Cash used in operations		**(17,724)**	(4,635)
Income taxes paid		**(1,443)**	(1,170)
Net cash used in operating activities		**(19,167)**	(5,805)
INVESTING ACTIVITIES			
Interest received		**416**	19
Acquisition of subsidiaries	*32*	**(15,481)**	(19,703)
Purchase of property, plant and equipment		**(616)**	(687)
Purchase of intangible assets		**(61)**	(4,471)
Disposal of available-for-sale financial assets		**542**	11,019
Disposal of subsidiaries	*33*	**(4)**	–
Net cash used in investing activities		**(15,204)**	(13,823)

	Note	2012 HK$'000	2011 HK$'000
FINANCING ACTIVITIES			
Proceeds from issue of unlisted warrants		**–**	621
Proceeds from shares issued upon open offer	*24(i)*	**29,697**	–
Proceeds from shares issued upon private placing		**–**	38,295
Proceeds from shares issued upon exercise of unlisted warrants		**–**	21,884
Redemption of convertible bonds		**–**	(3,200)
Net cash from financing activities		**29,697**	57,600
Net (decrease) increase in cash and cash equivalents		**(4,674)**	37,972
Cash and cash equivalents at beginning of reporting period		**59,628**	21,500
Effect on foreign exchange rate changes, net		**87**	156
Cash and cash equivalents at end of reporting period, represented by bank balances and cash		**55,041**	59,628

Note:

In addition to the transactions information disclosed elsewhere in these consolidated financial statements, the Group entered into the following non-cash investing activities:

During the year, the Group purchased certain property, plant and equipment at a total amount of HK$925,000, out of which HK$309,000 had not been paid in cash at the end of the reporting period.

1. CORPORATE INFORMATION

Palmpay China (Holdings) Limited (the "Company") is a limited liability company incorporated in Bermuda on 7 June 2001 as an exempted company with limited liability under the Bermuda Companies Act of 1981. The Company's shares are listed on the Growth Enterprise Market (the "GEM") of The Stock Exchange of Hong Kong Limited (the "Stock Exchange"). The registered office of the Company is located at Clarendon House, 2 Church Street, Hamilton HM 11, Bermuda and its principal place of business is located at Unit 1601, 16/F., Ruttonjee House, Ruttonjee Centre, 11 Duddell Street, Central, Hong Kong.

The principal activity of the Company is investment holding and the principal activities of its subsidiaries are set out in note 16 to the consolidated financial statements.

2. STATEMENT OF COMPLIANCE

These consolidated financial statements have been prepared in accordance with Hong Kong Financial Reporting Standards ("HKFRSs"), which collective term includes all applicable Hong Kong Financial Reporting Standards, Hong Kong Accounting Standards ("HKASs") and Interpretations issued by the Hong Kong Institute of Certified Public Accountants ("HKICPA"), accounting principles generally accepted in Hong Kong and the disclosure requirements of the Hong Kong Companies Ordinance. These consolidated financial statements also comply with the applicable disclosure requirements under the Rules Governing the Listing of Securities on the GEM of the Stock Exchange (the "GEM Listing Rules").

These consolidated financial statements have been prepared on a basis consistent with the accounting policies adopted in the 2011 consolidated financial statements except for the adoption of certain new / revised HKFRSs effective from the current year that are relevant to the Group as detailed in note 3 to the consolidated financial statements.

A summary of the principal accounting policies adopted by the Group is set out in note 3 to the consolidated financial statements.

3. PRINCIPAL ACCOUNTING POLICIES

Adoption of new / revised HKFRSs

HKAS 24 (Revised) – *Related Party Disclosures*

HKAS 24 was revised to include a new definition of related party and to provide a partial exemption from the disclosure requirements in relation to related party transactions and outstanding balances, including commitments, with:

(a) a government that has control, joint control or significant influence over the reporting entity; and

(b) another entity that is a related party because the same government has control, joint control or significant influence over both the reporting entity and the other entity.

The Group adopted the new definition in its accounting policies but such adoption does not have an effect on the disclosures made in the consolidated financial statements.

Improvements to HKFRSs 2010 – *Improvements to HKFRSs 2010*

The improvements comprise a number of improvements to HKFRSs including the following that are considered to be relevant to the Group:

Amendments to HKFRS 3 (Revised) *Business Combinations*

The amendments clarify the transitional requirements for contingent consideration from a business combination that occurred before the effective date of HKFRS 3 (Revised) and specify that the application guidance in HKFRS 3 (Revised) applies to all unexpired share-based payment awards that form part of a business combination, regardless of whether the acquirer is obliged to replace the award. They also clarify that only the entity with present ownership instruments that entitle their holders to a pro rata share of the entity's net assets in the event of liquidation can choose to measure the non-controlling interests at fair value or the non-controlling interests' proportionate share of the acquiree's identifiable net assets.

Amendments to HKAS 1 (Revised): *Presentation of Financial Statements: Clarification of statement of changes in equity*

The amendments clarify that the reconciliation of each components of other comprehensive income may be presented either in the statement of changes in equity or in the notes to the financial statements. The Group has decided to continue presenting the reconciliation on the face of the statement of changes in equity.

The adoption of the improvements does not have a significant impact to the Group.

Basis of measurement

The measurement basis used in the preparation of these consolidated financial statements is historical cost, except for available-for-sale financial assets and promissory notes, which are measured at fair value as explained in the accounting policies below.

3. PRINCIPAL ACCOUNTING POLICIES *(Continued)*

Basis of consolidation

The consolidated financial statements comprise the financial statements of the Company and all of its subsidiaries as at 31 March each year. The financial statements of the subsidiaries are prepared for the same reporting year as that of the Company using consistent accounting policies.

All intra-group balances, transactions, income and expenses and profits and losses resulting from intra-group transactions are eliminated in full. The results of subsidiaries are consolidated from the date on which the Group obtains control and continue to be consolidated until the date that such control ceases.

Non-controlling interests are presented separately in the consolidated statement of comprehensive income and within equity in the consolidated statement of financial position, separately from equity holders of the Company. The non-controlling interests in the acquiree, that are present ownership interests and entitle their holders to a proportionate share of the acquiree's net assets in the event of liquidation, is measured initially either at fair value or at the present ownership instruments' proportionate share in the recognised amounts of the acquiree's identifiable net assets. This choice of measurement basis is made on an acquisition-by-acquisition basis.

Allocation of total comprehensive income

Profit or loss and each component of other comprehensive income are attributed to the equity holders of the Company and to the non-controlling interests. Total comprehensive income is attributed to the equity holders of the Company and the non-controlling interests even if this results in the non-controlling interests having a deficit balance.

Changes in ownership interest

Changes in the Group's ownership interest in a subsidiary that do not result in a loss of control are accounted for as equity transactions. The carrying amounts of the controlling and non-controlling interests are adjusted to reflect the changes in their relative interests in the subsidiary. Any difference between the amount by which the non-controlling interests are adjusted and the fair value of the consideration paid or received is recognised directly in equity and attributed to the equity holders of the Company.

When the Group loses control of a subsidiary, the profit or loss on disposal is calculated as the difference between (i) the aggregate of the fair value of the consideration received and the fair value of any retained interest determined at the date when control is lost and (ii) the carrying amount of the assets (including goodwill), and liabilities of the subsidiary and any non-controlling interests at the date when control is lost. The amounts previously recognised in other comprehensive income in relation to the disposed subsidiary is recognised on the same basis as would be required if the parent had directly disposed of the related assets or liabilities. Any investment retained in the former subsidiary and any amounts owed by or to the former subsidiary is accounted for as a financial asset, associate, jointly controlled entity or others as appropriate from the date when control is lost.

3. PRINCIPAL ACCOUNTING POLICIES *(Continued)*

Subsidiaries

A subsidiary is an entity in which the Group has the power to govern the financial and operating policies so as to obtain benefits from its activities.

In the Company's statement of financial position, an investment in subsidiary is stated at cost less accumulated impairment losses. The carrying amount of the investment is reduced to its recoverable amount on an individual basis. The results of subsidiaries are accounted for by the Company on the basis of dividends received and receivable.

Business combinations

Business combinations are accounted for using the acquisition method. The consideration transferred is measured at the acquisition date fair value which is the sum of the acquisition date fair values of assets transferred by the Group, liabilities assumed by the Group to the former owners of the acquiree and the equity interests issued by the Group in exchange for control of the acquiree. For each business combination, the acquirer measures the non-controlling interest in the acquiree either at fair value or at the proportionate share of the acquiree's identifiable net assets. Acquisition costs are expensed as incurred.

When the Group acquires a business, it assesses the financial assets and liabilities assumed for appropriate classification and designation in accordance with the contractual terms, economic circumstances and pertinent conditions as at the acquisition date. This includes the separation of embedded derivatives in host contracts by the acquiree.

If the business combination is achieved in stages, the acquisition date fair value of the acquirer's previously held equity interest in the acquiree is remeasured to fair value as at the acquisition date through profit or loss.

Any contingent consideration to be transferred by the acquirer is recognised at fair value at the acquisition date. Subsequent changes to the fair value of the contingent consideration which is deemed to be an asset or liability is recognised in accordance with HKAS 39 either in profit or loss or as a change to other comprehensive income. If the contingent consideration is classified as equity, it shall not be remeasured until it is finally settled within equity.

3. PRINCIPAL ACCOUNTING POLICIES *(Continued)*

Goodwill

Goodwill arising on an acquisition of a subsidiary is measured at the excess of the consideration transferred, the amount of any non-controlling interests in the acquiree and the fair value of any previously held equity interest in the acquiree over the acquisition date amounts of the identifiable assets acquired and the liabilities assumed of the acquired subsidiary.

Goodwill on acquisition of a subsidiary is recognised as a separate asset. Goodwill is carried at cost less accumulated impairment losses, which is tested for impairment annually or more frequently if events or changes in circumstances indicate that the carrying value may be impaired. For the purpose of impairment test and determination of gain or loss on disposal, goodwill is allocated to cash-generating units. An impairment loss on goodwill is not reversed.

In respect of a subsidiary, any excess of the acquisition date amounts of the identifiable assets acquired and the liabilities assumed of the acquired subsidiary over 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, after reassessment, is recognised immediately in profit or loss as a bargain purchase.

Intangible assets (other than goodwill)

The initial cost of acquiring intangible assets is capitalised. Intangible assets that have indefinite useful lives or that are not yet available for use are carried at cost less accumulated impairment losses and tested for impairment annually either individually or at the cash-generating unit level and are not amortised. The useful life is reviewed annually to determine whether indefinite life assessment continues to be supportable. If not, the change in the useful life assessment from indefinite to finite is accounted for on a prospective basis. Intangible assets with finite useful lives are carried at cost less accumulated amortisation and accumulated impairment losses.

Research and development costs

Research costs are expensed as incurred. Costs incurred on development activities, which involve the application of research findings to a plan or design for the production of new or substantially improved products and processes, are capitalised if the product or process is technically and commercially feasible and the Group has sufficient resources to complete the development. The expenditure capitalised includes the cost of materials, direct labour and an appropriate proportion of overheads. Other development expenditure is recognised in profit or loss as an expense as incurred. When the asset is available for use, the capitalised development costs are amortised on a straight-line basis over its useful life.

3. PRINCIPAL ACCOUNTING POLICIES *(Continued)*

Property, plant and equipment

Property, plant and equipment are stated at cost less accumulated depreciation and accumulated impairment losses. The cost of an item of property, plant and equipment comprises its purchase price and any directly attributable costs of bringing the asset to its working condition and location for its intended use. Repairs and maintenance are charged to profit or loss during the year in which they are incurred.

Depreciation is provided to write off the cost less accumulated impairment losses of property, plant and equipment over their estimated useful lives as set out below from the date on which they are available for use and after taking into account their estimated residual values, using the straight-line method. Where parts of an item of property, plant and equipment have different useful lives, the cost of the item is allocated on a reasonable basis and depreciated separately.

Plant and machinery	10%
Leasehold improvements	over the remaining lease terms
Furniture and fixtures	20%
Computer and office equipment	20%

An item of property, plant and equipment is derecognised upon disposal or when no future economic benefits are expected to arise from the continued use of the asset. Any gain or loss arising on derecognition of the asset (calculated as the difference between the net disposal proceeds and the carrying amount of the item) is included in profit or loss in the year in which the item is derecognised.

Financial instruments

Recognition and derecognition

Financial assets and financial liabilities are recognised when and only when the Group becomes a party to the contractual provisions of the instruments and on a trade date basis.

