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YUNBO DIGITAL SYNERGY GROUP LIMITED

雲博產業集團有限公司

(incorporated in the Cayman Islands with limited liability)

Stock Code : 8050

ANNUAL REPORT 2013

Characteristics of The Growth Enterprise Market ("GEM") of The Stock Exchange of Hong Kong Limited (the "Stock Exchange")

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

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

This report, for which the directors of Yunbo Digital Synergy Group Limited (the "Company") collectively and individually accept full responsibility, includes particulars given in compliance with the Rules Governing the Listing of Securities on the GEM ("GEM Listing Rules") of the Stock Exchange for the purpose of giving information with regard to the Company. The directors of 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.

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CORPORATE INFORMATION

EXECUTIVE DIRECTORS
Mr. Yau Hoi Kin
Mr. Kwong Wai Ho, Richard
Dr. Huang Youmin

NON-EXECUTIVE DIRECTOR
Mr. Hsu Chia-Chun

INDEPENDENT NON-EXECUTIVE DIRECTORS
Dr. Chow Ka Ming, Jimmy
Mr. Liu Zhiquan
Dr. Wong Wing Lit

COMPANY SECRETARY
Mr. Tung Tat Chiu, Michael
a practising solicitor in Hong Kong

COMPLIANCE OFFICER
Mr. Kwong Wai Ho, Richard

AUTHORISED REPRESENTATIVES
Mr. Yau Hoi Kin
Mr. Kwong Wai Ho, Richard

AUDIT COMMITTEE
Mr. Liu Zhiquan *(Chairman)*
Dr. Chow Ka Ming, Jimmy
Dr. Wong Wing Lit

REMUNERATION COMMITTEE
Dr. Chow Ka Ming, Jimmy *(Chairman)*
Mr. Liu Zhiquan
Dr. Wong Wing Lit

NOMINATION COMMITTEE
Mr. Liu Zhiquan *(Chairman)*
Dr. Chow Ka Ming, Jimmy
Dr. Wong Wing Lit

AUDITORS
Grant Thornton Hong Kong Limited
Certified Public Accountants

PRINCIPAL BANKERS
Standard Chartered Bank
Shanghai Commercial Bank

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COMPANY HOMEPAGE
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PRINCIPAL SHARE REGISTRAR AND TRANSFER OFFICE
Royal Bank of Canada Trust Company (Cayman) Limited
4th Floor, Royal Bank House
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Grand Cayman KY1-1110
Cayman Islands

HONG KONG BRANCH SHARE REGISTRAR AND TRANSFER OFFICE
Tricor Secretaries Limited
26th Floor
Tesbury Centre
28 Queen's Road East
Hong Kong

STOCK CODE
8050

EXECUTIVE DIRECTOR'S STATEMENT

On behalf of the board (the "Board") of Directors, I hereby present the results of the Company and its subsidiaries (collectively the "Group") for the year ended 31 March 2013.

During the year ended 31 March 2013, the Group recorded a revenue of approximately HK$53,729,000, representing an increase of approximately 242% when compared with the last corresponding year. The significant increase in revenue was principally due to the Group having generated approximately HK$35,045,000 in the trading of gigabit-passive optical network ("G-PON") equipment. Loss attributable to owners for the year was approximately HK$11,860,000 as compared to a profit of approximately HK$6,233,000 for the year ended 31 March 2012.

The Group is principally engaged in provision of system integration services and other value-added technical consultation services and hardware-related business.

In 2012, the Group entered into the telecommunications industry in the People's Republic of China (the "PRC") to explore and develop business opportunities in the areas of, among others, manufacturing of ancillary high-tech software products specifically designed for smart phones; developing and establishing an integrated platform for distribution of mobile products and provision of value-added services; and setting up joint venture cooperation with multinational companies to introduce and procure mobile application services. 廣州韻博信息科技有限公司 Guangzhou YBDS IT Co., Ltd.* ("Guangzhou YBDS") and 北京韻博港信息科技有限公司 Beijing YBDS IT Co., Ltd.* ("Beijing Yunbo") were set up to facilitate these potential ventures.

During the year under review, the Group achieved some successes. On 2 August 2012, the Company entered into a non-legally binding letter of intent with Chinasoft International Limited (中軟國際有限公司) (stock code: 354) ("Chinasoft"), pursuant to which the Company and Chinasoft will collaborate with each other on bidding for specific parts of the project to be implemented by a telecommunication operator in the PRC for the construction of a wireless city infrastructure in the PRC ("Wireless City Project"). As disclosed in the announcement of the Company dated 7 May 2013, 北京掌中無限信息技術有限公司 (MMIM Info. Technology Co., Ltd.*) ("MMIM"), a wholly-owned subsidiary of Chinasoft in the PRC, has submitted open tender documents for specific parts of the Wireless City Project (the "Bidding") to China Mobile Group Guangdong Company Limited ("Telecommunication Operator"). On 7 May 2013, Excellent Master Investments Limited ("Excellent Master"), a wholly-owned subsidiary of the Company, Chinasoft International (Hong Kong) Limited ("Chinasoft International Hong Kong"), a wholly-owned subsidiary of Chinasoft, the Company and Chinasoft have entered into a project implementation agreement to implement the specific parts of the Wireless City Project in the event that the Bidding is successful (in which case MMIM and Telecommunication Operator will enter into a formal project agreement).

As mentioned above, the Group generated revenue of approximately HK$35,045,000 in the trading of G-PON equipment.

In line with the medium to long term strategic planning for the development of education in the PRC, the Department of Education of Guangdong Province of the PRC issued "The Development of Informationization in Education in Guangdong Province "12th 5-Year" Plan"* (廣東省教育信息化發展"十二五"規劃) on 30 August 2012 to promulgate its intention to expedite current movements in raising the standard of education levels in Guangdong Province through the advancements of technology. The Department of Education of Guangdong Province of the PRC intends to standardize the education programmes taught in primary and secondary schools such that students in rural areas will be able to enjoy the same quality of education as those enjoyed by students in the urban areas. To achieve this objective, the Department of Education of Guangdong Province of the PRC decided to establish an online education platform.

** For identification purpose only*

It is under this premise that Guangzhou YBDS and the Guangdong branch of China Telecom Corporation Limited (中國電信股份有限公司) (stock code: 728) ("China Telecom Guangdong") combine their resources by collaborating with each other to develop, establish, and operate an integrated online education platform (the "Online Education Platform") to support the policy of the Department of Education of Guangdong Province of the PRC.

The capital budget needed to construct the Online Education Platform capable of supporting up to 6 million subscribers is expected to be RMB700 million. Guangzhou YBDS intends to commence the construction in the third quarter of 2013 with the first phase of the Online Education Platform anticipated to be up and running before the year end of 2013. The RMB700 million is not a capital commitment nor is it a condition for the entering into the collaboration agreement with China Telecom Guangdong. The actual investment to be made by the Group will depend on the circumstances as well as the overall progress and development of the Online Education Platform.

Once completed, it is expected that the Online Education Platform will be able to serve all education administration and research institutions, more than 20,000 primary and secondary schools, 890,000 teachers, and over 18,000,000 students in Guangdong Province.

As disclosed in the announcements of the Company dated 12 April 2013 and 18 April 2013, the Group entered into a non-legally binding memorandum of understanding with New5TV (Cayman) CO., LTD. on 12 April 2013 to establish, develop, and create a variety of online platforms that employ a "narrowcasting" television channel operating mode. The Group has also entered into a cooperation agreement with South China Normal University on 18 April 2013 to work on a project to research, develop, design and produce micro lectures in physics with the intention of distributing the programmes made under the project to targeted audiences in the PRC through the aforesaid online platforms.

The Directors believe that the entering into of the aforesaid agreements is part and parcel to the Group's new corporate strategy in broadening its income base and enhancing its growth potential.

Finally, on behalf of the Board, I would like to take this opportunity to express my gratitude to all members of the Board, staff and those who have supported us for their dedication and contribution to the Group. We will continue to put our best efforts to provide a better return to our shareholders.

Yau Hoi Kin
Executive Director

Hong Kong, 27 May 2013

MANAGEMENT DISCUSSION AND ANALYSIS

BUSINESS REVIEW

Due to the macro economic conditions, the challenging business environment in Hong Kong prevailed throughout the year under review.

The Company experienced a change in senior management in the first quarter of 2012. The new senior management of the Company, after having conducted a detailed review of the operations of the Group, adopted a new corporate strategy to broaden its income base and enhance the growth potential of the Group. As such, the Company expanded into the market in the PRC in the areas of manufacturing of ancillary high-tech software products specifically designed for smart phones; developing and establishing an integrated platform for distribution of mobile products and provision of value-added services; and setting up joint ventures with multinational companies to introduce and procure mobile application services, among others.

Guangzhou YBDS and Beijing Yunbo, both of which are wholly foreign owned enterprises ("WFOEs") in the PRC, were established to facilitate the Group business endeavors in the PRC.

Guangzhou YBDS

Guangzhou YBDS was approved for establishment on 13 August 2012. The entire equity interests of Guangzhou YBDS are held by Pacific Honour Development Limited, a wholly-owned subsidiary of the Company. The business licence of Guangzhou YBDS was issued on 18 September 2012. The total investment and registered capital of Guangzhou YBDS are RMB40 million and RMB20 million, respectively. More than 63.25% of the registered capital (or equivalent to approximately RMB12.65 million) of Guangzhou YBDS has been paid up with the remaining 36.75% (or equivalent to approximately RMB7.35 million) due to be paid on or before 18 September 2013. The scope of business of Guangzhou Yunbo includes computer software or hardware system integration, external equipment, financial and electronic equipment, automated control systems and related equipment, new models of electronic devices, smart modems, research and development of educational software and hardware, sale of computer software, hardware and ancillary equipment, electronic products, general machinery, specialized equipment, and provision of technical services and support.

Beijing Yunbo

Beijing Yunbo was approved for establishment on 21 November 2012. The entire equity interests of Beijing Yunbo are held by Able Bloom Technology Limited, a wholly-owned subsidiary of the Company. The business licence of Beijing Yunbo was issued on 19 December 2012. The total investment and registered capital of Beijing Yunbo are RMB40 million and RMB20 million, respectively. According to the business licence of Beijing Yunbo, approximately 20% of the registered capital (or equivalent to approximately RMB4 million) of Beijing Yunbo has been paid up with the remaining approximately 80% (or equivalent to approximately RMB16 million) due to be paid on or before 18 December 2014. The scope of business of Beijing Yunbo includes technology development and system integration of computer hardware and software, communication system, network system and automatic control system, educational software development, sale of self-developed products, technical services and technical consultancy.

On 4 June 2012, the Company completed a placing for an aggregate of 15,000,000 new shares of HK$0.10 each in the capital of the Company at a share placing price of HK$0.185 each to independent third parties, and 30,000,000 warrants at a warrant issue price of HK$0.01 each and subscription price of HK$0.185 per warrant share to independent third parties ("May 2012 Placing").

On 26 July 2012, the Company completed a placing for an aggregate of 10,000,000 new shares of HK$0.10 each in the capital of the Company at a share placing price of HK$0.141 each to independent third parties, and 60,000,000 warrants at a warrant issue price of HK$0.01 each and subscription price of HK$0.141 per warrant share to independent third parties ("July 2012 Placing").

The net proceeds raised from the share placement and warrant placement in May 2012 Placing were approximately HK$2,706,000 and HK$293,000 respectively, and approximately HK$1,375,000 and HK$585,000 respectively from the share placement and warrant placement in July 2012 Placing. The majority part of the net proceeds from the aforesaid share and warrant placements has been applied towards the Company's initial paid-in capital requirements in respect of the two aforementioned WFOEs.

On 13 December 2012, 156,250,000 offer shares of par value of HK$0.10 each of the Company were issued under an open offer at a subscription price of HK$0.10 each ("Open Offer"). The gross proceeds raised from the Open Offer were approximately HK$15,625,000 which has been used for paying up the registered capital of Guangzhou YBDS, settling the payment for purchase of certain wireless internet network equipment and for general working capital purpose.

On 27 March 2013, the Company completed a placing for an aggregate of 125,000,000 new shares of HK$0.10 each in the capital of the Company at a share placing price of HK$0.145 each to independent third parties ("March 2013 Placing"). The net proceeds raised from the share placement in March 2013 Placing were approximately HK$17,672,000.

FINANCIAL REVIEW

For the year ended 31 March 2013, the Group recorded a revenue of approximately HK$53,729,000, representing an increase of approximately 242% when compared with the last corresponding year. The significant increase in revenue was principally due to the Group having generated approximately HK$35,045,000 in the trading of G-PON equipment. Loss attributable to owners of the Company for the year was approximately HK$11,860,000 as compared to a profit of approximately HK$6,233,000 for the year ended 31 March 2012.

FINANCIAL RESOURCES AND LIQUIDITY

As at 31 March 2013, the shareholders' funds of the Group amounted to approximately HK$31,476,000. Current assets were approximately HK$60,593,000, mainly comprising cash and cash equivalents of approximately HK$28,158,000 and trade and other receivables of approximately HK$32,435,000. Current liabilities mainly comprised trade and other payables of approximately HK$19,699,000 and bank borrowings of HK$10,000,000. The net asset value per share was approximately HK$0.035. The Group's gearing ratio, expressed as a percentage of bank borrowings and long-term debts over total equity, was 0.32 times. The liquidity ratio of the Group, determined as a ratio of current assets over current liabilities, was 2.04:1 (as at 31 March 2012: 1.07:1).

EXPOSURE TO EXCHANGE RATE FLUCTUATION

For the year ended 31 March 2013, the Group was only exposed to limited currency exchange rate fluctuation risks as virtually all of the Group's monetary assets and liabilities were denominated in Hong Kong dollars as it conducts its business transactions principally in this currency. The currency exchange rate risk of the Group is therefore considered to be immaterial, and the Group did not engage in any hedging activity.

COMMITMENTS

As at 31 March 2013, the Group had operating lease commitments in respect of rented office premises of approximately HK$883,000 (2012: HK$162,000). As at 31 March 2013 and 2012, the Group had no significant capital commitment.

CONTINGENT LIABILITIES

As at 31 March 2013 and 2012, the Group had no material contingent liabilities.

CHARGES ON THE GROUP'S ASSETS

As at 31 March 2013, the Group had no charges on the Group's assets.

EMPLOYEES AND REMUNERATION POLICIES

As at 31 March 2013, the Group had 26 employees (including 7 Directors) (2012: 14 employees (including 6 Directors)). The total remuneration paid to employees, including Directors, for the year ended 31 March 2013 was approximately HK$9,036,000 (2012: HK$3,116,000). Remuneration is determined by reference to market terms and the performance, qualification and experience of each individual employee. Annual year-end double pay is paid based on each individual employee's performance as recognition of and reward for their contributions. Other benefits accruing to the employees include contributions made to statutory mandatory provident fund scheme and a group medical scheme.

SEGMENTAL INFORMATION

Business segments

During the year under review, the revenue of hardware sales was increased by approximately 358%. The revenue of maintenance services was decreased by approximately 62%. Moreover, the revenue of software sales was also decreased by approximately 56%.

Geographical segments

The provision of system integration services and other value-added technical consultation services and hardware-related business mainly caters for the PRC market. Revenue from the Hong Kong segment represented approximately 35% of the total revenue (2012: 96%).

Future plans for material investments or capital assets

In 2012, the Group entered into the PRC market to explore and develop business opportunities in the areas of, among others, manufacturing of ancillary high-tech software products specifically designed for smart phones; developing and establishing an integrated platform for distribution of mobile products and provision of value-added services; and setting up joint venture cooperation with multinational companies to introduce and procure mobile application services. Guangzhou YBDS and Beijing Yunbo were set up to facilitate these potential ventures.

As disclosed in the announcement of the Company dated 2 August 2012, the Company entered into a non-legally binding letter of intent with Chinasoft, pursuant to which the Company and Chinasoft will collaborate with each other on bidding for specific parts of the Wireless City Project.

As further disclosed in the announcement of the Company dated 7 May 2013, MMIM has submitted the Bidding to Telecommunication Operator. On 7 May 2013, Excellent Master, Chinasoft Hong Kong, the Company and Chinasoft have entered into a project implementation agreement to implement the specific parts of the Wireless City Project in the event that the Bidding is successful (in which case MMIM and Telecommunication Operator will enter into a formal project agreement).

In addition, the Group generated revenue of approximately HK$35,045,000 in the trading of G-PON equipment.

Moreover, in line with the medium to long term strategic planning for the development of education in the PRC, the Department of Education of Guangdong Province of the PRC issued "The Development of Informationization in Education in Guangdong Province "12th 5-Year" Plan"* (廣東省教育信息化發展"十二五"規劃) on 30 August 2012 to promulgate its intention to expedite current movements in raising the standard of education levels in Guangdong Province through the advancements of technology. The Department of Education of Guangdong Province of the PRC intends to standardize the education programmes taught in primary and secondary schools such that students in rural areas will be able to enjoy the same quality of education as those enjoyed by students in the urban areas. To achieve this objective, the Department of Education of Guangdong Province of the PRC decided to establish an online education platform.

It is under this premise that Guangzhou YBDS and China Telecom Guangdong to combine their resources by collaborating with each other to develop, establish, and operate the Online Education Platform to support the policy of the Department of Education of Guangdong Province of the PRC.

The capital budget needed to construct the Online Education Platform capable of supporting up to 6 million subscribers is expected to be RMB700 million. Guangzhou YBDS intends to commence the construction in the third quarter of 2013 with the first phase of the Online Education Platform anticipated to be up and running before the End of 2013. The RMB700 million is not a capital commitment nor is it a condition for the entering into the collaboration agreement with China Telecom Guangdong. The actual investment to be made by the Group will depend on the circumstances as well as the overall progress and development of the Online Education Platform.

Once completed, it is expected that the Online Education Platform will be able to serve all education administration and research institutions, more than 20,000 primary and secondary schools, 890,000 teachers, and over 18,000,000 students in Guangdong Province.

As disclosed in the announcements of the Company dated 12 April 2013 and 18 April 2013, the Group entered into a non-legally binding memorandum of understanding with New5TV (Cayman) CO., LTD. on 12 April 2013 to establish, develop, and create a variety of online platforms that employ a "narrowcasting" television channel operating mode. The Group also entered into a cooperation agreement with South China Normal University on 18 April 2013 to work on a project to research, develop, design and produce micro lectures in physics with the intention of distributing the programmes made under the project to targeted audiences in the PRC through the aforesaid online platforms.

The Directors believe that the entering into of the aforesaid agreements is part and parcel to the Group's new corporate strategy in broadening its income base and enhancing its growth potential.

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CORPORATE GOVERNANCE REPORT

CORPORATE GOVERNANCE PRACTICES

The Stock Exchange issued the Corporate Governance Code (the "CG Code") contained in Appendix 15 to the GEM Listing Rules which sets out corporate governance principles (the "Principles") and code provisions (the "Code Provisions") with which listed issuers are expected to follow and comply.

The Company has applied the Principles as set out in the CG Code and has complied with the Code Provisions of the CG Code during the year ended 31 March 2013 except for the following deviations and disclosures under the paragraph headed "Chairman and Chief Executive Officer" below. Throughout the year, the Company continued to strive for improvement on its corporate governance.

Code A.1.8

Code Provision A.1.8 stipulates that the Company should arrange appropriate insurance cover in respect of legal action against its directors.

During the reporting period, the Board considered that under the current situations of close management of the Group and business scale, the possibility of actual litigation against the Directors is very low. The Company will consider reviewing various insurance cover proposals and will make such an arrangement as appropriate.