A financial asset is derecognised when and only when (i) the Group's contractual rights to future cash flows from the financial asset expire or (ii) the Group transfers the financial asset and has transferred substantially all the risks and rewards of ownership of the financial asset. A financial liability is derecognised when and only when the liability is extinguished, that is, when the obligation specified in the relevant contract is discharged, cancelled or expires.

Classification and measurement

Financial assets or financial liabilities are initially recognised at their fair value plus, in the case of financial assets or financial liabilities not carried at fair value through profit or loss, transaction costs that are directly attributable to the acquisition or issue of the financial assets or financial liabilities.

3. PRINCIPAL ACCOUNTING POLICIES *(Continued)*

Financial instruments *(Continued)*

Loans and receivables

Loans and receivables are non-derivative financial assets with fixed or determinable payments that are not quoted in an active market and are not held for trading. They are measured at amortised cost using the effective interest method, except where receivables are interest-free loans and without any fixed repayment term or the effect of discounting would be insignificant. In such case, the receivables are stated at cost less impairment loss. Amortised cost is calculated by taking into account any discount or premium on acquisition over the year to maturity. Gains and losses arising from derecognition, impairment or through the amortisation process are recognised in profit or loss.

Available-for-sale financial assets

Available-for-sale financial assets are non-derivative financial assets that are either designated at this category or not classified in any of the other categories of financial assets. They are measured at fair value with changes in value recognised as a separate component of equity until the assets are sold, collected or otherwise disposed of, or until the assets are determined to be impaired, at which time the cumulative gain or loss previously reported in other comprehensive income shall be reclassified to profit or loss as a reclassification adjustment.

Available-for-sale financial assets that do not have a quoted market price in an active market and whose fair value cannot be reliably measured are stated at cost less impairment loss.

Financial liabilities

All financial liabilities except for derivatives and promissory notes are recognised initially at their fair value and subsequently measured at amortised cost, using the effective interest method, unless the effect of discounting would be insignificant, in which case they are stated at cost.

Promissory notes

Promissory notes issued as contingent consideration in business combinations are carried at fair value, with any resultant gain and loss recognised in profit or loss.

Impairment of financial assets

At the end of each reporting period, the Group assesses whether there is objective evidence that financial assets, other than those at fair value through profit or loss, are impaired.

An allowance for impairment of loans and receivables is established when there is objective evidence that the Group will not be able to collect all amounts due according to the original terms of receivables. Significant financial difficulties of the debtor, probability that the debtor will enter bankruptcy or financial reorganisation, and default or delinquency in payments are considered indicators that the receivable is impaired.

3. PRINCIPAL ACCOUNTING POLICIES *(Continued)*

Financial instruments *(Continued)*

Impairment of financial assets (Continued)

The impairment loss of financial assets carried at amortised cost 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. Such impairment loss is reversed in subsequent periods through profit or loss when an increase in the asset's recoverable amount can be related objectively to an event occurring after the impairment was recognised, subject to a restriction that the carrying amount of the asset at the date the impairment is reversed does not exceed what the amortised cost would have been had the impairment not been recognised.

When an available-for-sale financial asset is impaired, a cumulative loss comprising the difference between its acquisition cost (net of any principal repayment and amortisation) and current fair value, less any previously recognised impairment loss in profit or loss, is transferred from equity to profit or loss as a reclassification adjustment. Impairment losses recognised in profit or loss in respect of available-for-sale equity instrument are not reversed through profit or loss. Any subsequent increase in fair value of available-for-sale equity instrument after recognition of impairment loss is recognised in equity. Reversal of impairment loss of available-for-sale debt instruments are reversed through profit or loss, if the increase in fair value of the instrument can be objectively related to an event occurring after the impairment loss was recognised in profit or loss.

For an available-for-sale financial asset that is carried at cost, the amount of impairment loss is measured as the difference between the carrying amount of the financial asset and the present value of estimated future cash flows discounted at the current market rate of return for a similar financial asset. Such impairment loss shall not be reversed.

Cash equivalents

For the purpose of the consolidated statement of cash flows, cash equivalents represent short-term highly liquid investments which are readily convertible into known amounts of cash and which are subject to an insignificant risk of changes in value, net of bank overdrafts.

Revenue recognition

Revenue is recognised when it is probable that the economic benefits will flow to the Group and when the revenue and costs, if applicable, can be measured reliably and on the following bases:

Income from provision of services is recognised when services are rendered.

Sale of goods is recognised on transfer of risk and rewards of ownership, which generally coincides with the time when the goods are delivered to customers and the title is passed.

Dividend income from investments is recognised when the Group's rights to receive payment have been established.

Interest income from financial assets is accrued on a time basis, by reference to the principal outstanding and at the effective interest rate applicable.

3. PRINCIPAL ACCOUNTING POLICIES *(Continued)*

Foreign currency translation

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 the currency of Hong Kong dollars, which is the Company's functional and presentation currency.

Foreign currency transactions are translated into the functional currency using the exchange rates prevailing at the dates of the transactions. Foreign exchange gains and losses resulting from the settlement of such transactions and from the translation at year-end exchange rates of monetary assets and liabilities denominated in foreign currencies are recognised in profit or loss. Foreign exchange gains and losses resulting from the retranslation of non-monetary items carried at fair value are recognised in profit or loss except for those arising on the retranslation of non-monetary items in respect of which gains and losses are recognised directly in equity, in which cases, the gains or losses are also recognised directly in equity.

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

- Assets and liabilities for each statement of financial position presented and, where applicable, goodwill and fair value adjustments on the carrying amounts of assets and liabilities arising on an acquisition of a foreign operation which are to be treated as assets and liabilities of that foreign operation, are translated at the closing rate at the end of the reporting period;

- Income and expenses for each statement of comprehensive income are translated at average exchange rate;

- All resulting exchange differences arising from the above translation and exchange differences arising from a monetary item that forms part of the Group's net investment in a foreign operation are recognised as a separate component of equity. On disposal of a foreign operation, the cumulative amount of the exchange differences deferred in the separate component of equity relating to that foreign operation is recognised in profit or loss when the gain or loss on disposal is recognised.

- On disposal or partial disposal of the Group's interest in a subsidiary that includes a foreign operation which does not result in the Group losing control over the subsidiary, the proportionate share of the cumulative amount of the exchange differences recognised in the separate component of equity is re-attributed to the non-controlling interests in that foreign operation and are not recognised in profit or loss.

3. PRINCIPAL ACCOUNTING POLICIES *(Continued)*

Inventories

Inventories are stated at the lower of cost and net realisable value. Cost, which comprises all costs of purchase and, where applicable, cost of conversion and other costs that have been incurred in bringing the inventories to their present location and condition, is calculated using the weighted average cost method. Net realisable value represents 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 realisable value and all losses of inventories are recognised as an expense in the period when 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.

Impairment of other assets

At the end of each reporting period, the Group reviews internal and external sources of information to assess whether there is any indication that property, plant and equipment, intangible assets and investment in subsidiaries may be impaired or impairment loss previously recognised no longer exists or may be reduced. If any such indication exists, the recoverable amount of the asset is estimated, based on the higher of its fair value less costs to sell and value in use. Where it is not possible to estimate the recoverable amount of an individual asset, the Group estimates the recoverable amount of the smallest group of assets that generates cash flows independently (i.e. cash-generating unit).

If the recoverable amount of an asset or a cash-generating unit is estimated to be less than its carrying amount, the carrying amount of the asset or cash-generating unit is reduced to its recoverable amount. Impairment losses are recognised as an expense immediately.

A reversal of impairment loss is limited to the carrying amount of the asset or cash-generating unit that would have been determined had no impairment loss been recognised in prior years. Reversal of impairment loss is recognised as income in profit or loss immediately.

Leases

Leases are classified as finance leases whenever the terms of the lease transfer substantially all the risks and rewards of ownership to the lessee. All other leases are classified as operating leases.

Rentals payable under operating leases are charged to profit or loss on a straight-line basis over the term of the relevant lease.

Lease incentives are recognised in profit or loss as an integral part of the net consideration agreed for the use of the leased asset. Contingent rentals are recognised as expenses in the accounting period in which they are incurred.

3. PRINCIPAL ACCOUNTING POLICIES *(Continued)*

Employee benefits

Short-term employee benefits

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

Defined contribution plans

The obligations for contributions to defined contribution retirement scheme for the staff in Hong Kong are recognised as an expense in profit or loss as incurred and are reduced by contributions forfeited by those employees who leave the scheme prior the contributions are vested fully in those employees. The assets of the scheme are held separately from those of the Group in an independently administered fund.

Pursuant to the law and regulations of the People's Republic of China (the "PRC"), contributions to the defined contribution retirement schemes for the Group's PRC staff are made to the relevant government authorities in the PRC, which are calculated on certain percentages of the applicable payroll costs as stipulated under the requirements in the PRC. These contributions are expensed as incurred.

Share-based payment transactions

Equity-settled transactions

The Group's employees, including directors, receive remuneration in the form of share-based payment transactions, whereby the employees rendered services in exchange for shares or rights over shares. The cost of such transactions with employees is measured by reference to the fair value of the equity instruments at the grant date. The fair value of share options granted to employees is recognised as an employee cost with a corresponding increase in a reserve within equity. The fair value is determined using the Black-Scholes-Merton model, taking into account the terms and conditions of the transactions, other than conditions linked to the price of the shares of the Company ("market conditions").

The cost of equity-settled transactions is recognised, together with a corresponding increase in equity, over the years in which the vesting conditions are to be fulfilled, ending on the date on which the relevant employees become fully entitled to the award ("vesting date"). During the vesting period, the number of share options that is expected to vest ultimately is reviewed. Any adjustment to the cumulative fair value recognised in prior years is charged / credited to profit or loss for the year of the review, with a corresponding adjustment to the reserve within equity.

When the share options are forfeited after the vesting date or are still not exercised at the expiry date, the amount previously recognised in share options reserve will be transferred to retained earnings.

3. PRINCIPAL ACCOUNTING POLICIES *(Continued)*

Share-based payment transactions *(Continued)*

Equity-settled transactions (Continued)

Where the terms of an equity-settled award are modified, an additional expense is recognised for any increase in the value of the transaction as a result of the modification, as measured at the date of modification.

Where an equity-settled award is cancelled before the vesting date, it is treated as if it had vested on the date of cancellation, and any expense not yet recognised for the award is recognised immediately. However, if a new award is substituted for the cancelled award, and designated as a replacement award on the date that it is granted, the cancelled and new awards are treated as if they were a modification of the original award, as described above.

Share-based payment transactions in which the Company grants share options to subsidiaries' employees are accounted for as an increase in value of investment in subsidiaries in the Company's statement of financial position which is eliminated on consolidation.

Taxation

The charge for current income tax is based on the results for the year as adjusted for items that are non-assessable or disallowed. It is calculated using tax rates that have been enacted or substantively enacted by the end of the reporting period.

Deferred tax is provided, using the liability method, on all temporary differences at the end of the reporting period between the tax bases of assets and liabilities and their carrying amounts in the consolidated financial statements. However, any deferred tax arising from initial recognition of goodwill; or other asset or liability in a transaction other than a business combination that at the time of the transaction affects neither the accounting profit nor taxable profit or loss is not recognised.

The deferred tax liabilities and assets are measured at the tax rates that are expected to apply to the period when the asset is recovered or the liability is settled, based on tax rates and tax laws that have been enacted or substantively enacted at the end of the reporting period.

Deferred tax assets are recognised to the extent that it is probable that future taxable profit will be available against which the deductible temporary differences, tax losses and credits can be utilised.

Deferred tax is provided on temporary differences arising on investment in subsidiaries, except where the timing of the reversal of the temporary differences is controlled by the Group and it is probable that the temporary difference will not reverse in the foreseeable future.

3. PRINCIPAL ACCOUNTING POLICIES *(Continued)*

Related parties

A related party is a person or entity that is related to the Group.

(a) A person or a close member of that person's family is related to the Group if that person:

- (i) has control or joint control over the Group;
- (ii) has significant influence over the Group; or
- (iii) is a member of the key management personnel of the Group or of the parent of the Group.

(b) An entity is related to the Group if any of the following conditions applies:

- (i) The entity and the Group are members of the same group (which means that each parent, subsidiary and fellow subsidiary is related to the others).
- (ii) One entity is an associate or joint venture of the other entity (or an associate or joint venture of a member of a group of which the other entity is a member).
- (iii) Both entities are joint ventures of the same third party.
- (iv) One entity is a joint venture of a third entity and the other entity is an associate of the third entity.
- (v) The entity is a post-employment benefit plan for the benefit of employees of either the Group or an entity related to the Group. If the Group is itself such a plan, the sponsoring employers are also related to the Group.
- (vi) The entity is controlled or jointly controlled by a person identified in (a).
- (vii) A person identified in (a)(i) has significant influence over the entity or is a member of the key management personnel of the entity (or of a parent of the entity).

3. PRINCIPAL ACCOUNTING POLICIES *(Continued)*

Segment reporting

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

Individual 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.

Critical accounting estimates and judgements

Estimates and assumptions concerning the future and judgements are made by the management in the preparation of the consolidated financial statements. They affect the application of the Group's accounting policies, reported amounts of assets, liabilities, income and expenses, and disclosures made. They are assessed on an on-going basis and are based on experience and relevant factors, including expectations of future events that are believed to be reasonable under the circumstances. Where appropriate, revisions to accounting estimates are recognised in the period of revision and future periods, in case the revision also affects future periods.

Allowance for bad and doubtful debts

The provisioning policy for bad and doubtful debts of the Group is based on the evaluation by management of the collectability of the trade receivables. A considerable amount of judgement is required in assessing the ultimate realisation of these receivables, including assessing the current creditworthiness and the past collection history of each customer. If the financial conditions of these customers were to deteriorate, resulting in an impairment of their ability to make payments, additional allowance will be required. At the end of the reporting period, the carrying amount of trade receivables after provision for impairment amounted to HK$22,974,000 *(2011: HK$38,185,000)*.

Allowance for inventories

The Group's management reviews the condition of inventories, at the end of each reporting period, and makes allowance for inventories that are identified as obsolete, slow-moving or no longer recoverable or suitable for use in production. The Group carries out the inventory review on a product-by-product basis and makes allowances by reference to the latest market prices and current market conditions.

3. PRINCIPAL ACCOUNTING POLICIES *(Continued)*

Critical accounting estimates and judgements *(Continued)*

Impairment of investments and receivables

The Group assesses annually if investments in subsidiaries have suffered any impairment in accordance with HKAS 36 and follows the guidance of HKAS 39 in determining whether amounts due from these entities are impaired. Details of the approach are stated in the respective accounting policies. The assessment requires an estimation of future cash flows, including expected dividends, from the assets and the selection of appropriate discount rates. Future changes in financial performance and position of these entities would affect the estimation of impairment loss and cause the adjustments of their carrying amounts.

Impairment of goodwill

The Group determines whether goodwill is impaired at least on an annual basis. This requires an estimation of the value in use of the cash-generating units to which the goodwill is allocated. Estimating the value in use requires the Group to make an estimate of the expected cash flows from the cash-generating unit and to choose a suitable discount rate in order to calculate the present value of those cash flows. Details of the estimates used to calculate the recoverable amount are given in note 18 to the consolidated financial statements.

Impairment of other assets

In determining whether an asset is impaired or whether the event previously causing the impairment no longer exists, the Group has to exercise judgement, particularly in assessing: (1) whether an event has occurred that may affect the asset value, or such an event affecting the asset value has not been in existence; (2) whether the carrying value of an asset can be supported by the net present value of future cash flows, which are estimated based upon the continued use of the asset or derecognition; and (3) the appropriate key assumptions to be applied in preparing cash flow projections including whether these cash flow projections are discounted using an appropriate rate. Changing the assumptions selected by management to determine the level of impairment significantly, including the discount rates or the growth rate assumptions in the cash flow projections, could affect the net present value used in the impairment test.

3. PRINCIPAL ACCOUNTING POLICIES *(Continued)*

Future changes in HKFRSs

At the date of authorisation of these consolidated financial statements, the HKICPA has issued the following new / revised HKFRSs that are relevant to the Group and are not yet effective for the current year, which the Group has not early adopted.

Amendments to HKFRS 7	*Disclosures – Transfers of Financial Assets* [1]
	Disclosures – Offsetting Financial Assets and Financial Liabilities [4]
	Mandatory Effective Date of HKFRS 9 and Transition Disclosures [6]
Amendments to HKAS 12	*Deferred Tax: Recovery of Underlying Assets* [2]
Amendments to HKAS 1 (Revised)	*Presentation of Items of Other Comprehensive Income* [3]
HKAS 19 (2011)	*Employee Benefits* [4]
HKAS 27 (2011)	*Separate Financial Statements* [4]
HKFRS 10	*Consolidated Financial Statements* [4]
HKFRS 12	*Disclosure of Interests in Other Entities* [4]
HKFRS 13	*Fair Value Measurement* [4]
Amendments to HKFRS 1	*First-time Adoption of Hong Kong Financial Reporting Standards* [4]
Amendments to HKAS 32	*Presentation – Offsetting Financial Assets and Financial Liabilities* [5]
HKFRS 9	*Financial Instruments* [6]
Annual Improvements Projects	*Annual Improvements 2009 – 2011 Cycle* [4]

[1] Effective for annual periods beginning on or after 1 July 2011
[2] Effective for annual periods beginning on or after 1 January 2012
[3] Effective for annual periods beginning on or after 1 July 2012
[4] Effective for annual periods beginning on or after 1 January 2013
[5] Effective for annual periods beginning on or after 1 January 2014
[6] Effective for annual periods beginning on or after 1 January 2015

The directors are in the process of assessing the possible impact on the future adoption of these new / revised HKFRSs, but are not yet in a position to reasonably estimate their impact on the Group's consolidated financial statements.

4. SEGMENTAL INFORMATION

The Group manages its businesses by individual companies, which are organised by a mixture of both business lines and geography. In a manner consistent with the way in which information is reported internally to the Group's chief operating decision maker for the purposes of resource allocation and performance assessment, the Group has presented the following three reporting segments. No operating segments have been aggregated to form the following reporting segments:

- Payment gateway segment which provides e-payment services;
- Telecommunication optic fiber segment which manufactures and trades products related to optimal optical fibers, electric power network systems and equipment and provides associated services; and
- Energy management segment which provides energy and other resources management and conservation system and integrated solutions.

(a) Segment results, assets and liabilities

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

Segment assets include all allocated assets with the exception of available-for-sale financial assets and other corporate assets. Segment liabilities include trade and other payables attributable to the sales / service activities of the individual segments.

Revenue and expenses are allocated to the reporting segments with reference to revenue generated by those segments and the expenses incurred by those segments or which otherwise arise from the depreciation of assets attributable to those segments. However, assistance provided by one segment to another, including sharing of assets and technical know-how, is not measured.

4. SEGMENTAL INFORMATION *(Continued)*

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

Information regarding the Group's reporting segments as provided to the Group's chief operating decision maker for the purposes of resource allocation and assessment of segment performance for the years ended 31 March 2012 and 2011 is set out below.

	Payment gateway business		Telecommunication optic fiber business		Energy management business		Consolidated	
	2012	2011	**2012**	2011	**2012**	2011	**2012**	2011
	HK$'000	HK$'000	**HK$'000**	HK$'000	**HK$'000**	HK$'000	**HK$'000**	HK$'000
Segment revenue								
Sale / Services to external customers	**3,981**	17,510	**22,197**	6,276	**2,338**	–	**28,516**	23,786
Segment results	**(59,033)**	(282,677)	**12,016**	(37,884)	**(425)**	–	**(47,442)**	(320,561)
Unallocated income							**430**	1,530
Unallocated expenses							**(24,854)**	(8,574)
Unallocated finance costs							**–**	(117)
Loss before taxation							**(71,866)**	(327,722)
Income tax credit (expenses)							**229**	(1,412)
Loss for the year							**(71,637)**	(329,134)
Assets and liabilities								
Segment assets	**5,388**	67,533	**49,523**	41,118	**33,928**	–	**88,839**	108,651
Unallocated assets							**63,289**	58,800
Consolidated total assets							**152,128**	167,451
Segment liabilities	**4,221**	18,655	**13,166**	8,929	**2,547**	–	**19,934**	27,584
Unallocated liabilities							**9,764**	16,172
Consolidated total liabilities							**29,698**	43,756

4. SEGMENTAL INFORMATION *(Continued)*

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

	Payment gateway business		Telecommunication optic fiber business		Energy management business		Consolidated	
	2012	2011	**2012**	2011	**2012**	2011	**2012**	2011
	HK$'000	HK$'000	**HK$'000**	HK$'000	**HK$'000**	HK$'000	**HK$'000**	HK$'000
Other segment information								
Depreciation	**967**	5,041	**393**	300	**31**	–	**1,391**	5,341
Capital expenditure	**883**	5,158	**70**	3,375	**347**	–	**1,300**	8,533
Goodwill – additions	**–**	–	**567**	56,308	**26,035**	–	**26,602**	56,308
Impairment loss of goodwill	**–**	209,627	**–**	42,000	**–**	–	**–**	251,627
Impairment loss of intangible assets	**30,695**	11,176	**–**	–	**–**	–	**30,695**	11,176
Impairment loss of property, plant and equipment	**1,451**	5,670	**–**	–	**–**	–	**1,451**	5,670
Write-down of inventories	**5,778**	–	**–**	–	**–**	–	**5,778**	–
Research and development costs	**–**	12,200	**95**	–	**–**	–	**95**	12,200
Allowance for bad and doubtful debts	**20,760**	48,282	**–**	–	**–**	–	**20,760**	48,282

4. SEGMENTAL INFORMATION *(Continued)*

(b) Geographical information

The Group's operations are primarily derived from external customers based in the PRC and all segment assets are located in the PRC. Accordingly, no geographical information is presented in accordance with HKFRS 8: *Operating Segments*.

(c) Information about major customers

For the year ended 31 March 2012, one customer *(2011: five customers)* that individually accounted for over 10% of total revenue of the Group as set out below:

	Payment gateway business		Telecommunication optic fiber business		Energy management business		Consolidated	
	2012	2011	**2012**	2011	**2012**	2011	**2012**	2011
	HK$'000	HK$'000	**HK$'000**	HK$'000	**HK$'000**	HK$'000	**HK$'000**	HK$'000
Customer A	**–**	4,303	**–**	–	**–**	–	**–**	4,303
Customer B	**–**	6,170	**–**	–	**–**	–	**–**	6,170
Customer C	**–**	4,471	**–**	–	**–**	–	**–**	4,471
Customer D	**–**	–	**22,197**	3,502	**–**	–	**22,197**	3,502
Customer E	**–**	–	**–**	2,774	**–**	–	**–**	2,774
	–	14,944	**22,197**	6,276	**–**	–	**22,197**	21,220

5. TURNOVER AND REVENUE

An analysis of the Group's turnover and revenue during the year is as follows:

	Group	
	2012	2011
	HK$'000	HK$'000
Rendering of services	**6,319**	17,510
Sale of goods	**22,197**	6,276
Turnover	**28,516**	23,786
Interest income	**416**	19
Other revenue	**416**	19
Total turnover and revenue	**28,932**	23,805

6. OTHER INCOME

	Group	
	2012	2011
	HK$'000	HK$'000
Gain on disposal of available-for-sale financial assets	**–**	1,523
Gain on disposal of subsidiaries	**935**	–
Write-back of other payables	**19**	2,431
Overprovision of staff social welfare	**936**	–
Overprovision of business tax	**3,047**	–
Subsidy income for research and development	**308**	–
Sundry income	**10**	–
	5,255	3,954

7. LOSS BEFORE TAXATION

This is stated after charging:

	Group	
	2012	2011
	HK$'000	HK$'000
Finance costs		
Interest on convertible bonds	**–**	117
Other items		
Employee benefit expenses		
(including directors' remuneration)		
Salaries, allowances and benefits in kind	**7,369**	5,387
Contribution to defined contribution schemes	**1,477**	1,071
	8,846	6,458
Auditor's remuneration		
Current year	**470**	450
Cost of goods sold (including relevant employee benefit expenses and depreciation)	**6,895**	1,265
Cost of services rendered (including relevant employee benefit expenses and depreciation)	**866**	5,547
Depreciation of property, plant and equipment	**1,391**	5,341
Exchange losses, net	**105**	103
Impairment loss of goodwill*	**–**	251,627
Impairment loss of intangible assets*	**30,695**	11,176
Impairment loss of property, plant and equipment*	**1,451**	5,670
Write-down of inventories	**5,778**	–
Loss arising on change in fair value of promissory note	**300**	–
Research and development costs	**95**	12,200
Operating lease payments for premises	**2,197**	1,426
Write-off of other receivables	**–**	1,404
Allowance for bad and doubtful debts		
Trade receivables	**20,272**	47,908
Other receivables	**488**	374
Loss on disposal of available-for-sale financial assets	**15,815**	–

* Included in other operating expenses.