Code A.2.1

Code Provision A.2.1 stipulates that the roles of chairman and chief executive officer should be separated.

The executive Directors, namely, Mr. Yau Hoi Kin, Mr. Kwong Wai Ho, Richard and Dr. Huang Youmin, are focused on evaluating new potential business and investment opportunities and formulating a new business strategy to enhance the revenue and growth potential of the Company. Hence, a new chairman and chief executive officer will not be appointed until suitable candidates have been identified for such purpose.

Code C.1.2

Code Provision C.1.2 stipulates that management should provide all members of the board with monthly updates giving a balanced and understandable assessment of the issuer's performance, position and prospects in sufficient detail to enable the board as a whole and each director to discharge their duties under Rule 5.01 and Chapter 17 of the GEM Listing Rules.

During the reporting period, updates on the Group's business and financial were not provided to the members of the Board on monthly basis. Instead, the members of the Board were given information as long as there are any updates on Group's business and were given financial updates on quarterly basis. The management of the Company will strive to provide each member of the Board with updates on the Group's business and financial on monthly basis in future.

Code E.1.2

Code Provision E.1.2 stipulates that the chairman of the board should invite the chairman of the audit, remuneration, nomination and any other committees (as appropriate) to attend the annual general meeting. In their absence, he should invite another member of the committee or failing this is duly appointed delegate, to attend. These persons should be available to answer questions at the annual general meeting.

During the reporting period, the chairman of the audit committee ("Audit Committee"), nomination committee ("Nomination Committee") and remuneration committee ("Remuneration Committee") of the Company, due to personal commitments, did not attend or appoint delegate to attend the annual general meeting of the Company held on 6 August 2012 ("2012 AGM") as required under code provision E.1.2 of the CG Code. Instead, the chairmen of the Audit committee, Remuneration committee and Nomination committee were well informed by the Company in advance of the date and time of the 2012 AGM and were made available to answer questions raised at the 2012 AGM by telephone.

The Board will continue to monitor and review the Company's corporate governance practices to ensure compliance with the CG Code.

The Board conducted reviews of the system of internal controls of the Group to ensure an effective and adequate internal controls system is in place. The Board also convened meetings to discuss financial, operational and risk management controls.

In 2013, the Company continued to follow up on the implementation of enhancements to the internal control measures. Thus, the capacity of the Company's internal supervision and risk prevention continued to improve. ANDA CPA Limited ("ANDA") was engaged by the Company to conduct a comprehensive review on the internal controls of the Group. ANDA expressed a conclusion that the results of their review did not indicate that there was any material irregularity or error on the financial reporting procedures, systems, and controls of the Company.

COMPLIANCE OF CODE FOR DIRECTORS' SECURITIES TRANSACTION

The Company has adopted a code of conduct regarding securities transactions by directors on terms no less exacting than the required standard of dealings set out in Rules 5.48 to 5.67 of the GEM Listing Rules. Having made specific enquiry of all Directors, all Directors of the Company have complied with the required standard of dealings and the code of conduct regarding securities transactions by directors adopted by the Company throughout the year ended 31 March 2013.

EFFECTIVE AND EXPERIENCED BOARD

Board Composition

The Board comprised the following members during the year:

Executive Directors:
Mr. Yau Hoi Kin
Mr. Kwong Wai Ho, Richard
Dr. Huang Youmin

Non-executive Director:
Mr. Hsu Chia-Chun *(appointed on 24 August 2012)*

Independent Non-executive Directors:
Dr. Chow Ka Ming, Jimmy
Mr. Liu Zhiquan
Dr. Wong Wing Lit

Board Meeting

The Board meets at least four times a year to, among other matters, review past financial and operating performance and discuss the Group's direction and strategy.

Details of the attendance of the Board are as follows:

		Attendance/Number of Board meetings held during the year	Attendance/Number of General meetings held during the year
Mr. Yau Hoi Kin		13/13	3/3
Mr. Kwong Wai Ho, Richard		12/13	3/3
Dr. Huang Youmin		11/13	3/3
Mr. Hsu Chia-Chun	*(appointed on 24 August 2012)*	3/7	0/1
Dr. Chow Ka Ming, Jimmy		6/13	0/3
Mr. Liu Zhiquan		7/13	0/3
Dr. Wong Wing Lit		6/13	0/3

Functions of the Board

The Board is responsible for formulating the Group's overall strategy, considering and approving financial statements, material contracts and transactions as well as other significant policy and financial matters. The Board delegates the day to-day operation and administration functions to the executive Directors and management, while preserving the right to finally approve key matters and strategic decisions. When the Board delegates aspects of its management and administration functions to management, it gives clear directions as to the powers of management, in particular, with respect to the circumstances where management should report back and obtain prior approval from the Board before making decisions or entering into any commitments on behalf of the Company.

The Directors have no financial, business, family or other material/relevant relationships with each other.

Practices and Conduct of Meetings

Schedules and draft proposed agendas for all Board and committee meetings are normally made available to Directors in advance.

Notice to regular Board meetings is served to all Directors at least 14 business days before the meeting. For other Board and committee meetings, reasonable notice is generally given.

Board papers together with all appropriate, complete and reliable information are sent to all Directors/committee members, to the extent possible, at least 3 days before each Board meeting or committee meeting to keep the Directors/committee members apprised of the latest developments and financial position of the Company enabling them to make informed decisions. The Board and each Director have separate and independent access to senior management whenever it deems necessary.

The secretary of the meeting is responsible to take and keep minutes of all Board meetings and committee meetings. Draft minutes are normally circulated to Directors for comment within a reasonable time after each meeting and the final version is open for Directors' inspection.

According to current Board practice, any material transaction, which involves a conflict of interests for a substantial shareholder or a Director, will be considered and dealt with by the Board at a duly convened Board meeting. The Company's articles of association also contains provisions requiring Directors to abstain from voting and not to be counted in the quorum at meetings for approving transactions in which such Directors or any of their associates have a material interest.

Appointment, Re-election and Removal of Directors

According to the Company's articles of association, one-third of the Directors are required to retire from office at each annual general meeting, provided that every Director shall be subject to retirement by rotation at least once every three years.

According to the Code Provision A.4.1 of the CG Code, non-executive Directors should be appointed for a specific term of service. On 21 June 2012, each of the current independent non-executive Directors, namely Dr. Chow Ka Ming, Jimmy, Mr. Liu Zhiquan and Dr. Wong Wing Lit, entered into an appointment letter with the Company for a term of three years and are subject to retirement by rotation as they shall offer themselves for re-election in accordance with the Company's articles of association.

INDEPENDENT NON-EXECUTIVE DIRECTORS

The Company has received annual confirmations from each of the independent non-executive Directors as regards their independence to the Company pursuant to Rule 5.09 of the GEM Listing Rules and considers that each of the independent non-executive Directors to be independent of the Company.

TERM OF OFFICE OF NON-EXECUTIVE DIRECTOR

The term of office of Mr. Hsu Chia-Chun, the non-executive Director is one year commencing from 24 August 2012.

CHAIRMAN AND CHIEF EXECUTIVE OFFICER

Code Provision A.2.1 stipulated that the roles of chairman and chief executive officer should be separated.

The executive Directors, namely, Mr. Yau Hoi Kin, Mr. Kwong Wai Ho, Richard, and Dr. Huang Youmin, are focused on evaluating new potential business and investment opportunities and formulating a new business strategy to enhance the revenue and growth potential of the Company. Hence, a new chairman and chief executive officer will not be appointed until suitable candidates have been identified for such purpose.

Save as disclosed in the section of "Biographical Information of Directors and Senior Management", there is no financial, business, family or other material and/or relevant relationship between the executive Directors and members of the Board.

AUDIT COMMITTEE

The Audit Committee was established in May 2000, and the Company had adopted a revised specific terms of reference as of 21 March 2012 in accordance with Rules 5.28 to 5.33 of the GEM Listing Rules.

During the year, the Audit Committee comprised Mr. Liu Zhiquan, Dr. Chow Ka Ming, Jimmy and Dr. Wong Wing Lit, all of whom are independent non-executive Directors. Mr. Liu Zhiquan is the current chairman of the Audit Committee.

The primary duties of the Audit Committee are to review the Group's audit findings, accounting policies and standards, changes of accounting rules (if any), compliance to the GEM Listing Rules, internal and audit control, and cash flow forecast.

The Audit Committee has reviewed the audited consolidated results of the Group for the year ended 31 March 2013.

During the year, the Group's unaudited quarterly and half-yearly results and annual audited results during the year ended 31 March 2013 have been reviewed by the Audit Committee, which was of the opinion that such financial statements complied with the applicable accounting standards and that adequate disclosures have been made.

Details of the members' attendance of the Audit Committee meetings are as follows:

	Attendance/Number of Audit Committee meetings held during the year
Mr. Liu Zhiquan	3/3
Dr. Chow Ka Ming, Jimmy	3/3
Dr. Wong Wing Lit	2/3

REMUNERATION COMMITTEE

The Remuneration Committee was established in November 2005 and the Company had adopted a revised specific terms of reference as of 21 March 2012 in accordance with Rules 5.34 to 5.36 of the GEM Listing Rules and the requirements set out under Code Provision.

During the year, the Remuneration Committee comprised Dr. Chow Ka Ming, Jimmy, Mr. Liu Zhiquan, and Dr. Wong Wing Lit, all of whom are independent non-executive Directors. Dr. Chow Ka Ming, Jimmy is the current chairman of the Remuneration Committee.

The Remuneration Committee meets at least once annually, or on an as needed basis. The primary duties of the Remuneration Committee are to make recommendations to the Board on the remuneration of Directors and senior management and determine on behalf of the Board the specific remuneration packages and conditions of employment for executive Directors and senior management.

During the year ended 31 March 2013, the Remuneration Committee has performed its duties to review the remuneration of Board members.

During the year under review, two meetings of the Remuneration Committee was held. Details of the members' attendance of the Remuneration Committee meeting are as follows:

	Attendance/Number of Remuneration Committee meetings held during the year
Dr. Chow Ka Ming, Jimmy	2/2
Mr. Liu Zhiquan	2/2
Dr. Wong Wing Lit	2/2

The policies for the remuneration of executive Directors and, if appropriate, independent non-executive Directors are:

- to ensure that none of the Directors should determine their own remuneration;
- the remuneration should be broadly aligned with companies with which the Company competes for human resources;
- the Group should aim to attract and retain executives and to motivate them to pursue appropriate growth strategies whilst taking into account individual performance; and
- the remuneration should reflect the performance, complexity of duties and responsibility of individuals.

NOMINATION COMMITTEE

The Nomination Committee was established in May 2011 and the Company had adopted a revised specific written terms of reference as of 21 March 2012 in compliance with the Code Provision A.5.

The Nomination Committee comprised Mr. Liu Zhiquan, Dr. Chow Ka Ming, Jimmy, and Dr. Wong Wing Lit, all of whom are independent non-executive Directors. Mr. Liu Zhiquan is the current chairman of the Nomination Committee.

The primary duties of the Nomination Committee are to identify the potential candidates and make recommendations to the Board on relevant matters relating to the appointment or re-appointment of Directors.

During the year ended 31 March 2013, the Nomination Committee has performed its duties to identify Mr. Hsu Chia-Chun as non-executive Director and make recommendations to the Board on the appointment and re-appointment of Directors.

During the year under review, two meetings of the Nomination Committee was held. Details of the members' attendance of the Remuneration Committee are as follows:

	Attendance/Number of Nomination Committee meetings held during the year
Mr. Liu Zhiquan *(Chairman)*	2/2
Dr. Wong Wing Lit	2/2
Dr. Chow Ka Ming, Jimmy	2/2

DIRECTORS' TRAINING

According to the Code Provision A.6.5, all directors should participate in continuous professional development and refresh their knowledge and skills to ensure that their contribution to the board remains informed and relevant. To ensure the Directors' contribution to the Board remain informed and relevant, the Company will be responsible arranging and funding suitable training to the Directors.

The Company will also provide a comprehensive package of induction materials about the duties, responsibilities and liabilities as well as statutory and regulatory obligations of a director of a listed company.

During the financial year ended 31 March 2013, an individual training record of each Director is set out below:

Name of Director	Attending or participating in courses/seminars/ conference/workshops relevant to rules and regulations and the Group's business/ directors' duties	Reading materials relating to rules and regulations and discharge of directors' duties and responsibilities
Executive Directors		
Mr. Yau Hoi Kin	✓	✓
Mr. Kwong Wai Ho, Richard	✓	✓
Dr. Huang Youmin	✓	✓
Non-executive Director		
Mr. Hsu Chia-Chun	✓	✓
Independent Non-executive Directors		
Dr. Chow Ka Ming, Jimmy	✓	✓
Mr. Liu Ziquan	✓	✓
Dr. Wong Wing Lit	✓	✓

COMPANY SECRETARY

The Company engaged an external service provider, Mr. Tung Tat Chiu, Michael as its company secretary. Mr. Yau Hoi Kin our executive Director, is the key contact person with whom Mr. Tung can contact.

AUDITORS' REMUNERATION

The consolidated financial statements of the Company for the year were audited by Grant Thornton Hong Kong Limited whose term of office will expire upon the forthcoming annual general meeting. The Audit Committee has recommended to the Board that Grant Thornton Hong Kong Limited be re-appointed as the auditors of the Company for approval by the shareholders of the Company at the forthcoming annual general meeting.

During the year under review, the remuneration paid or payable to the Company's auditors, Grant Thornton Hong Kong Limited, in respect of its audit and non-audit services was as follow:

Type of Services	HK$'000
Audit services	180
Non-audit services	120
Total	300

During the year under review, all of the auditors' remuneration for non-audit service assignments was paid to Grant Thornton Hong Kong Limited in relation to the Open offer for an amount of HK$50,000, reviewing 1st quarterly report for an amount of HK$10,000, reviewing interim report for an amount of HK$50,000 and reviewing 3rd quarterly report for an amount of HK$10,000.

INTERNAL CONTROL

The Board conducted reviews of the system of internal controls of the Group to ensure an effective and adequate internal controls system is in place. The Board also convened meetings to discuss financial, operational and risk management controls.

In 2013, the Company continued to follow up on the implementation of enhancements to the internal control measures. Thus, the capacity of the Company's internal supervision and risk prevention continued to improve. ANDA was engaged by the Company to conduct a comprehensive review on the internal controls of the Group. ANDA expressed a conclusion that the results of their review did not indicate that there was any material irregularity or error on the financial reporting procedures, systems, and controls of the Company.

DIRECTORS' AND AUDITORS' ACKNOWLEDGEMENT

All Directors acknowledge their responsibilities for preparing the audited consolidated financial statements for the year ended 31 March 2013.

The auditors of the Company acknowledge their reporting responsibilities in the auditors' report contained in this annual report for the year ended 31 March 2013.

SHAREHOLDER'S RIGHTS

How shareholders can convene an extraordinary general meeting

Pursuant to Article 58 of the articles of association of the Company, any one or more Members 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 an extraordinary general meeting to be called by the Board for the transaction of any business specified in such requisition.

The procedures by which enquiries may be put to the Board and sufficient contact details to enable these enquiries to be properly directed

Shareholders may send their enquiries and concerns to the Board by addressing them to the principal place of business of Company in Hong Kong at Room 2, 27/F, Golden Centre, 188 Des Voeux Road Central, Central, Hong Kong by post for the attention of the Board.

Procedures and sufficient contact details for putting forward proposals at shareholders' meetings

Shareholders are welcomed to suggest proposals relating to the operations, strategy and/or management of the Group to be discussed at shareholders' meeting. Proposal shall be sent to the Board by written requisition. Pursuant to the articles of association of the Company, shareholders who wish to put forward a proposal should convene an extraordinary general meeting by following the procedures as set out in paragraph headed "How shareholders can convene an extraordinary general meeting" above.

INVESTOR RELATIONS

The Company has uploaded its memorandum and articles of association on the websites of the Stock Exchange (http://www.hkexnews.hk/) and the Company (http://www.ybds.com.hk/).

By a special resolution passed at an extraordinary general meeting of the Company held on 22 October 2012, an amended and restated articles of association of the Company was adopted in order to align and keep abreast with current amendments to the applicable laws and regulations. The principal effects of the amendments to the previous articles of association of the Company are summarized as follows:

(a) all resolutions at general meetings of the Company shall be decided by poll other than a resolution which relates purely to a procedural or administrative matter as may be permitted under the GEM Listing Rules to be voted by a show of hands;

(b) an annual general meeting shall be called by written notice of not less than 21 clear days and not less than 20 clear business days, an extraordinary general meeting called for the passing of a special resolution shall be called by written notice of not less than 21 clear days and not less than 10 clear business days and any other extraordinary meetings shall be called by written notice of not less than 14 clear days and not less than 10 clear business days;

(c) physical board meeting shall be held rather by way of written resolution to deal with matter in which a substantial shareholder or a Director has a conflict of interest;

(d) a Director is no longer permitted to disregard an interest below 5% when considering whether the Director has a material interest in a transaction which would prevent him from forming part of the quorum or voting at a board meeting; and

(e) subject to compliance with the rules and regulations of the designated stock exchange and any other relevant regulatory authority, the Company is allowed to give financial assistance for the purpose of or in connection with a purchase made or to be made by any person of any Shares in the Company.

A summary of the principal provisions and a full set of the amended and restated articles of association of the Company are set out in Appendices I and II to the circular of the Company dated 27 September 2012.

BIOGRAPHICAL INFORMATION OF DIRECTORS AND SENIOR MANAGEMENT

DIRECTORS

Executive Directors

Mr. Yau Hoi Kin (游海建) ("Mr. Yau"), aged 46, was appointed as an executive Director on 30 January 2012 and re-elected on 12 April 2012. He is also appointed as a director of certain subsidiaries of the Group. Mr. Yau has a wealth of practical experience and extensive knowledge of the business practices, and the legal and regulatory frameworks in the PRC. He had previously held senior positions in major international houses and spearheaded the listing of various State- and privately-owned companies in the PRC. Before that, Mr. Yau was an executive with the investment window company of the Guangzhou City Municipal Government. He had previously held an executive director position at a company listed in Hong Kong. Mr. Yau graduated with a degree in industrial enterprises management from 武漢水運工程學院 (now known as 武漢理工大學 or Wuhan University of Technology) and received his post-graduate certificate in business administration from the Hong Kong Open University. Save as disclosed above, Mr. Yau does not hold any positions in the Company or any of its subsidiaries and does not hold any directorships in any public companies the securities of which are listed on any securities market in Hong Kong or overseas in the last three years. Save as disclosed above, Mr. Yau is not connected with any Directors, senior management, substantial shareholders or controlling shareholders of the Company.

Mr. Kwong Wai Ho, Richard (鄺偉豪) ("Mr. Kwong"), aged 49, was appointed as an executive Director on 30 January 2012 and re-elected on 12 April 2012. He is also appointed as a director of certain subsidiaries of the Group. Mr. Kwong has expertise and extensive experience in the banking, international finance, and project advisory fields. Previously at a major international bank, he was instrumental in sourcing funding for many large scale infrastructure projects undertaken by window companies of the Guangzhou City Municipal Government, among others. Prior to joining the Company, he was a financial advisor to a number of private and listed companies in the Asia Pacific Region. Mr. Kwong had previously held executive director positions for companies listed on the GEM including Pan Asia Mining Limited for the period from 18 February 2008 to 26 January 2010. Mr. Kwong graduated from New York University with a degree of Bachelor of Science in finance. Save as disclosed above, Mr. Kwong does not hold any positions in the Company or any of its subsidiaries and does not hold any directorships in any public companies the securities of which are listed on any securities market in Hong Kong or overseas in the last three years. Save as disclosed above, Mr. Kwong is not connected with any Directors, senior management, substantial shareholders or controlling shareholders of the Company.