8. DIRECTORS' REMUNERATION

The aggregate amounts of remuneration received and receivable by the Company's directors are as follows:

	2012				
	Directors' fees	Salaries, allowances and benefits in kind	Contribution to defined contribution scheme	Employee share-based payment	Total
	HK$'000	HK$'000	HK$'000	HK$'000	HK$'000
Executive directors					
Chan Francis Ping Kuen	120	–	6	–	126
Chan Hin Wing, James	120	–	6	–	126
Hsu Tung Chi (resigned on 1 July 2011)	30	–	–	–	30
Yuan Shengjun	120	146	–	–	266
	390	146	12	–	548
Independent non-executive directors					
Cheung Chi Hwa, Justin	60	–	–	–	60
Kwok Chi Sun, Vincent	60	–	–	–	60
Yeung Kam Yan	60	–	–	–	60
	180	–	–	–	180
	570	146	12	–	728

8. DIRECTORS' REMUNERATION *(Continued)*

2011

	Directors' fees HK$'000	Salaries, allowances and benefits in kind HK$'000	Contribution to defined contribution scheme HK$'000	Employee share-based payment HK$'000	Total HK$'000
Executive directors					
Chan Francis Ping Kuen	120	–	6	–	126
Chan Hin Wing, James	120	–	6	–	126
Hsu Tung Chi	120	464	–	–	584
Hsu Tung Sheng (resigned on 1 January 2011)	90	–	–	–	90
Yuan Shengjun	120	336	–	–	456
	570	800	12	–	1,382
Independent non-executive directors					
Cheung Chi Hwa, Justin	60	–	–	–	60
Kwok Chi Sun, Vincent	60	–	–	–	60
Yeung Kam Yan	60	–	–	–	60
	180	–	–	–	180
	750	800	12	–	1,562

There was no arrangement under which a director waived or agreed to waive any remuneration for the years ended 31 March 2012 and 2011. In addition, no emoluments were paid by the Group to any of the directors as an inducement to join, or upon joining the Group or as a compensation for loss of office for the years ended 31 March 2012 and 2011.

9. FIVE HIGHEST PAID INDIVIDUALS

The five highest paid individuals during the year included one director *(2011: three directors)*, details of whose remuneration are set out in note 8 to the consolidated financial statements above. Details of the remuneration of the remaining four *(2011: two)* highest paid individuals, who are employees of the Group, are as follows:

	Group	
	2012	2011
	HK$'000	HK$'000
Salaries, allowances and benefits in kind	**1,258**	876
Contribution to defined contribution scheme	**40**	24
	1,298	900

The four *(2011: two)* highest paid individuals' remuneration falls within the following band:

	Number of employees	
	2012	2011
Nil to HK$1,000,000	**4**	2

No remuneration was paid by the Group to any of the five highest paid individuals as an inducement to join or upon joining the Group, or as a compensation for loss of office during the years ended 31 March 2012 and 2011.

There was no arrangement under which any of the five highest paid individuals waived or agreed to waive any remuneration for the years ended 31 March 2012 and 2011.

10. TAXATION

Hong Kong Profits Tax has not been provided as the Group incurred a loss for taxation purposes for the years ended 31 March 2012 and 2011.

The income tax provision in respect of operations in the PRC is calculated at the applicable tax rates on the estimated assessable profits for the year based on existing legislation, interpretations and practices in respect thereof.

	Group	
	2012	2011
	HK$'000	HK$'000
Current tax		
PRC enterprise income tax		
Current year	**(3,779)**	(1,412)
Overprovision in prior years	**4,008**	–
Income tax credit (expense) for the year	**229**	(1,412)

Reconciliation of effective tax rate

	Group	
	2012	2011
	%	%
Applicable tax rate	**(22.2)**	(18.3)
Effect of tax concession	**0.3**	0.4
Non-deductible expenses	**1.6**	13.1
Non-taxable revenue	**(0.2)**	(0.1)
Unrecognised temporary differences	**18.5**	4.7
Unrecognised tax losses	**7.2**	0.5
Overprovision in prior years	**(5.6)**	–
Others	**0.1**	0.1
Effective tax rate for the year	**(0.3)**	0.4

The applicable tax rate is the weighted average of tax rates prevailing in the territories in which the Group's entities operate. The decrease is caused by a change in the profitability of the Group's subsidiaries in the respective countries.

11. LOSS ATTRIBUTABLE TO EQUITY HOLDERS OF THE COMPANY

The loss attributable to equity holders of the Company for the year ended 31 March 2012 includes a loss of HK$25,232,000 *(2011: HK$305,137,000)* which has been dealt with in the financial statements of the Company.

12. DIVIDENDS

The directors of the Company do not recommend the payment of a dividend for the year *(2011: Nil)*.

13. LOSS PER SHARE

The calculation of basic loss per share is based on the loss attributable to equity holders of the Company and the weighted average number of the Company's ordinary shares in issue during the year as follows:

	2012	2011
	HK$'000	HK$'000
Loss attributable to equity holders of the Company	**(68,192)**	(328,601)

	Number of shares	
	2012	2011
		(adjusted)
Weighted average number of ordinary shares in issue during the year	**1,136,564,465**	783,468,190

The number of shares for the purpose of calculating basic loss per share for the years ended 31 March 2012 and 2011 has been adjusted to reflect the open offer of shares completed in September 2011.

For the years ended 31 March 2012 and 2011, diluted loss per share is the same as basic loss per share as the potential ordinary shares issuable under the unlisted warrants and share options have anti-dilutive effects on the basic loss per share.

In May 2012, 345,000,000 ordinary shares were issued as part of consideration for the acquisition of Boomtech Limited ("Boomtech") after the end of the reporting period, as detailed in note 37 to the consolidated financial statements.

14. PROPERTY, PLANT AND EQUIPMENT

Group

	Plant and machinery HK$'000	Leasehold improvements HK$'000	Furniture and fixtures HK$'000	Computer and office equipment HK$'000	Total HK$'000
Cost					
At 1 April 2010	–	–	97	23,527	23,624
Additions	–	446	96	145	687
Acquisition of subsidiaries	3,030	99	73	173	3,375
Exchange realignment	–	–	6	1,417	1,423
At 31 March 2011 and 1 April 2011	3,030	545	272	25,262	29,109
Additions	7	802	–	116	925
Acquisition of subsidiaries	–	–	–	670	670
Disposal of subsidiaries	–	(457)	(99)	(4,162)	(4,718)
Exchange realignment	75	13	7	624	719
At 31 March 2012	**3,112**	**903**	**180**	**22,510**	**26,705**
Accumulated depreciation and impairment					
At 1 April 2010	–	–	55	11,220	11,275
Depreciation	246	178	46	4,871	5,341
Impairment loss	–	–	–	5,670	5,670
Exchange realignment	6	4	4	930	944
At 31 March 2011 and 1 April 2011	252	182	105	22,691	23,230
Depreciation	308	227	49	807	1,391
Acquisition of subsidiaries	–	–	–	356	356
Impairment loss	–	–	–	1,451	1,451
Disposal of subsidiaries	–	(381)	(31)	(3,894)	(4,306)
Exchange realignment	10	7	3	588	608
At 31 March 2012	**570**	**35**	**126**	**21,999**	**22,730**
Net book value					
At 31 March 2012	**2,542**	**868**	**54**	**511**	**3,975**
At 31 March 2011	2,778	363	167	2,571	5,879

As a result of the implementation of the regulations by the PRC government as detailed in note 18(i) to the consolidated financial statements, the Group carried out a review of the recoverable amount of the computer and office equipment which are used in the Group's payment gateway business segment. The review led to the recognition of an impairment loss of HK$1,451,000 *(2011: HK$5,670,000)*, which has been recognised in profit or loss. The recoverable amount is expected to be minimal. The impairment loss has been included in the "other operating expenses" line item in the consolidated statement of comprehensive income.

15. AVAILABLE-FOR-SALE FINANCIAL ASSETS

	Group	
	2012	2011
	HK$'000	HK$'000
Unlisted equity investments, at fair value		
At beginning of the reporting period	**389**	18,870
Disposals	**(389)**	(12,318)
Change in fair value	**–**	(6,163)
At end of the reporting period	**–**	389

At the end of the reporting period, the fair value of unlisted equity investments was revalued on the market value basis by the management.

During the year, the available-for-sale financial assets were sold at a consideration of HK$542,000.

16. INTERESTS IN SUBSIDIARIES

	Company	
	2012	2011
	HK$'000	HK$'000
Unlisted shares, at cost	**–**	–
Due from subsidiaries	**88,078**	59,586
Due to subsidiaries	**(4,160)**	(4,020)
	83,918	55,566

The amounts due are unsecured, interest-free and have no fixed repayment term. The carrying values of the amounts due approximate their fair values.

16. INTERESTS IN SUBSIDIARIES *(Continued)*

Particulars of the subsidiaries of the Company as at 31 March 2012 are as follows:

Name of subsidiary	Place of incorporation / registration and operations	Nominal value of issued ordinary shares / registered capital	Percentage of equity attributable to the Company Direct	Indirect	Principal activities
Upper Power Limited	British Virgin Islands	US$1	100%	–	Investment holding
Beaming Investments Limited	British Virgin Islands	US$1	–	100%	Investment holding
Media Magic Technology Limited	British Virgin Islands	US$55,556	–	100%	Investment holding
Multi Channel Technology Limited	Hong Kong	HK$100	–	100%	Investment holding
PalmPay Technology Company Limited* 北京互聯視通科技有限公司	The PRC	RMB22,836,000	–	100%	Provision of payment gateway services
Brilliant Ally Limited	British Virgin Islands	US$1	–	100%	Investment holding
China Optic Communication Technology Limited	British Virgin Islands	US$1,000	–	50.1%	Investment holding
China Optic Communication Technology Limited	Hong Kong	HK$1	–	50.1%	Investment holding
Huanggang Optical Communication Technology Limited* 黃岡奧泰科通訊科技有限公司	The PRC	RMB5,500,000	–	50.1%	Manufacturing and trading of products related to optimal optical fibers, telecommunications, electric power network systems and equipment
Shenzhen JiaYeTongHui Technology Limited* 深圳佳業同輝科技有限公司	The PRC	RMB2,000,000	–	50.1%	Trading of products related to optimal optical fibers, telecommunications, electric power network systems and equipment
Wuhan Xiang Yu Ji Ye Communication Technology Limited* 武漢市翔宇基業通信科技有限公司	The PRC	RMB1,000,000	–	50.1%	Research, development and sale of telecommunication products

16. INTERESTS IN SUBSIDIARIES *(Continued)*

Particulars of the subsidiaries of the Company are as follows:

Name of subsidiary	Place of incorporation / registration and operations	Nominal value of issued ordinary shares / registered capital	Percentage of equity attributable to the Company		Principal activities
			Direct	Indirect	
Power Chance Holdings Limited	British Virgin Islands	US$1	–	100%	Investment holding
Viva Champion Limited	British Virgin Islands	US$200	–	51%	Investment holding
Maxton Limited	Hong Kong	HK$1	–	51%	Investment holding
Nanjing Go Xin Software Technology Limited* 南京高信軟件科技有限公司	The PRC	US$935,000	–	51%	Provision of energy management services

* English translation of company names is for identification purpose only. These companies are registered as wholly foreign-owned enterprise under the PRC law.

None of the subsidiaries had any debt securities outstanding at the end of the reporting period, or at any time during the year.

17. INTANGIBLE ASSETS

Group

	Technical know-how HK$'000	Computer software HK$'000	Total HK$'000
Reconciliation of carrying amount – year ended 31 March 2011			
At 1 April 2010	10,795	25,066	35,861
Additions	–	4,471	4,471
Impairment	(11,176)	–	(11,176)
Exchange realignment	381	1,510	1,891
At 31 March 2011	–	31,047	31,047
Reconciliation of carrying amount – year ended 31 March 2012			
At 1 April 2011	–	31,047	31,047
Additions	–	61	61
Impairment	–	(30,695)	(30,695)
Exchange realignment	–	387	387
At 31 March 2012	**–**	**800**	**800**

17. INTANGIBLE ASSETS *(Continued)*

Group

	Technical know-how HK$'000	Computer software HK$'000	Total HK$'000
At 31 March 2011			
Cost	11,176	31,047	42,223
Accumulated impairment losses	(11,176)	–	(11,176)
	–	31,047	31,047
At 31 March 2012			
Cost	–	31,495	31,495
Accumulated impairment losses	–	(30,695)	(30,695)
	–	**800**	**800**

Technical know-how

The technical know-how, named 通用消息服務系統技術, was a developed technology for Short Message Sub-Gateway Services. The technical know-how was treated as having an indefinite useful life and was tested for impairment annually.