Dr. Huang Youmin (黃友民) ("Dr. Huang"), aged 63, was appointed as an executive Director on 30 January 2012 and re-elected on 12 April 2012. He is also appointed as a director of certain subsidiaries of the Group. Prior to joining the Company, Dr. Huang was the principal investor and managing partner of a joint venture with the Ministry of Electronics Industry in the PRC. He spearheaded the research and development of automatic fare collection systems with embedded security features uniquely designed for the PRC's various public transport systems. Dr. Huang previously held various senior managerial positions in window companies of the Guangzhou City Municipal Government that invested and operated large scale infrastructure projects in telecommunications, highways and airports. Before that, he taught chemistry at his alma mater. Dr. Huang graduated from Jinan University with a Bachelor's degree in organic chemistry. He went to study at the University of California, Los Angeles before earning his Philosophy of Doctorate degree in physical organic chemistry at The University of Hong Kong. Save as disclosed above, Dr. Huang does not hold any positions in the Company or any of its subsidiaries and does not hold any directorships in any public companies the securities of which are listed on any securities market in Hong Kong or overseas in the last three years. Save as disclosed above, Dr. Huang is not connected with any Directors, senior management, substantial shareholders or controlling shareholders of the Company.

Non-executive Director

Mr. Hsu Chia-Chun (徐嘉駿) ("Mr. Hsu"), aged 29, was appointed as a non-executive Director on 24 August 2012. He is engaged in film, television, and media-related production in both PRC and United States. He has been a producer of a 3D movie in Los Angeles while pursuing postgraduate studies of Cinematic Arts Film and Television Production at University of Southern California in United States. Mr. Hsu obtained his Bachelor of Arts Degree in English and Chinese Literature from College of Liberal Arts of National Central University in Taiwan. Save as disclosed above, Mr. Hsu does not hold any positions in the Company or any of its subsidiaries and does not hold any directorships in any public companies the securities of which are listed on any securities market in Hong Kong or overseas in the last three years. Save as disclosed above, Mr. Hsu is not connected with any Directors, senior management, substantial shareholders or controlling shareholders of the Company.

Independent Non-executive Directors

Dr. Chow Ka Ming, Jimmy (周嘉明) ("Dr. Chow"), aged 38, was appointed as an independent non-executive Director on 30 January 2012 and re-elected on 12 April 2012. He is currently the Chairman of the Hong Kong Information and System Security Professional Association, and also a member of the British Computer Society. Dr. Chow has more than 10 years of managerial experience in the information technology, engineering and education fields. His current research interests include mobile robotics, soft-computing, computer networking and Information security and he has published a number of international journal papers in his research fields. Dr. Chow received his BEng (Hons) in Electrical Engineering (First Class Honor) and Doctor of Philosophy in Electrical Engineering from The Hong Kong Polytechnic University in 1997 and 2001 respectively. He was also one of the awardees of the Sir Edward Youde Memorial Scholarships and Sir Edward Youde Memorial Fellowships during his undergraduate and doctoral degree studies respectively. Save as disclosed above, Dr. Chow does not hold any positions in the Company or any of its subsidiaries and does not hold any directorships in any public companies the securities of which are listed on any securities market in Hong Kong or overseas in the last three years. Save as disclosed above, Dr. Chow is not connected with any Directors, senior management, substantial shareholders or controlling shareholders of the Company.

Mr. Liu Zhiquan (劉志全) ("Mr. Liu"), aged 47, was appointed as an Independent non-executive Director on 17 February 2012 and re-elected on 12 April 2012. He is the secretary of the board of directors of Guangdong Nan Yue Logistics Company Limited, the shares of which are listed on the Stock Exchange (stock code: 3399). Mr. Liu is the managing director of Guangdong Nan Yue Logistics (HK) Limited since July 2009. He obtained an executive master's degree of business management in 1999. He graduated from the course of Advanced Study for Secretary of Board of Directors provided by the training centre of the Ministry of Commerce of the PRC in 2004. Mr. Liu is currently a member of the Hong Kong Institute of Chartered Secretaries and possesses professional technical qualification as an economist. Save as disclosed above, Mr. Liu does not hold any positions in the Company or any of its subsidiaries and does not hold any directorships in any public companies the securities of which are listed on any securities market in Hong Kong or overseas in the last three years. Save as disclosed above, Mr. Liu is not connected with any Directors, senior management, substantial shareholders or controlling shareholders of the Company.

Dr. Wong Wing Lit (黃榮烈) ("Dr. Wong"), aged 51, was appointed as an Independent non-executive Director on 17 February 2012 and re-elected on 12 April 2012. He is currently teaching actuary science and statistics in a university in Hong Kong. He is the Chairman of The Hong Kong Mathematical Olympiad Association, a statistician and associate actuary. Dr. Wong is a member of a number of professional bodies in Hong Kong including but not limited to Actuarial Society of Hong Kong and Hong Kong Statistical Society, and was conferred the title of Associate of The Society of Actuaries (ASA) in USA since 1993. Dr. Wong graduated from The Chinese University of Hong Kong with a Master of Philosophy degree and a Bachelor's degree in Statistics. He furthered his studies at the University of Pittsburgh, where he received his Doctorate and Master degree in Statistics and Mathematics. Save as disclosed above, Dr. Wong does not hold any positions in the Company or any of its subsidiaries and does not hold any directorships in any public companies the securities of which are listed on any securities market in Hong Kong or overseas in the last three years. Save as disclosed above, Dr. Wong is not connected with any Directors, senior management, substantial shareholders or controlling shareholders of the Company.

REPORT OF THE DIRECTORS

The Directors submit herewith the annual report and the audited consolidated financial statements of the Group for the year ended 31 March 2013.

PRINCIPAL ACTIVITIES AND SEGMENT ANALYSIS OF OPERATIONS

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

During the year ended 31 March 2013, the Group was principally engaged in the provision of system integration services and other value-added technical consultation services and hardware-related business. There were no significant changes in the nature of the Group's principal activities during the year.

An analysis of the Group's revenue and operating segments for the year under review is set out in note 5 to the consolidated financial statements.

RESULTS AND DIVIDENDS

The results of the Group for the year ended 31 March 2013 are set out in the consolidated statement of comprehensive income on pages 29 and 30.

The Directors do not recommend the payment of a final dividend for the year ended 31 March 2013.

SUMMARY FINANCIAL INFORMATION

A summary of the published results and assets, liabilities and non-controlling interests of the Group for the last five financial years, as extracted from the audited consolidated financial statements and restated/reclassified as appropriate, is set out on page 26. This summary does not form part of the audited consolidated financial statements.

PRE-EMPTIVE RIGHTS

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

SHARE CAPITAL AND SHARE OPTIONS

Details of the Company's share capital and share options are set out in notes 21 and 22 to the consolidated financial statements respectively.

RESERVES

Details of movements in the reserves of the Group and of the Company during the year are set out in the consolidated statement of changes in equity on page 34 and note 23 to the consolidated financial statements respectively.

DISTRIBUTABLE RESERVES

As at 31 March 2013, in the opinion of the Directors, the Company's reserve available for distribution to shareholders (comprising share premium) amounted to approximately HK$45,602,000.

PROPERTY, PLANT AND EQUIPMENT

Details of movements in the property, plant and equipment of the Group are set out in note 15 to the consolidated financial statements.

BANK BORROWINGS

Particulars of the borrowings of the Group as at 31 March 2013 are set out in note 20 to the consolidated financial statements.

PURCHASE, SALE OR REDEMPTION OF LISTED SHARES

Share Placement

On 4 June 2012, the Company completed a placing for an aggregate of 15,000,000 new shares of HK$0.10 each in the capital of the Company at a share placing price of HK$0.185 each to independent third parties, and 30,000,000 warrants at a warrant issue price of HK$0.01 each and subscription price of HK$0.185 per warrant share to independent third parties.

On 26 July 2012, the Company completed a placing for an aggregate of 10,000,000 new shares of HK$0.10 each in the capital of the Company at a share placing price of HK$0.141 each to independent third parties, and 60,000,000 warrants at a warrant issue price of HK$0.01 each and subscription price of HK$0.141 per warrant share to independent third parties.

On 13 December 2012, 156,250,000 offer shares of par value of HK$0.10 each of the Company were issued under the Open Offer. The gross proceeds raised from the Open Offer were approximately HK$15,625,000 which has been used for paying up the registered capital of Guangzhou YBDS, settling the payment for purchase of certain wireless internet network equipment and for general working capital purpose.

On 27 March 2013, the Company completed a placing for an aggregate of 125,000,000 new shares of HK$0.10 each in the capital of the Company at a share placing price of HK$0.145 each to independent third parties.

Details of the transactions have been published in the Company's announcements dated 17 May 2012, 4 June 2012, 6 July 2012, 26 July 2012, 31 October 2012, 13 December 2012, 12 March 2013 and 27 March 2013.

Warrant Placement

On 17 May 2012, the Company and KGI Asia Limited entered into a warrant placing agreement in respect of the placement of 30,000,000 warrants of the Company to independent investors at a price of HK$0.01 per warrant. Each warrant confers the right to subscribe for one ordinary share of the Company at a subscription price of HK$0.185.

The placement was completed on 4 June 2012 with the warrants expiring on 4 June 2017.

Details of the transaction have been published in the Company's announcements dated 17 May 2012 and 4 June 2012.

On 8 July 2012, the Company and KGI Asia Limited entered into a warrant placing agreement in respect of the placement of 60,000,000 warrants of the Company to independent investors at a price of HK$0.01 per warrant. Each warrant confers the right to subscribe for one ordinary share of the Company at a subscription price of HK$0.141.

The placement was completed on 26 July 2012 with the warrants expiring on 26 July 2017.