As a result of the implementation of the regulations by the PRC government as detailed in note 18(i) to the consolidated financial statements, the management considered that impairment losses on the technical know-how had occurred and that full impairment was recognised during the year ended 31 March 2011.

Computer software

The computer software is related to the new generation of payment gateway platform based on the Near Field Communication Technology. The computer software is treated as having an indefinite useful life because, in the opinion of the directors, there is no foreseeable limit to the period over which the computer software may be used to generate cash flows to the Group. It is tested for impairment annually.

In light of the significant decrease in the revenue generated from Near Field Communication Technology and the loss of major customer, the management expected that the recoverable amounts of the computer software would be adversely affected. Accordingly, impairment loss of HK$30,695,000 was made on the computer software during the year. The impairment loss has been included in the "other operating expenses" line item in the consolidated statement of comprehensive income.

18. GOODWILL

	Group	
	2012	2011
	HK$'000	HK$'000
At cost less accumulated impairment losses		
At beginning of the reporting period	**14,308**	209,627
Additions	**26,602**	56,308
Impairment loss	**–**	(251,627)
At end of the reporting period	**40,910**	14,308

The amounts of the goodwill capitalised were derived from the acquisitions of subsidiaries, Media Magic Technology Limited ("Media Magic"), China Optic Communication Technology Limited ("China Optic"), Viva Champion Limited ("Viva Champion") and Wuhan Xiang Yu Ji Ye Communication Technology Limited ("Xiang Yu") respectively.

In November 2011, the Group acquired 51% equity interests in Viva Champion at an aggregate consideration of HK$28,997,000. The excess of the sum of the consideration transferred and the amount of any non-controlling interests in the acquiree over the acquisition-date amounts of the identifiable assets acquired and the liabilities assumed of HK$26,035,000 is recognised as goodwill.

In March 2012, the Group acquired 100% equity interests in Xiang Yu at an aggregate consideration of HK$1,235,000. The excess of the sum of the consideration transferred and the amount of any non-controlling interests in the acquiree over the acquisition-date amounts of the identifiable assets acquired and the liabilities assumed of HK$567,000 is recognised as goodwill.

Last year, the Group acquired 50.1% equity interests in China Optic at an aggregate consideration of HK$60,860,000. The excess of the sum of the consideration transferred and the amount of any non-controlling interests in the acquiree over the acquisition-date amounts of the identifiable assets acquired and the liabilities assumed of HK$56,308,000 was recognised as goodwill.

18. GOODWILL *(Continued)*

Goodwill acquired through business combinations is allocated to the Group's cash-generating units ("CGUs") for impairment test as follows:

	Note	Group 2012 HK$'000	Group 2011 HK$'000
CGU			
Payment gateway business	*(i)*	**209,627**	209,627
Telecommunication optic fiber business	*(ii)*	**56,875**	56,308
Energy management business	*(iii)*	**26,035**	–
Cost		**292,537**	265,935

	Note	Group 2012 HK$'000	Group 2011 HK$'000
CGU			
Payment gateway business	*(i)*	**209,627**	209,627
Telecommunication optic fiber business	*(ii)*	**42,000**	42,000
Energy management business	*(iii)*	**–**	–
Accumulated impairment losses		**251,627**	251,627

	Note	Group 2012 HK$'000	Group 2011 HK$'000
CGU			
Payment gateway business	*(i)*	**–**	–
Telecommunication optic fiber business	*(ii)*	**14,875**	14,308
Energy management business	*(iii)*	**26,035**	–
Net book value		**40,910**	14,308

18. GOODWILL *(Continued)*

The intangible assets with indefinite useful lives are allocated to the Group's CGUs for impairment test as follows:

		Group	
	Note	**2012** **HK$'000**	2011 HK$'000
CGU			
Payment gateway business	*(i)*	**31,495**	42,223
Telecommunication optic fiber business		**–**	–
Energy management business		**–**	–
Cost		**31,495**	42,223

		Group	
	Note	**2012** **HK$'000**	2011 HK$'000
CGU			
Payment gateway business	*(i)*	**30,695**	11,176
Telecommunication optic fiber business		**–**	–
Energy management business		**–**	–
Accumulated impairment losses		**30,695**	11,176

		Group	
	Note	**2012** **HK$'000**	2011 HK$'000
CGU			
Payment gateway business	*(i)*	**800**	31,047
Telecommunication optic fiber business		**–**	–
Energy management business		**–**	–
Net book value		**800**	31,047

18. GOODWILL *(Continued)*

(i) Payment gateway business

At 31 March 2011, the Group assessed the recoverable amount of the goodwill, and determined that the goodwill and certain of the Group's intangible assets and property, plant and equipment allocated to the payment gateway business were impaired by HK$226,473,000.

The directors considered the major factor contributing to the impairment of those assets allocated to the payment gateway business was due to the fact that the PRC government authorities have tightened the governance in an effort to eliminate irregular activities in the mobile payment gateway business in the PRC. The capital and licensing requirements are imposed under the new regulations to provide protection to customers.

(ii) Telecommunication optic fiber business

The Group has appointed independent professional valuers, BMI Appraisals Limited, to perform an appraisal of the value of the telecommunication optic fiber business as at 31 March 2012 and 2011. The recoverable amount of the CGU has been determined based on a value-in-use calculation. That calculation uses cash flow projections based on financial budgets approved by the board of directors covering a 5-year period. Cash flows beyond the 5-year period has been extrapolated using a 3% *(2011: 3%)* long-term growth rate per annum. 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.

Key assumptions used for the value-in-use calculation are as follows:

	2012	2011
	%	%
Gross margin	**33-57**	32-66
Average growth rate (per annum)	**3-13**	3-14
Long-term growth rate (per annum)	**3**	3
Discount rate (per annum)	**22**	30

Management determined the budgeted gross profit margin based on past performance and its expectation of market development. The discount rate used is pre-tax and reflects specific risks relating to the CGU.

As of 31 March 2012, the recoverable amount of the CGU is over its carrying amount. Accordingly, there is no impairment on the goodwill for the year.

As of 31 March 2011, the recoverable amount of the CGU is less than its carrying amount. Accordingly, the goodwill allocated to the telecommunication optic fiber business was impaired by HK$42,000,000. The impairment loss has been included in the "other operating expenses" line item in the consolidated statement of comprehensive income.

18. GOODWILL *(Continued)*

(iii) Energy management business

The Group has appointed independent professional valuers, BMI Appraisals Limited, to perform an appraisal of the value of the energy management business as at 31 March 2012. The recoverable amount of the CGU has been determined based on a value-in-use calculation. That calculation uses cash flow projections based on financial budgets approved by the board of directors covering a 5-year period. Cash flows beyond the 5-year period has been extrapolated using a 3% long-term growth rate per annum. 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.

Key assumptions used for the value-in-use calculation are as follows:

	%
Gross margin	29
Average growth rate (per annum)	3-16
Long-term growth rate (per annum)	3
Discount rate (per annum)	14

Management determined the budgeted gross profit margin based on past performance and its expectation of market development. The discount rate used is pre-tax and reflects specific risks relating to the CGU.

As of 31 March 2012, the recoverable amount of the CGU is over its carrying amount. Accordingly, there is no impairment on the goodwill during the year.

19. INVENTORIES

	Group	
	2012	2011
	HK$'000	HK$'000
Raw materials	**223**	1,033
Work-in-progress	**–**	307
Finished goods	**2,318**	5,390
	2,541	6,730

20. TRADE AND OTHER RECEIVABLES

		Group		Company	
		2012	2011	**2012**	2011
	Note	**HK$'000**	HK$'000	**HK$'000**	HK$'000
Trade receivables from third parties	*(i)*	**101,223**	94,251	**–**	–
Allowance for bad and doubtful debts	*(ii)*	**(78,249)**	(56,066)	**–**	–
		22,974	38,185	**–**	–
Other receivables					
Prepayments		**215**	114	**–**	–
Deposits	*(iii)*	**16,072**	2,703	**–**	–
Other receivables		**9,600**	8,445	**73**	73
Due from non-controlling interests	*(iv)*	**–**	23	**–**	–
		48,861	49,470	**73**	73

(i) Aging of trade receivables

The Group normally grants credit term of 90 days to its customers upon the delivery of products or when the services are rendered. The aging of trade receivables (net of allowances of bad and doubtful debts) based on invoice date is as follows:

	Group	
	2012	2011
	HK$'000	HK$'000
1 – 90 days	**253**	7,688
91 – 180 days	**9,570**	10,927
181 – 270 days	**12,898**	3,213
271 – 365 days	**3**	5,239
Over 1 year	**250**	11,118
	22,974	38,185

20. TRADE AND OTHER RECEIVABLES *(Continued)*

(ii) Allowance for bad and doubtful debts

	Group	
	2012	2011
	HK$'000	HK$'000
At beginning of reporting period	**56,066**	6,606
Increase in allowance	**20,272**	47,908
Exchange realignment	**1,911**	1,552
At end of reporting period	**78,249**	56,066

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

Included in the Group's trade receivables balance are debtors with a carrying amount of HK$22,560,000 *(2011: HK$30,497,000)*, which were past due at the end of the reporting period but not impaired as there has not been a significant change in credit quality and the directors believe that the amounts are fully recoverable. These relate to wide range of customers for whom there have been no recent history of default.

	Group	
	2012	2011
	HK$'000	HK$'000
Current	**414**	7,688
1 – 90 days past due	**9,782**	10,927
91 – 180 days past due	**12,525**	3,213
181 – 270 days past due	**3**	5,239
271 – 365 days past due	**–**	11,118
Over 1 year past due	**250**	–
	22,560	30,497
	22,974	38,185

(iii) Deposit

Included in the balance was a deposit of HK$15,500,000 in relation to the acquisition of 55% equity interest in Boomtech after the reporting period as detailed in note 37 to the consolidated financial statements.

(iv) Due from non-controlling interests

The amounts due are unsecured, interest-free and have no fixed repayment term.

21. BANK BALANCES AND CASH

Cash at bank earns interest at floating rates based on daily bank deposit rates.

22. TRADE AND OTHER PAYABLES

	Group		Company	
	2012	2011	**2012**	2011
	HK$'000	HK$'000	**HK$'000**	HK$'000
Trade payables	**2,949**	792	**–**	–
Accruals	**3,942**	4,122	**1,163**	799
Other tax payables	**3,217**	6,125	**–**	–
Other payables	**7,152**	10,059	**–**	–
Due to non-controlling interests	**–**	4,050	**–**	–
Due to a shareholder	**–**	675	**–**	–
Due to directors	**1,893**	7,341	**–**	–
	19,153	33,164	**1,163**	799

The amounts due to directors are unsecured, interest-free and have no fixed repayment term. The amounts due to non-controlling interests and shareholder as at 31 March 2011 were released from the consolidated financial statements resulting from the disposal of subsidiaries at the end of the reporting period.

23. PROMISSORY NOTES

		Group and Company	
		2012	2011
	Note	**HK$'000**	HK$'000
Carrying value at beginning of the year	*(i)*	**4,700**	–
Issued during the year	*(ii)*	**1,200**	4,700
Fair value change of promissory notes	*(i)*	**300**	–
Carrying value at end of the year		**6,200**	4,700
Non-current		**1,200**	4,700
Current		**5,000**	–
		6,200	4,700

23. PROMISSORY NOTE *(Continued)*

(i) Acquisition of 50.1% equity interest in China Optic

On 18 February 2011, the Company issued the interest-free promissory note with a nominal value of HK$5,000,000 as part of the consideration for the acquisition of 50.1% equity interest in China Optic (the "China Optic Acquisition"). The promissory note is unsecured and matures on 17 February 2013. The Company has the right to repay the principal amount either in full or by partial payments in multiples of HK$1,000,000, from the issue date to the day before the maturity date with a prior written notice of not less than 5 working days to the vendor.

Pursuant to the agreements entered into in January 2011 in relation to the China Optic Acquisition, a vendor and its shareholder have guaranteed that the audited consolidated net profit after taxation of China Optic for the financial year ended 31 December 2011 shall not be less than HK$12,000,000 (the "Profit Guarantee 2011").

As a security for the Profit Guarantee 2011, the promissory note will be escrowed by the Company and will only be released to the vendor upon fulfillment of the Profit Guarantee 2011. In case the Profit Guarantee 2011 is not fulfilled, all or part of the promissory note will be set off against to make up any shortfall which is calculated as 50.1% of the difference between the Profit Guarantee 2011 and the audited consolidated net profit after taxation of China Optic for the year ending 31 December 2011 (the "Shortfall"). In case if there is a loss, the profit should be treated as zero. If the principal amount of the promissory note is insufficient to cover the Shortfall, the vendor should pay to the Group in cash the remaining Shortfall. The details of the arrangement have been set out in the announcements of the Company dated 25 January 2011 and 27 January 2011.

As of 31 March 2011, the fair value of the promissory note was estimated to be approximately HK$4,700,000 based on a discount rate of 3% per annum, and assumed probability–adjusted consolidated net profit after taxation of China Optic ranging from HK$10,000,000 to HK$15,000,000.

As of 31 March 2012, the fair value of the promissory note is adjusted to HK$5,000,000 mainly because of the removal of the contingent element after the fulfillment of the Profit Guarantee 2011.

In May 2012, the Company fully repaid the promissory note as detailed in note 37 to the consolidated financial statements.

23. PROMISSORY NOTE *(Continued)*

(ii) Acquisition of 51% equity interest in Viva Champion

A promissory note with principal amount of HK$4,000,000 was issued to a vendor on 16 November 2011 as part of the consideration for the acquisition of 51% equity interest in Viva Champion (the "Viva Champion Acquisition") as detailed in note 32(i) to the consolidated financial statements. The promissory note is interest-free and repayable on 15 November 2013. The Company has the right to repay the principal amount either in full or by partial payments in multiples of HK$1,000,000, from the date after the Profit Guarantee 2012 has been achieved to the day before the maturity date with a prior written notice of not less than 5 working days to the vendor.

Pursuant to the agreements entered into in October 2011 in relation to the Viva Champion Acquisition, a vendor and its shareholder have guaranteed that the audited consolidated net profit after taxation of Viva Champion for the financial year ending 31 December 2012 shall not be less than HK$7,995,000 (the "Profit Guarantee 2012").

As a security for the Profit Guarantee 2012, the promissory note will be escrowed by the Company and will only be released to the vendor upon fulfillment of the Profit Guarantee 2012. In case the Profit Guarantee 2012 is not fulfilled, all or part of the promissory note will be set off against to make up any shortfall which is calculated as 51% of the difference between the Profit Guarantee 2012 and the audited consolidated net profit after taxation of Viva Champion for the year ending 31 December 2012 (the "Shortfall"). In case if there is a loss, the profit should be treated as zero. If the principal amount of the promissory note is insufficient to cover the Shortfall, the vendor should pay to the Group in cash the remaining Shortfall. The details of the arrangement have been set out in the announcements of the Company dated 4 October 2011 and 6 October 2011.

On completion of the Viva Champion Acquisition on 16 November 2011, the fair value of the promissory note is valued by BMI Appraisals Limited, independent professional valuers, on the market value basis using a valuation technique based on assumptions that are not supported by observable market prices or rates. The fair value is estimated based on a discount rate of 3% per annum, and assumed probability-adjusted consolidated net profit after taxation of Viva Champion ranging from HK$2,176,000 to HK$3,264,000. As of 16 November 2011 and 31 March 2012, the fair value of the contingent consideration is estimated to be approximately HK$1,200,000 because the parameters and factors considered in the valuation did not change significantly during the period from the acquisition date to the end of the reporting period.

24. SHARE CAPITAL

	Note	Group and Company No. of shares	 HK$'000
Authorised:			
At 1 April 2010, 31 March 2011 and 31 March 2012, ordinary shares of HK$0.05 each		**4,000,000,000**	**200,000**
Issued and fully paid:			
At 1 April 2010, ordinary shares of HK$0.05 each		2,352,239,143	117,611
Shares issued upon private placing		207,000,000	10,350
Shares issued upon exercise of unlisted warrants		127,000,000	6,350
Share consolidation and capital reduction		(2,148,991,315)	(107,450)
Issue of consideration shares		90,400,000	4,520
At 31 March 2011 and 1 April 2011, ordinary shares of HK$0.05 each		**627,647,828**	**31,381**
Shares issued upon open offer	*(i)*	**627,647,828**	**31,383**
Issue of consideration shares	*(ii)*	**125,500,000**	**6,275**
At 31 March 2012, ordinary shares of HK$0.05 each		**1,380,795,656**	**69,039**

Note:

(i) In July 2011, the Company entered into an underwriting agreement to raise approximately HK$31,383,000, before expenses, by way of open offer of 627,647,828 shares at the subscription price of HK$0.05 per offer share on the basis of one offer share for every share held on the record date and payable in full on acceptance. The expense of approximately HK$1,686,000 arising from the open offer was recognised in to the share premium account of the Company.

(ii) In November 2011, the Company acquired 51% equity interest in Viva Champion at a consideration of HK$28,997,000 satisfied by cash of HK$16,000,000, allotment and issue of 125,500,000 ordinary shares of the Company of HK$0.05 each at a fair value of HK$0.094 each in the amount of HK$11,797,000 and the issue of promissory note with the fair value of HK$1,200,000. Further details of the transaction were set out in the announcements of the Company dated 4 October 2011 and 6 October 2011. The transaction was completed on 16 November 2011.

All shares issued during the year rank pari passu with the existing shares in all respects.

25. RESERVES

Company

	Note	Share premium HK$'000	Contributed surplus HK$'000	Convertible bonds reserve HK$'000	Employee share-based payment reserve HK$'000	Warrant reserve HK$'000	Accumulated losses HK$'000	Total HK$'000
At 1 April 2010		60,370	145,126	443	2,923	–	(12,146)	196,716
Issue of consideration shares		31,640	–	–	–	–	–	31,640
Issue of shares upon private placing		27,945	–	–	–	–	–	27,945
Redemption of convertible bonds		–	–	(443)	–	–	443	–
Forfeit of share options		–	–	–	(138)	–	138	–
Issue of unlisted warrants		–	–	–	–	621	–	621
Exercise of unlisted warrants		15,915	–	–	–	(381)	–	15,534
Share consolidation and capital reduction		–	107,450	–	–	–	–	107,450
Loss for the year and total comprehensive loss for the year		–	–	–	–	–	(305,137)	(305,137)
At 31 March 2011 and at 1 April 2011		135,870	252,576	–	2,785	240	(316,702)	74,769
Issue of shares upon open offer	*24(i)*	(1,686)	–	–	–	–	–	(1,686)
Issue of consideration shares	*24(ii)*	5,522	–	–	–	–	–	5,522
Forfeit of share options	*27(ii)*	–	–	–	(482)	–	482	–
Cancellation of share options	*27(i)*	–	–	–	(2,303)	–	2,303	–
Loss for the year and total comprehensive loss for the year		–	–	–	–	–	(25,232)	(25,232)
At 31 March 2012		**139,706**	**252,576**	**–**	**–**	**240**	**(339,149)**	**53,373**

25. RESERVES *(Continued)*

Note:

(i) Share premium represents the excess of the net proceeds or consideration from issuance of the Company's shares over their par value.

(ii) Contributed surplus represents (i) the difference between the nominal value of the aggregate share capital of the subsidiaries acquired and the nominal value of the Company's shares issued as consideration pursuant to the Group's reorganisation took place in 2001, (ii) the reduction of the share premium, and (iii) the reduction of the share capital.

Under the Companies Act of Bermuda, the Company's contributed surplus is available for distribution to shareholders subject to the requirements of the Companies Act of Bermuda.

(iii) Exchange reserve comprises all foreign exchange differences arising from the translation of the financial statements of foreign operations.

(iv) Convertible bonds reserve represents the equity component (conversion rights) of the convertible bonds issued.

(v) Employee share-based payment reserve represents the fair value of share options granted under the Company's share option scheme which are yet to be exercised. The amount will either be transferred to the share premium account when the related options are exercised, or be transferred to accumulated profits or losses should the related options expire or be forfeited.

(vi) Warrant reserve relates to the private placing of unlisted warrants.

(vii) Available-for-sale financial assets reserve comprises the accumulated gains and losses arising on the revaluation of available-for-sale investments that have been recognised in other comprehensive income, net of the amounts reclassified to profit or loss when those investments are disposed of or are determined to be impaired.

(viii) The laws and regulations of the PRC require wholly foreign-owned enterprises in the PRC ("WFOE") to provide for certain statutory reserves, namely general reserve, enterprise expansion fund and staff welfare and bonus fund which are appropriated from the net profit as reported in the PRC statutory accounts.

The Group's subsidiaries in the PRC, which are WFOE, are required to allocate at least 10% of their after-tax profit to the general reserve until the reserve has reached 50% of its registered capital. The general reserve can only be used, upon approval by the relevant authority, to offset accumulated losses or increase capital. The enterprise expansion fund can only be used to increase capital upon approval by the relevant authority. The staff welfare and bonus fund can only be used for the welfare of the employees of the subsidiaries in the PRC. Appropriation to the enterprise expansion fund and staff welfare and bonus fund is at the discretion of the board of directors of the subsidiaries in the PRC.

25. RESERVES *(Continued)*

Note: (Continued)

(viii) (Continued)

During the year, the subsidiaries in the PRC had transferred profits of HK$643,000 *(2011: HK$1,384,000)* to the statutory reserve.

(ix) As at 31 March 2012 and 2011, the Company did not have reserves available for distribution to the equity holders of the Company.

26. WARRANTS

(i) In March 2010, the Company as issuer entered into three warrant subscription agreements with each of the subscribers and each of the guarantors pursuant to which the subscribers or their respective nominees have conditionally agreed to subscribe for and the Company has conditionally agreed to place in aggregate 207,000,000 warrants in cash at the warrant issue price of HK$0.003 per warrant. The warrants entitle the subscribers or their respective nominees to subscribe for the shares of the Company at the subscription price of HK$0.182 per new share for a period of 3 years commencing from the date of issue of the warrants which will expire on 11 April, 2013. Each warrant carries the right to subscribe for one new share.

During the year ended 31 March 2011, 127,000,000 unlisted warrants were exercised for a total consideration before expenses of HK$23,114,000.

During the year ended 31 March 2012, no unlisted warrants were exercised.

As of 31 March 2012 and 2011, there were 80,000,000 unlisted warrants remained outstanding.

(ii) Upon the share consolidation and capital reduction in January 2011, pursuant to the terms and conditions of the warrants, the subscription price of the outstanding warrants has been adjusted to HK$0.91 per share with effect from 31 January 2011.

27. SHARE OPTION SCHEME

The Company adopted a share option scheme (the “Old Scheme”) on 1 November 2001. This scheme was subsequently terminated at the Annual General Meeting of the Company held on 24 August 2011 and the Company adopted a new share option scheme (the “New Scheme”) with effect from 18 October 2011. The purpose of both share option schemes is to enable the directors of the Company, at their discretion, to recognise and motivate the contribution of the employees of the Group and to provide incentives and help the Group in retaining its existing employees and recruiting additional employees and to provide them with a direct economics interest in attaining the long term business objectives of the Group.

27. SHARE OPTION SCHEME *(Continued)*

New Scheme

Eligible participants of the New Scheme include any employees, consultants, suppliers or customers of the Company and its subsidiaries, including any independent non-executive directors of the Company. The New Scheme became effective on 18 October 2011 and, unless otherwise cancelled or amended, will remain in force for 10 years from that date.

The maximum number of unexercised share options currently permitted to be granted under the New Scheme, upon their exercise may not be aggregate exceed 10% of the shares of the Company in issue at any time. The maximum number of shares issuable under share options to each eligible participant in the New Scheme within any 12-month period up to the date of grant, is limited to 1% of the shares of the Company in issue at that date of grant. Any further grant of share options in excess of this limit is subject to shareholders' approval in a general meeting. As at 31 March 2012, 138,079,565 shares of the Company, representing 10% of its issued capital, are available for issue under the New Scheme.

The offer of a grant of share options may be accepted in writing within 7 days from the date of the offer, upon payment of a nominal consideration of HK$1 per option in total by the grantee. Any share option may be exercised in accordance with the terms of the New Scheme at any time during a period to be notified by the board of directors to an eligible participant but may not be exercised after the expiry of 10 years from the date of grant of the share option but subject to the early termination of the New Scheme.

The exercise price of the share options is determinable by the board of directors, but may not be less than the highest of (i) the closing price of the Company's shares as stated in the Stock Exchange's daily quotations sheet on the date of offer of the option, which must be a business day, (ii) the average of the closing prices of the Company's shares as stated in the Stock Exchange's daily quotations sheets for the five business days immediately preceding the date of offer of the option, (iii) the average of the closing prices of the Company's shares as stated in the Stock Exchange's daily quotations sheets for the ten business days immediately preceding the date of offer of the option, and (iv) the nominal value of the Company's shares on the date of offer.