Details of the transaction have been published in the Company's announcements dated 6 July 2012 and 26 July 2012.

As at the date of this report, so far as the Directors are aware of and having made due enquires, no warrants have been exercised. The Company had 90,000,000 outstanding warrants; the exercise in full of these warrants would result in further issuance of 90,000,000 ordinary shares.

Save as disclosed herein, neither the Company nor any of its subsidiaries purchased, sold or redeemed any of the Company's listed shares during the year ended 31 March 2013.

SHARE OPTION SCHEME

A share option scheme was adopted on 1 August 2011 by the shareholders of the Company under which the executive Directors may, at their discretion, grant options to themselves and any employees of the Group entitling them to subscribe for shares representing up to a maximum of 10 per cent of the shares in the Company in issue from time to time. The purpose of the share option scheme is to enable the Company to grant options to participants as incentives and rewards for their contribution to the Company or its subsidiaries.

No options were granted under the share option scheme since its adoption by the Company or outstanding, lapsed, cancelled or exercised at any time during the year ended 31 March 2013.

DIRECTORS

The Directors of the Company during the year were:

Executive Directors:

Mr. Yau Hoi Kin
Mr. Kwong Wai Ho, Richard
Dr. Huang Youmin

Non-executive Director:

Mr. Hsu Chia-Chun *(appointed on 24 August 2012)*

Independent Non-executive Directors:

Dr. Chow Ka Ming, Jimmy
Mr. Liu Zhiquan
Dr. Wong Wing Lit

Pursuant to Article 84 of the articles of association of the Company, Dr. Huang Youmin and Dr. Chow Ka Ming, Jimmy shall retire by rotation at the forthcoming annual general meeting, and being eligible, will offer themselves for re-election.

Pursuant to Article 83 of the articles of association of the Company, Mr. Hsu Chia-Chun shall hold office only until and shall retire at the forthcoming annual general meeting, and being eligible, will offer himself for re-election.

DIRECTORS' SERVICE CONTRACTS

As at the date of this report, the Company has entered into (i) a service agreement with each of the current executive Directors, namely, Mr. Yau Hoi Kin, Mr. Kwong Wai Ho, Richard and Dr. Huang Youmin for a term of three years commencing from their respective dates of appointment, (ii) a letter of appointment with the non-executive Director, namely, Mr. Hsu Chia-Chun for a term of one year commencing from 24 August 2012, and (iii) a letter of appointment with each of the current independent non-executive Directors, namely, Dr. Chow Ka Ming, Jimmy, Mr. Liu Zhiquan and Dr. Wong Wing Lit for a term of three years commencing from their respective dates of appointment.

None of the Directors who are 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.

BIOGRAPHICAL DETAILS OF DIRECTORS AND SENIOR MANAGEMENT

Biographical details of the Directors of the Company and the senior management of the Group are set out on pages 18 and 19.

DIRECTORS' REMUNERATION

The Directors' remuneration is determined by the Remuneration Committee with reference to their relevant qualifications, experience and duties and responsibilities in the Group and prevailing market conditions.

REMUNERATION COMMITTEE

The Remuneration Committee was established in November 2005 and the Company had adopted a revised specific terms of reference as of 21 March 2012 in accordance with Rules 5.34 to 5.36 of the GEM Listing Rules and the requirements set out under Code Provision.

During the year, the Remuneration Committee comprised Dr. Chow Ka Ming, Jimmy, Mr. Liu Zhiquan and Dr. Wong Wing Lit, all of whom are independent non-executive Directors. Dr. Chow Ka Ming, Jimmy is the current chairman of the Remuneration Committee.

DIRECTORS' INTERESTS IN CONTRACTS

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

DIRECTORS' RIGHT TO ACQUIRE SHARES OR DEBENTURES

Save as disclosed above, as at 31 March 2013, at no time during the year were rights to acquire benefits by means of the acquisition of shares in or debentures of the Company granted to any Director or their respective spouses or minor children, or were any such rights exercised by them; or was the Company or any of its subsidiaries a party to any arrangement to enable the Directors to acquire such rights in any other body corporate.

DIRECTORS' AND CHIEF EXECUTIVES' INTERESTS AND SHORT POSITIONS IN THE SHARES OR UNDERLYING SHARES

As at 31 March 2013, none of the Directors or their respective associates and the chief executive of the Company had any interests or short positions in the shares and underlying shares of the Company or its associated corporations (within the meaning of Part XV of the Securities and Futures Ordinance ("SFO")) as recorded in the register required to be kept by the Company under Section 352 of the SFO or as otherwise notified to the Company and the Stock Exchange pursuant to the minimum standards of dealing by directors of the Company as referred to in Rule 5.46 of the GEM Listing Rules.

SUBSTANTIAL SHAREHOLDERS' INTERESTS AND SHORT POSITIONS IN THE SHARES OR UNDERLYING SHARES

As at 31 March 2013, so far as the Directors are aware of and having made due enquires, the following persons had an interest or short position in the shares or underlying shares of the Company as recorded in the register required to be kept by the Company under Section 336 of the SFO and/or were directly or indirectly interested in 5% or more of the issued share capital carrying rights to vote in all circumstances at general meetings of any other members of the Group:

Name of shareholder	**Capacity**	**Number of issued ordinary shares held** (Note 2)	**Approximate percentage of issued share capital as at 31 March 2013** (Note 3)
Happy On Holdings Limited (Note 1)	Beneficial Interest	537,888,771 (L)	59.35%
Mr. Chan Foo Wing ("Mr. Chan") (Note 1)	Corporate Interest	537,888,771 (L)	59.35%

Notes:

1. As Mr. Chan is the ultimate beneficial owner and the sole director of Happy On, by virtue of the SFO, Mr. Chan is deemed to be interested in the 537,888,771 shares held by Happy On.

2. "L" means long positions in the shares.

3. Based on 906,250,000 shares of the Company in issue as at 31 March 2013.

MANAGEMENT CONTRACTS

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

MAJOR CUSTOMERS AND SUPPLIERS

During the year ended 31 March 2013, the largest and the five largest suppliers of the Group accounted for approximately 63% and 92% of the Group's total purchases respectively. Sales to the largest and the five largest customers of the Group accounted for approximately 65% and 83% of the Group's total sales respectively.

None of the Directors or any of their associates or any shareholders (which, to the best knowledge of the Directors, own more than 5% of the Company's issued share capital) had any beneficial interest in the Group's five largest suppliers and customers.

DIRECTORS' INTERESTS IN COMPETING BUSINESS

During the year ended 31 March 2013, none of the Directors 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.

SUFFICIENCY OF PUBLIC FLOAT

Based on the information that is publicly available to the Company and within the knowledge of the Directors, the Company has maintained a sufficient public float of not less than 25% of the total issued share capital of the Company as required under the GEM Listing Rules throughout the financial period under review and up to the date of this annual report.

EVENTS AFTER REPORTING PERIOD

Details of significant events occurring after the reporting period are set out in note 30 to the consolidated financial statements.

AUDIT COMMITTEE

The Audit Committee was established in May 2000, and the Company had adopted a revised specific terms of reference as of 21 March 2012 in accordance with Rules 5.28 to 5.33 of the GEM Listing Rules.

The Audit Committee comprised Mr. Liu Zhiquan, Dr. Chow Ka Ming, Jimmy, and Dr. Wong Wing Lit, all of whom were independent non-executive Directors. Mr. Liu Zhiquan is the current chairman of the Audit Committee.

CORPORATE GOVERNANCE

The Company's corporate governance principles and practices are set out in the corporate governance report on pages 9 to 17 of this annual report.

AUDITORS

The financial statements of the Company for the years ended 31 March 2011 and 2012 were audited by HLB Hodgson Impey Cheng. During the year, HLB Hodgson Impey Cheng retired as auditors of the Company and Grant Thornton Hong Kong Limited was appointed as the Company's auditors to fill the casual vacancy. For the year ended 31 March 2013, the financial statements of the Company have been audited by Grant Thornton Hong Kong Limited whose term of office will expire upon the forthcoming annual general meeting. A resolution to re-appoint Grant Thornton Hong Kong Limited as auditors of the Company will be proposed to the shareholders of the Company for approval at the forthcoming annual general meeting.

On behalf of the Board

Yau Hoi Kin
Executive Director

Hong Kong, 27 May 2013

SUMMARY FINANCIAL INFORMATION

A summary of the published results and of the assets, liabilities and non-controlling interests of the Group for the last five financial years, as extracted from the audited financial statements, is set out below:

FINANCIAL SUMMARY

For the year ended 31 March 2013

	2009 HK$'000	2010 HK$'000	2011 HK$'000	2012 HK$'000	2013 HK$'000
RESULTS					
Revenue	97,149	89,106	102,033	15,727	**53,729**
Profit/(Loss) before income tax	3,177	(12,867)	(6,762)	6,379	**(11,865)**
Income tax expense	202	35	(1)	–	**(31)**
Profit/(Loss) for the year	3,379	(12,832)	(6,763)	6,379	**(11,896)**
Attributable to:					
Owners of the Company	3,360	(12,810)	(6,814)	6,233	**(11,860)**
Non-controlling interests	19	(22)	51	146	**(36)**
	3,379	(12,832)	(6,763)	6,379	**(11,896)**
ASSETS AND LIABILITIES					
Total assets	80,300	73,587	70,623	68,367	**61,206**
Total liabilities	(20,804)	(25,930)	(28,552)	(63,864)	**(29,730)**
	59,496	47,657	42,071	4,503	**31,476**
Attributable to:					
Owners of the Company	58,630	46,813	41,176	4,334	**31,343**
Non-controlling interests	866	844	895	169	**133**
	59,496	47,657	42,071	4,503	**31,476**

INDEPENDENT AUDITORS' REPORT

Grant Thornton
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TO THE MEMBERS OF
YUNBO DIGITAL SYNERGY GROUP LIMITED
(incorporated in the Cayman Islands with limited liability)

We have audited the consolidated financial statements of Yunbo Digital Synergy Group Limited (the "Company") and its subsidiaries (together, the "Group") set out on pages 29 to 74, which comprise the consolidated and the company statements of financial position as at 31 March 2013, and the consolidated statement of comprehensive income, the consolidated statement of changes in equity and the consolidated statement of cash flows for the year then ended, and a summary of significant accounting policies and other explanatory information.