Movements on the number of share options outstanding during the year are as follows:

		Number of options	
	Note	**2012**	2011
At beginning of the reporting period		**15,504,000**	16,272,000
Cancelled during the year	*(i)*	**(12,144,000)**	–
Forfeited during the year	*(ii)*	**(3,360,000)**	(768,000)
At end of the reporting period		**–**	15,504,000

27. SHARE OPTION SCHEME *(Continued)*

New Share Option Scheme *(Continued)*

Note:

(i) In July 2011, the share options to subscribe for 12,144,000 shares of the Company were cancelled as a result of the mutual agreement between the Company and the holders of the share options.

(ii) In July 2011, share options to subscribe for 3,360,000 shares of the Company were forfeited due to the resignation of the employees and consultants.

During the year ended 31 March 2012, no shares options were granted.

As at 31 March 2012, no share options remained outstanding.

Details of share options outstanding as at 31 March 2011 are as follows:

Date of grant	Exercise period	Exercise price *(adjusted)* HK$	Fair value at grant date *(adjusted)* HK$
14 August 2007	14 August 2007 to 13 August 2017	2.1665*	0.30815
17 December 2007	17 December 2007 to 16 December 2017	1.8875*	0.14355
21 December 2007	21 December 2007 to 20 December 2017	1.9375*	0.1793

* The exercise price of the above share options had been adjusted for the effect of the bonus issue of the Company's shares in August 2008, and the share consolidation and capital reduction in 2011.

27. SHARE OPTION SCHEME *(Continued)*

Valuation models as discussed below were used to estimate the fair value of the options. The variances and assumptions used in computing the fair value of the share options are based on the directors' best estimate. The value of an option varies with different variables of certain subjective assumptions. Inputs to the valuation models are as follows:

		Date of grant	
	14 August 2007	**17 December 2007**	**21 December 2007**
Model	Black-Scholes-Merton	Black-Scholes-Merton	Black-Scholes-Merton
Share price at grant date (HK$)	2.165	1.8333	1.9375
Exercise price (HK$)	2.165	1.8875	1.9375
Expected option period / option life	1 year	1 year	1 year
Expected volatility	30.60%	16.50%	16.40%
Expected dividends	Nil	Nil	Nil
Risk-free interest rate	4.48%	4.48%	4.48%

The expected volatility is based on the historic volatility (calculated based on the weighted average remaining life of the share options), 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.

No share options were granted by the Company during the year ended 31 March 2011.

As at 31 March 2011, the number of shares in respect of which share options had been granted and remained outstanding under the Old Scheme was 15,504,000, representing 2.47% of the shares of the Company in issue at that date.

27. SHARE OPTION SCHEME *(Continued)*

The following table discloses movements of the Company's share options during the years ended 31 March 2012 and 2011:

Year ended 31 March 2012

Grant date	Exercise period	Exercise Price HK$	Outstanding at 1 April 2011	Forfeited during the year	Cancelled during the year	Outstanding at 31 March 2012
Directors						
14 Aug 2007	14 Aug 2007 to 13 Aug 2017	2.1665	2,640,000	–	(2,640,000)	–
21 Dec 2007	21 Dec 2007 to 20 Dec 2017	1.9375	2,736,000	–	(2,736,000)	–
			5,376,000	–	(5,376,000)	–
Employees						
17 Dec 2007	17 Dec 2007 to 16 Dec 2017	1.8875	4,560,000	(1,920,000)	(2,640,000)	–
21 Dec 2007	21 Dec 2007 to 20 Dec 2017	1.9375	768,000	–	(768,000)	–
			5,328,000	(1,920,000)	(3,408,000)	–
Consultants						
17 Dec 2007	17 Dec 2007 to 16 Dec 2017	1.8875	4,800,000	(1,440,000)	(3,360,000)	–
			15,504,000	(3,360,000)	(12,144,000)	–
Exercisable at end of reporting period						–
Weighted average exercise price		HK$	**1.9463**	**1.8875**	**1.9626**	–

27. SHARE OPTION SCHEME *(Continued)*

Year ended 31 March 2011

Grant date	Exercise period	Exercise Price HK$	Outstanding at 1 April 2010	Forfeited during the year	Outstanding at 31 March 2011
Directors					
14 Aug 2007	14 Aug 2007 to 13 Aug 2017	2.1665	2,640,000	–	2,640,000
21 Dec 2007	21 Dec 2007 to 20 Dec 2017	1.9375	3,504,000	(768,000)	2,736,000
			6,144,000	(768,000)	5,376,000
Employees					
17 Dec 2007	17 Dec 2007 to 16 Dec 2017	1.8875	4,560,000	–	4,560,000
21 Dec 2007	21 Dec 2007 to 20 Dec 2017	1.9375	768,000	–	768,000
			5,328,000	–	5,328,000
Consultants					
17 Dec 2007	17 Dec 2007 to 16 Dec 2017	1.8875	4,800,000	–	4,800,000
			16,272,000	(768,000)	15,504,000
Exercisable at end of reporting period					15,504,000
Weighted average exercise price		HK$	1.9459	1.9375	1.9463

There are no share options outstanding at 31 March 2012.

The share options outstanding at 31 March 2011 have an exercise price ranging from HK$1.8875 to HK$2.1665 and a weighted average remaining contractual life of 6.66 years.

28. RETIREMENT BENEFITS SCHEME

The Group has arranged for its Hong Kong employees to join the Mandatory Provident Fund Scheme (the "MPF Scheme"). The assets of the MPF Scheme are held separately in provident fund managed by independent trustee. Under the MPF Scheme, the Group and each of the employees make monthly contributions to the scheme at 5% of the employees' earnings as defined under the Mandatory Provident Fund legislation. Both the employer's and the employees' monthly contributions are subject to a cap of HK$1,000, which will be adjusted to HK$1,250 with effect from 1 June 2012.

The Group's subsidiaries in the PRC also participate in defined contribution retirement schemes covering its PRC employees. The schemes are administered by the relevant government authorities which undertake to assume the retirement benefit obligations of all existing and future retired employees of the Group's PRC subsidiaries.

During the year, the amount of employer's contributions made by the Group to the defined contribution plans was approximately HK$1,477,000 *(2011: HK$1,071,000)*.

29. DEFERRED TAXATION

Unrecognised deferred tax assets arising from

	Group	
	2012	2011
	HK$'000	HK$'000
Deductible temporary differences	**45,767**	3,014
Tax losses	**25,052**	7,932
At end of reporting period	**70,819**	10,946

At 31 March 2012, tax losses of HK$16,744,000 *(2011: HK$929,000)* arising in Hong Kong have no expiry date under current tax legislation. The tax losses of HK$8,308,000 *(2011: HK$7,003,000)* arising in the PRC can be used to offset against future taxable profits of the respective subsidiaries for a maximum of 5 years. The Group has not recognised deferred tax assets in respect of these tax losses and deductible temporary differences because it is uncertain that future taxable profits will be available against which the Group can utilise the benefits therefrom.

29. DEFERRED TAXATION *(Continued)*

The unrecognised tax losses arising in the PRC at the end of the reporting period which can be offset against future taxable profits of the respective subsidiaries for a maximum of 5 years will expire as follows:

	Group	
	2012	2011
	HK$'000	HK$'000
Year of expiry		
2012	**–**	10
2013	**–**	360
2014	**–**	544
2015	**1,036**	1,703
2016	**7,272**	4,386
	8,308	7,003

At 31 March 2012, no deferred tax has been recognised for withholding taxes that would be payable on the unremitted earnings of the Group's subsidiaries established in the PRC. In the opinion of the directors, it is probable that the earnings will not be distributed in the foreseeable future. Unremitted earnings totalled HK$38,908,000 at 31 March 2012 *(2011: HK$21,496,000)*.

30. OPERATING LEASE COMMITMENTS

The Group leases certain premises under operating lease commitments. Leases for premises are negotiated for terms ranging from 1 to 2 years.

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

	Group	
	2012	2011
	HK$'000	HK$'000
Within one year	**1,011**	1,564
In the second to fifth years inclusive	**–**	263
	1,011	1,827

31. CONNECTED TRANSACTIONS AND RELATED PARTY TRANSACTIONS

In addition to the transactions / information disclosed elsewhere in these consolidated financial statements, during the year, the Group had the following transactions with connected and related parties:

		Group	
Related party relationship	**Nature of transaction**	**2012**	2011
		HK$'000	HK$'000
Key management personnel (excluding directors)	Salaries, allowances and benefits in kind	**528**	450
	Contribution to defined contribution scheme	**12**	12
		540	462

32. ACQUISITION OF SUBSIDIARIES

Acquisition during the year ended 31 March 2012

(i) Acquisition of 51% equity interest in Viva Champion

In November 2011, Beaming Investments Limited, a wholly-owned subsidiary of the Company acquired 51% equity interest in Viva Champion. The principal activities of Viva Champion and its subsidiaries (together "Viva Champion Group") are the provision of energy and other resources management and conservation system and integrated solutions to optimise usage for enterprises, including the telecommunication operators, in the PRC.

(ii) Acquisition of 100% equity interest in Xiang Yu

In March 2012, the Group acquired 100% equity interest in Xiang Yu through its subsidiary, Shenzhen JiaYeTongHui Technology Limited, at an aggregate consideration of HK$1,235,000. At the end of the reporting period, the consideration has not been paid.

The Group has selected to measure the non-controlling interests at their proportionate interest in the identifiables assets and liabilities of the acquiree.

32. ACQUISITION OF SUBSIDIARIES *(Continued)*

Acquisition during the year ended 31 March 2012 *(Continued)*

The following summarises the consideration transferred and the amounts of the assets acquired and liabilities assumed, as well as the amount of non-controlling interests recognised at the date of acquisition:

	Acquisition of 51% equity interest in Viva Champion	Acquisition of 100% equity interest in Xiang Yu	Total
	HK$'000	HK$'000	HK$'000
Consideration:			
Cash paid	**16,000**	**–**	**16,000**
Cash paid subsequent to end of the reporting period	**–**	**1,235**	**1,235**
Shares issued, at fair value	**11,797**	**–**	**11,797**
Contingent consideration – Promissory note	**1,200**	**–**	**1,200**
Total consideration transferred	**28,997**	**1,235**	**30,232**
Recognised amounts of identifiable assets acquired and liabilities assumed:			
Property, plant and equipment	**314**	**–**	**314**
Cash and cash equivalents	**407**	**112**	**519**
Trade and other receivables	**8,442**	**708**	**9,150**
Trade and other payables	**(3,355)**	**(152)**	**(3,507)**
Total identifiable net assets	**5,808**	**668**	**6,476**
Non-controlling interests	**(2,846)**	**–**	**(2,846)**
Goodwill arising on acquisition	**26,035**	**567**	**26,602**
	28,997	**1,235**	**30,232**

	HK$'000
Net cash outflow on acquisitions during the year:	
Cash and cash equivalents acquired	**519**
Consideration paid in cash	**(16,000)**
	(15,481)

32. ACQUISITION OF SUBSIDIARIES *(Continued)*

Acquisition during the year ended 31 March 2012 *(Continued)*

The contingent consideration requires the Group to release a promissory note with a principal amount of HK$4,000,000 to a vendor as part of the consideration transferred if the profitability condition is satisfied. A detailed discussion of the arrangement and measurement basis of the contingent consideration is set out in note 23 to the consolidated financial statements.

The Company issued 125,500,000 ordinary shares as part of the consideration transferred for the acquisition. The fair value of the shares issued was determined by applying a market approach and was based on the published share price available at the date of acquisition.

The transaction costs of HK$193,000 have been excluded from the consideration transferred and included in the "administrative expenses" line item in the consolidated statement of comprehensive income.

In respect of the acquired subsidiaries, the fair value of trade and other receivables acquired includes trade receivables and other receivables with a fair value of HK$867,000 and HK$7,575,000 respectively. The total gross contractual amount of the trade receivables and other receivables is HK$867,000 and HK$7,575,000 respectively, of which no balance is expected to be uncollectible.

The goodwill arising from the acquisition is attributable to the expected high growth and high profit potential as a result of benefiting from the Twelve Five Years Plan launched by the PRC National Council, of which low carbon and energy saving are among the top priority projects of the PRC Government. Besides, the business of Viva Champion Group is expected to complement with the Group's existing business in the PRC. None of the goodwill recognised is expected to be deductible for income tax purposes.

Since acquisition, the acquired business has contributed HK$2,338,000 and HK$425,000 to the revenue and loss of the Group respectively. If the business combination effected during the year had been taken place at the beginning of the year, the revenue and loss of the Group would have been approximately HK$32,094,000 and HK$73,450,000 respectively.

Acquisition during the year ended 31 March 2011

In February 2011, Brilliant Ally Limited, a wholly-owned subsidiary of the Company acquired 50.1% equity interests of China Optic. The principal activities of China Optic and its subsidiaries (together "China Optic Group") are the provision of technologies, services and products related to optimal optical fibers, telecommunications, electric power network systems and equipment in the PRC.

The Group has selected to measure the non-controlling interests at its proportionate interest in the identifiable assets and liabilities of the acquiree.

32. ACQUISITION OF SUBSIDIARIES *(Continued)*

Acquisition during the year ended 31 March 2011 *(Continued)*

The following summarises the consideration transferred and the amounts of the assets acquired and liabilities assumed, as well as the amount of non-controlling interests recognised at the date of acquisition:

	HK$'000
Consideration:	
Cash paid	20,000
Shares issued, at fair value	36,160
Contingent consideration – Promissory note	4,700
Total consideration transferred	60,860
Recognised amounts of identifiable assets acquired and liabilities assumed:	
Property, plant and equipment	3,375
Cash and cash equivalents	297
Trade and other receivables	15,118
Inventories	1,434
Trade and other payables	(10,407)
Tax payables	(731)
Total identifiable net assets	9,086
Non-controlling interests	(4,534)
Goodwill arising on acquisition	56,308
	60,860
Net cash outflow on acquisition:	
Cash and cash equivalents acquired	297
Consideration paid in cash	(20,000)
	(19,703)

The contingent consideration requires the Group to release a promissory note with a principal amount of HK$5,000,000 to a vendor as part of the consideration transferred if the profitability condition is satisfied. A detailed discussion of the arrangement and measurement basis of the contingent consideration is set out in note 23 to the consolidated financial statements.

32. ACQUISITION OF SUBSIDIARIES *(Continued)*

Acquisition during the year ended 31 March 2011 *(Continued)*

The Company issued 90,400,000 ordinary shares as part of the consideration transferred for the acquisition. The fair value of the shares issued was determined by applying a market approach and was based on the published share price available at the date of acquisition.

The transaction costs of HK$156,000 have been excluded from the consideration transferred and included in the "administrative expenses" line item in the consolidated statement of comprehensive income.

33. DISPOSAL OF SUBSIDIARIES

On 2 March 2012, Upper Power Limited, a wholly-owned subsidiary of the Company entered into agreements to sell 55% equity interest in Great Plan Group Limited "Great Plan", which held subsidiaries engaged in mobile payment gateway business. The disposal of Great Plan and its subsidiaries was completed on 2 March 2012.

	HK$'000
Net liabilities disposed of:	
Property, plant and equipment	412
Trade receivables	2
Prepayment, deposit and receivables	1,375
Cash and cash equivalents	127
Accruals and other payables	(20,521)
Non-controlling interests	9,450
Due to an ex-director	(4,608)
Net liabilities value	(13,763)
Transfer to the purchaser of amounts due from subsidiaries disposed of	13,367
Exchange reserve released on disposal	(416)
Gain on disposal	935
Consideration	123
Satisfied by:	
Cash	123

Analysis of the net outflow of cash and cash equivalents in respect of the disposal of the subsidiaries is as follows:

	HK$'000
Cash consideration	123
Cash and bank balances in subsidiaries disposed of	(127)
Net outflow of cash and cash equivalents on disposal	(4)

34. FINANCIAL RISK MANAGEMENT OBJECTIVES AND POLICIES

The Group's principal financial instruments comprise available-for-sale financial assets, bank balances and cash, and promissory notes. The main purpose of these financial instruments is to raise and maintain finance for the Group's operations. The Group has various other financial instruments such as trade and other receivables and payables, which arise directly from its business activities.

The accounting policies for financial instruments have been applied to the line items below:

	Available-for-sale financial assets at fair value		Loans and receivables at amortised cost			
	Group		Group		Company	
	2012	2011	**2012**	2011	**2012**	2011
	HK$'000	HK$'000	**HK$'000**	HK$'000	**HK$'000**	HK$'000
Financial assets						
Available-for-sale financial assets	**–**	389	**–**	–	**–**	–
Trade and other receivables	**–**	–	**47,917**	49,470	**73**	73
Due from subsidiaries	**–**	–	**–**	–	**88,078**	59,586
Bank balances and cash	**–**	–	**55,041**	59,628	**45,784**	56,010
Total	**–**	389	**102,958**	109,098	**133,935**	115,669

	Financial liabilities at fair value		Financial liabilities at amortised cost			
	Group and Company		Group		Company	
	2012	2011	**2012**	2011	**2012**	2011
	HK$'000	HK$'000	**HK$'000**	HK$'000	**HK$'000**	HK$'000
Financial liabilities						
Trade and other payables	**–**	–	**15,927**	33,164	**1,163**	799
Due to subsidiaries	**–**	–	**–**	–	**4,160**	4,020
Promissory notes	**6,200**	4,700	**–**	–	**–**	–
Total	**6,200**	4,700	**15,927**	33,164	**5,323**	4,819

The main risks arising from the Group's financial instruments are credit risk, interest rate risk and liquidity risk. The Group does not have any written risk management policies and guidelines. However, the board of directors generally adopts conservative strategies on the Group's risk management and limits the Group's exposure to these risks to a minimum.

34. FINANCIAL RISK MANAGEMENT OBJECTIVES AND POLICIES *(Continued)*

Credit risk

Credit risk refers to the risk that one party to a financial instrument will cause a financial loss for the other party by failing to discharge an obligation. The Group's credit risk is primarily attributable to trade receivables and bank balances.

A detailed discussion of the Group's credit risk in respect of trade receivables is set out in note 20 to the consolidated financial statements. The Group trades only with recognised, creditworthy third parties. Management closely monitors all outstanding debts and reviews the collectability of trade debtors periodically. The maximum exposure to credit risk is represented by the carrying amount of each financial asset in the consolidated statement of financial position. The Group does not hold any collateral over these assets.

At the end of the reporting period, the Group had a concentration of credit risk as 90% *(2011: 43%)* and 96% *(2011: 89%)* of the total trade receivables were made up by the Group's largest customer's and the two *(2011: five)* largest customers' outstanding balances respectively.

The Group's bank balances are placed with credit-worthy banks in Hong Kong and in the PRC.

Interest rate risk

The Group's exposure to cash flow interest rate risk mainly arises from the fluctuation of the prevailing market interest rate on the bank balances. However, the management considers the Group's exposure to such interest rate risk is not significant as bank balances are all short-term in nature. No sensitivity analysis is prepared as the fluctuation and impact is considered immaterial.

Liquidity risk

Management of the Group aims at maintaining sufficient level of bank balances and cash to finance the Group's operations and expected expansion. The Group's primary cash requirements include payments for operating expenses and additions or upgrades of property, plant and equipment and intangible assets. The Group maintains a balance between continuity of funding and flexibility through the use of bank balances and promissory notes.

34. FINANCIAL RISK MANAGEMENT OBJECTIVES AND POLICIES *(Continued)*

Liquidity risk *(Continued)*

The undiscounted contractual maturity profile of the Group's financial liabilities at the end of the reporting period, based on the earliest date on which the Group is required to settle the financial liabilities at the end of the reporting period is summarised below:

Group

	2012					2011			
	Total carrying value	Total contractual undiscounted cash flow	On demand	3-12 months	Over 1 year	Total carrying value	Total contractual undiscounted cash flow	On demand	Over 1 year
	HK$'000	HK$'000	HK$'000	HK$'000	HK$'000	HK$'000	HK$'000	HK$'000	HK$'000
Trade and other payables	15,927	15,927	15,927	–	–	33,164	33,164	33,164	–
Promissory notes	6,200	6,200	–	5,000	1,200	4,700	4,700	–	4,700
	22,127	22,127	15,927	5,000	1,200	37,864	37,864	33,164	4,700

Company

	2012					2011			
	Total carrying value	Total contractual undiscounted cash flow	On demand	3-12 Months	Over 1 year	Total carrying value	Total contractual undiscounted cash flow	On demand	Over 1 year
	HK$'000	HK$'000	HK$'000	HK$'000	HK$'000	HK$'000	HK$'000	HK$'000	HK$'000
Other payables	1,163	1,163	1,163	–	–	799	799	799	–
Due to subsidiaries	4,160	4,160	4,160	–	–	4,020	4,020	4,020	–
Promissory notes	6,200	6,200	–	5,000	1,200	4,700	4,700	–	4,700
	11,523	11,523	5,323	5,000	1,200	9,519	9,519	4,819	4,700

Fair value

The carrying amounts of the Group's and the Company's financial assets and liabilities carried at other than fair value are not materially different from their respective fair values as at 31 March 2012 and 2011.

35. FAIR VALUE DISCLOSURES

The following presents the carrying value of financial instruments measured at fair value at 31 March 2012 and 2011 across the three levels of the fair value hierarchy defined in HKFRS 7, *Financial Instruments: Disclosures*, with the fair value of each financial instrument categorised in its entirety based on the lowest level of input that is significant to that fair value measurement. The levels are defined as follows:

- Level 1 (highest level): fair values measured using quoted prices (unadjusted) in active markets for identical financial instruments;
- Level 2: fair values measured using quoted prices in active markets for similar financial instruments, or using valuation techniques in which all significant inputs are directly or indirectly based on observable market data;
- Level 3 (lowest level): fair values measured using valuation techniques in which any significant input is not based on observable market data.

Group

Financial assets measured at fair value

	Total	**Level 1**	**Level 2**	**Level 3**
	HK$'000	HK$'000	HK$'000	HK$'000
At 31 March 2012				
Available-for-sale financial assets *(note 15)*	**–**	**–**	**–**	**–**
At 31 March 2011				
Available-for-sale financial assets *(note 15)*	389	–	–	389

35. FAIR VALUE DISCLOSURES *(Continued)*

Group *(Continued)*

During the years ended 31 March 2012 and 2011, there were no transfers between Level 1 and Level 2 fair value measurements, and no transfers into and out of Level 3 fair value measurements.

The movement in the Level 3 represented (i) disposal of preference shares amounted to HK$12,318,000 and (ii) a fair value decrease of approximately HK$6,163,000, which has been recorded in other comprehensive income.

Movements in Level 3 fair value measurements of financial assets:

Year ended 31 March 2012	**Available-for-sale financial assets HK$'000**
Opening balance	**389**
Disposals	**(389)**
Closing balance	**–**
Total gain or loss recognised in profit or loss for the year for assets held at the end of the reporting period	**–**

Year ended 31 March 2011	Available-for-sale financial assets HK$'000
Opening balance	18,870
Disposals	(12,318)
Change in fair value recognised in other comprehensive income	(6,163)
Closing balance	389
Total gain or loss recognised in profit or loss for the year for assets held at the end of the reporting period	–

35. FAIR VALUE DISCLOSURES *(Continued)*

The tables above only include financial assets. The only financial liabilities that are subsequently measured at fair value comprise the promissory notes for the acquisition of China Optic and Viva Champion. Such financial liabilities are classified as Level 3. The details of the measurement basis are set out in note 23 to the consolidated financial statements.

	2012	2011
	HK$	HK$
Total losses included in profit or loss for the year	**(300,000)**	–

36. CAPITAL MANAGEMENT

The objectives of the Group's capital management are to safeguard the Group's ability to continue as a going concern and to provide returns for shareholders. The Group manages its capital structure and makes adjustments, including payment of dividend to shareholders, return of capital to shareholders or issue of new shares or sale of assets to reduce debts. No changes were made in the objectives, policies or processes during the years ended 31 March 2012 and 2011.

37. EVENTS AFTER THE REPORTING PERIOD

In May 2012, a promissory note with a nominal value of HK$5,000,000 relating to the acquisition of 50.1% equity interest in China Optic in February 2011 was early redeemed. The promissory note is interest-free and repayable on 17 February 2013, which has been classified as current liabilities at the end of the reporting period.

In May 2012, Power Chance Holdings Limited, a wholly-owned subsidiary of the Company, acquired 55% equity interest in Boomtech at a total consideration of HK$77,305,000. The principal activities of Boomtech Limited and its subsidiaries (together "Boomtech Group") are the provision of integrated solutions for lightning electromagnetic pulse protection and its related engineering design, construction and technical services in the PRC.

As the initial accounting for the acquisition of Boomtech is incomplete, it is not practicable to reliably estimate its financial effect.