DIRECTORS' RESPONSIBILITY FOR THE CONSOLIDATED FINANCIAL STATEMENTS

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

AUDITORS' 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, 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 auditors' 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 auditors consider 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.

Grant Thornton
致同

OPINION

In our opinion, the consolidated financial statements give a true and fair view of the state of affairs of the Company and of the Group as at 31 March 2013, 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.

Grant Thornton Hong Kong Limited
Certified Public Accountants
20th Floor, Sunning Plaza
10 Hysan Avenue, Causeway Bay
Hong Kong

27 May 2013

Shaw Chi Kit
Practising Certificate No.: P04834

CONSOLIDATED STATEMENT OF COMPREHENSIVE INCOME

FOR THE YEAR ENDED 31 MARCH 2013

	Note	**2013** **HK$'000**	2012 HK$'000
Revenue	5	**53,729**	15,727
Cost of sales		**(50,300)**	(10,129)
Gross profit		**3,429**	5,598
Other income	6	**568**	84
Gain on disposal of subsidiaries	27	**–**	10,822
Distribution costs		**(791)**	(623)
Administrative expenses		**(14,738)**	(9,427)
Other operating expenses		**(238)**	(75)
Finance costs	7	**(95)**	–
(Loss)/Profit before income tax	8	**(11,865)**	6,379
Income tax expense	9	**(31)**	–
(Loss)/Profit for the year		**(11,896)**	6,379
Other comprehensive income/(expense)			
Exchange differences arising on translation of foreign operations		**34**	–
Reclassification adjustments for translation reserve released upon disposal of subsidiaries		**–**	(1,495)
Other comprehensive income/(expense) for the year, net of tax		**34**	(1,495)
Total comprehensive (expense)/income for the year		**(11,862)**	4,884

CONSOLIDATED STATEMENT OF COMPREHENSIVE INCOME

FOR THE YEAR ENDED 31 MARCH 2013

	Note	2013 HK$'000	2012 HK$'000
(Loss)/Profit for the year attributable to:			
Owners of the Company	10	**(11,860)**	6,233
Non-controlling interests		**(36)**	146
		(11,896)	6,379
Total comprehensive (expense)/income for the year attributable to:			
Owners of the Company		**(11,826)**	4,738
Non-controlling interests		**(36)**	146
		(11,862)	4,884
(Loss)/Earnings per share attributable to owners of the Company			
– Basic (in HK cents)	12	**(1.78)**	1.04
– Diluted (in HK cents)	12	**(1.78)**	1.04

The notes on pages 35 to 74 are an integral part of these financial statements.

CONSOLIDATED STATEMENT OF FINANCIAL POSITION

AS AT 31 MARCH 2013

	Note	2013 HK$'000	2012 HK$'000
Non-current assets			
Property, plant and equipment	15	613	26
Current assets			
Trade and other receivables	17	32,435	2,546
Cash and cash equivalents	18	28,158	65,795
		60,593	68,341
Current liabilities			
Trade and other payables	19	19,699	3,864
Bank borrowings	20	10,000	60,000
Taxation payable		31	–
		29,730	63,864
Net current assets		30,863	4,477
Total assets less current liabilities		31,476	4,503
Net assets		31,476	4,503
Equity			
Equity attributable to the owners of the Company			
Share capital	21	90,625	60,000
Reserves		(59,282)	(55,666)
		31,343	4,334
Non-controlling interests		133	169
Total equity		31,476	4,503

Yau Hoi Kin
Director

Kwong Wai Ho, Richard
Director

The notes on pages 35 to 74 are an integral part of these financial statements.

STATEMENT OF FINANCIAL POSITION

AS AT 31 MARCH 2013

	Note	2013 HK$'000	2012 HK$'000
Non-current assets			
Property, plant and equipment	15	**78**	13
Investments in subsidiaries	16	**18,292**	524
		18,370	537
Current assets			
Prepayments, deposits and other receivables	17	**266**	256
Cash and cash equivalents	18	**20,722**	5,756
		20,988	6,012
Current liabilities			
Amount due to a subsidiary	16	**–**	100
Other payables and accruals	19	**642**	1,243
		642	1,343
Net current assets		**20,346**	4,669
Total assets less current liabilities		**38,716**	5,206
Net assets		**38,716**	5,206
Equity			
Equity attributable to the owners of the Company			
Share capital	21	**90,625**	60,000
Reserves	23	**(51,909)**	(54,794)
Total equity		**38,716**	5,206

Yau Hoi Kin
Director

Kwong Wai Ho, Richard
Director

The notes on pages 35 to 74 are an integral part of these financial statements.

CONSOLIDATED STATEMENT OF CASH FLOWS

FOR THE YEAR ENDED 31 MARCH 2013

	Note	2013 HK$'000	2012 HK$'000
Cash flows from operating activities			
(Loss)/Profit before income tax		**(11,865)**	6,379
Adjustments for:			
Gain on disposal of subsidiaries		**–**	(10,822)
Depreciation of property, plant and equipment		**62**	21
Interest income		**–**	(1)
Interest expense		**95**	–
Operating loss before working capital changes		**(11,708)**	(4,423)
(Increase)/Decrease in trade and other receivables		**(29,889)**	226
Increase/(Decrease) in trade and other payables		**15,835**	(1,070)
Cash used in operations		**(25,762)**	(5,267)
Interest paid		**(95)**	–
Net cash used in operating activities		**(25,857)**	(5,267)
Cash flows from investing activities			
Purchase of property, plant and equipment		**(649)**	(24)
Net cash inflow on disposal of subsidiaries	27	**–**	26,046
Repayment from associates		**–**	23
Repayment from investee companies		**–**	22
Interest received		**–**	1
Net cash (used in)/generated from investing activities		**(649)**	26,068
Cash flows from financing activities			
Proceeds from bank borrowings		**15,000**	60,000
Repayment of bank borrowings		**(65,000)**	–
Proceeds from issuance of share capital and warrants		**38,835**	–
Special distribution paid		**–**	(41,580)
Net cash (used in)/generated from financing activities		**(11,165)**	18,420
Net (decrease)/increase in cash and cash equivalents		**(37,671)**	39,221
Cash and cash equivalents at beginning of year		**65,795**	26,574
Effect on foreign exchange rate changes, on cash held		**34**	–
Cash and cash equivalents at end of year, represented by cash at banks and in hand	18	**28,158**	65,795

The notes on pages 35 to 74 are an integral part of these financial statements.

CONSOLIDATED STATEMENT OF CHANGES IN EQUITY

FOR THE YEAR ENDED 31 MARCH 2013

	Attributable to the owners of the Company								
	Share capital HK$'000	**Share premium** HK$'000	**Warrant reserve** HK$'000	**Merger reserve** HK$'000	**Translation reserve** HK$'000	**Accumulated losses** HK$'000	**Total** HK$'000	**Non-controlling interests** HK$'000	**Total equity** HK$'000
As at 1 April 2011	60,000	77,955	–	(47,430)	1,495	(50,844)	41,176	895	42,071
Comprehensive income									
Profit for the year	–	–	–	–	–	6,233	6,233	146	6,379
Other comprehensive expenses									
Reclassification adjustments for translation reserve released upon disposal of subsidiaries	–	–	–	–	(1,495)	–	(1,495)	–	(1,495)
Total comprehensive income/ (expense) for the year	–	–	–	–	(1,495)	6,233	4,738	146	4,884
Special distribution	–	(41,580)	–	–	–	–	(41,580)	–	(41,580)
Disposal of subsidiaries	–	–	–	47,430	–	(47,430)	–	(872)	(872)
As at 31 March 2012 and 1 April 2012	60,000	36,375	–	–	–	(92,041)	4,334	169	4,503
Comprehensive expense									
Loss for the year	–	–	–	–	–	(11,860)	(11,860)	(36)	(11,896)
Other comprehensive income									
Exchange differences arising on translation of foreign operations	–	–	–	–	34	–	34	–	34
Total comprehensive income/ (expense) for the year	–	–	–	–	34	(11,860)	(11,826)	(36)	(11,862)
Issue of shares	30,625	7,310	–	–	–	–	37,935	–	37,935
Issue of warrants	–	–	900	–	–	–	900	–	900
As at 31 March 2013	90,625	43,685	900	–	34	(103,901)	31,343	133	31,476

The notes on pages 35 to 74 are an integral part of these financial statements.

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

FOR THE YEAR ENDED 31 MARCH 2013

1. GENERAL INFORMATION

Yunbo Digital Synergy Group Limited (the "Company") (formerly known as FlexSystem Holdings Limited) was incorporated in the Cayman Islands on 8 May 2000 as an exempted company with limited liability under the Companies Law of the Cayman Islands. The Company's name was changed with effect from 13 April 2012. The Company's registered office is situated at Cricket Square, Hutchins Drive, P.O. Box 2681, Grand Cayman KY1-1111, Cayman Islands. The Company's principal place of business is situated at Room 2, 27/F., Golden Centre, 188 Des Voeux Road Central, Central, Hong Kong.

The Company's shares are listed on the Growth Enterprise Market ("GEM") of The Stock Exchange of Hong Kong Limited (the "Stock Exchange"). The Company and its subsidiaries (collectively referred to as the "Group") are principally engaged in the provision of system integration services and other value-added technical consultation services and hardware-related business.

In the opinion of the directors of the Company, the parent and ultimate holding company of the Company is Happy On Holdings Limited, which is incorporated in the British Virgin Islands.

The financial statements for the year ended 31 March 2013 were approved for issue by the board of directors on 27 May 2013.

2. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

2.1 Basis of preparation

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

The significant accounting policies that have been used in preparation of the financial statements are summarised below. These policies have been consistently applied to all the years presented unless otherwise stated. The adoption of new or amended HKFRSs and the impacts on the Group's financial statements, if any, are disclosed in note 3 to the financial statements.

The financial statements have been prepared under the historical cost basis. The measurement bases are fully described in the accounting policies below.

It should be noted that accounting estimates and assumptions are used in preparation of the financial statements. Although these estimates are based on management's best knowledge and judgement of current events and actions, actual results may ultimately differ from those estimates. The areas involving a higher degree of judgement or complexity, or areas where assumptions and estimates are significant to the financial statements, are disclosed in note 4 to the financial statements.

2. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued)

2.2 Basis of consolidation

The consolidated financial statements incorporate the financial statements of the Company and its subsidiaries made up to 31 March each year.

Subsidiaries are all entities (including special purpose entities) over which the Group has the power to control the financial and operating policies so as to obtain benefits from their activities. The existence and effect of potential voting rights that are currently exercisable or convertible are considered when assessing whether the Group controls another entity.

In the consolidated financial statements, the results of subsidiaries acquired or disposed of during the year are included in the consolidated statement of comprehensive income from the effective date of acquisition and up to the effective date of disposal, as appropriate.

Intra-group transactions, balances and unrealised gains and losses on transactions between group companies are eliminated in preparing the consolidated financial statements. Where unrealised losses on intra-group asset sales are reversed on consolidation, the underlying asset is also tested for impairment from the Group's perspective. Amounts reported in the financial statements of subsidiaries have been adjusted where necessary to ensure consistency with the accounting policies adopted by the Group.

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

Non-controlling interests are presented in the consolidated statement of financial position within equity, separately from the equity attributable to the owners of the Company. Non-controlling interests in the results of the Group are presented on the face of the consolidated statement of comprehensive income as an allocation of the total profit or loss and total comprehensive income for the year between non-controlling interests and the owners of the Company.

Changes in the Group's interests in subsidiaries that do not result in a loss of control are accounted for as equity transactions, whereby adjustments are made to the amounts of controlling interests within consolidated equity to reflect the change in relative interests, but no adjustments are made to goodwill and no gain or loss is recognised.

2. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued)

2.2 Basis of consolidation (continued)

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 and (ii) the previous carrying amount of the assets (including goodwill), and liabilities of the subsidiary and any non-controlling interests. Where certain assets of the subsidiary are measured at revalued amounts or fair values and the related cumulative gain or loss has been recognised in other comprehensive income and accumulated in equity, the amounts previously recognised in other comprehensive income and accumulated in equity are accounted for as if the Company had directly disposed of the related assets (i.e. reclassified to profit or loss or transferred directly to retained earnings). The fair value of any investment retained in the former subsidiary at the date when control is lost is regarded as the fair value on initial recognition for subsequent accounting under HKAS 39 Financial Instruments: Recognition and Measurement or, when applicable, the cost on initial recognition of an investment in an associate or a jointly controlled entity.

In the Company's statement of financial position, subsidiaries are carried at cost less any impairment loss unless the subsidiary is held for sale or included in a disposal group. Cost is adjusted to reflect changes in consideration arising from contingent consideration amendments. Cost also includes direct attributable costs of investment. The results of subsidiaries are accounted for by the Company on the basis of dividends received and receivable at the reporting date. All dividends whether received out of the investee's pre or post-acquisition profits are recognised in the Company's profit or loss.

2.3 Foreign currency translation

The financial statements are presented in Hong Kong Dollars (HK$), which is also the functional currency of the Company.

In the individual financial statements of the consolidated entities, foreign currency transactions are translated into the functional currency of the individual entity using the exchange rates prevailing at the dates of the transactions. At the reporting date, monetary assets and liabilities denominated in foreign currencies are translated at the foreign exchange rates ruling at that date. Foreign exchange gains and losses resulting from the settlement of such transactions and from the reporting date retranslation of monetary assets and liabilities are recognised in profit or loss.

Non-monetary items carried at fair value that are denominated in foreign currencies are retranslated at the rates prevailing on the date when the fair value was determined. Non-monetary items that are measured in terms of historical cost in a foreign currency are not retranslated.

In the consolidated financial statements, all individual financial statements of foreign operations, originally presented in a currency different from the Group's presentation currency, have been converted into Hong Kong dollars. Assets and liabilities have been translated into Hong Kong dollars at the closing rates at the reporting date. Income and expenses have been converted into Hong Kong dollars at the exchange rates ruling at the transaction dates, or at the average rates over the reporting period provided that the exchange rates do not fluctuate significantly. Any differences arising from this procedure have been recognised in other comprehensive income and accumulated separately in the translation reserve in equity.

2. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued)

2.3 Foreign currency translation (continued)

On the disposal of a foreign operation (i.e. a disposal of the Group's entire interest in a foreign operation, or a disposal involving loss of control over a subsidiary that includes a foreign operation, loss of joint control over a jointly controlled entity that includes a foreign operation, or loss of significant influence over an associate that includes a foreign operation), all of the accumulated exchange differences in respect of that operation attributable to the Group are reclassified to profit or loss. Any exchange differences that have previously been attributed to non-controlling interests are derecognised, but they are not reclassified to profit or loss.

2.4 Property, plant and equipment

Leasehold land classified as finance leases and all other property, plant and equipment are stated at cost less accumulated depreciation and impairment losses.

Cost includes expenditure that is directly attributable to the acquisition of the asset. Purchased software that is integral to the functionality of the related equipment is capitalised as part of that equipment. Depreciation of buildings and leasehold improvements are calculated to write off their cost on a straight-line basis over the unexpired period of the lease.

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

Leasehold land classified as finance lease commences amortisation from the time when the land interest becomes available for its intended use. Amortisation on leasehold land classified as finance lease and depreciation on other assets is calculated using the straight-line method to allocate their costs to their residual values over their estimated useful lives, at the following rates per annum:

Leasehold land	Over the lease term
Building	10-50 years or remaining terms of the respective leases, whichever is the shorter after considering the residual value
Leasehold improvements	Over the lease term
Plant and machinery	20%
Furniture and fixtures	20-25%
Motor vehicles	20%

The assets' residual values, depreciation method and useful lives are reviewed, and adjusted if appropriate, at each reporting date.

The gain or loss arising on retirement or disposal is determined as the difference between the sales proceeds and the carrying amount of the asset and is recognised in profit or loss.

2. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued)

2.5 Financial assets

The Group's financial assets are classified as loans and receivables. Management determines the classification of its financial assets at initial recognition depending on the purpose for which the financial assets were acquired and where allowed and appropriate, re-evaluates this designation at every reporting date.

All financial assets are recognised when, and only when, the Group becomes a party to the contractual provisions of the instrument. Regular way purchases of financial assets are recognised on trade date. When financial assets are recognised initially, they are measured at fair value, plus, in the case of investments not at fair value through profit or loss, directly attributable transaction costs.

Derecognition of financial assets occurs when the rights to receive cash flows from the investments expire or are transferred and substantially all of the risks and rewards of ownership have been transferred.

At each reporting date, financial assets are reviewed to assess whether there is objective evidence of impairment. If any such evidence exists, impairment loss is determined and recognised based on the classification of the financial asset.

Loans and receivables are non-derivative financial assets with fixed or determinable payments that are not quoted in an active market. Loan and receivables are subsequently measured at amortised cost using the effective interest method, less any impairment losses. Amortised cost is calculated taking into account any discount or premium on acquisition and includes fees that are an integral part of the effective interest rate and transaction cost.

Impairment of financial assets

At each reporting date, financial assets are reviewed to determine whether there is any objective evidence of impairment.

Objective evidence of impairment of individual financial assets includes observable data that comes to the attention of the Group about one or more of the following loss events:

– Significant financial difficulty of the debtor;

– A breach of contract, such as a default or delinquency in interest or principal payments;

– It becomes probable that the debtor will enter bankruptcy or other financial reorganisation;

– Significant changes in the technological, market, economic or legal environment that have an adverse effect on the debtor;

– The disappearance of an active market for that financial assets because of financial difficulties; and

– A significant or prolonged decline in the fair value of an investment in an equity instrument below its cost.

2. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued)

2.5 Financial assets (continued)

Impairment of financial assets (continued)

Loss events in respect of a group of financial assets include observable data indicating that there is a measurable decrease in the estimated future cash flows from the group of financial assets. Such observable data includes but not limited to adverse changes in the payment status of debtors in the group and, national or local economic conditions that correlate with defaults on the assets in the group.

If there is objective evidence that an impairment loss on loans and receivables carried at amortised cost has been incurred, the amount of the loss is measured as the difference between the asset's carrying amount and the present value of estimated future cash flows (excluding future credit losses that have not been incurred) discounted at the financial asset's original effective interest rate (i.e. the effective interest rate computed at initial recognition). The amount of the loss is recognised in profit or loss of the period in which the impairment occurs.

If, in subsequent period, the amount of the impairment loss decreases and the decrease can be related objectively to an event occurring after the impairment was recognised, the previously recognised impairment loss is reversed to the extent that it does not result in a carrying amount of the financial asset exceeding what the amortised cost would have been had the impairment not been recognised at the date the impairment is reversed. The amount of the reversal is recognised in profit or loss of the period in which the reversal occurs.

Impairment losses on financial assets other than trade receivables that are stated at amortised cost are written off against the corresponding assets directly. Where the recovery of trade receivables is considered doubtful but not remote, the impairment losses for doubtful receivables are recorded using an allowance account. When the Group is satisfied that recovery of trade receivables is remote, the amount considered irrecoverable is written off against trade receivables directly and any amounts held in the allowance account in respect of that receivable are reversed. Subsequent recoveries of amounts previously charged to the allowance account are reversed against the allowance account. Other changes in the allowance account and subsequent recoveries of amounts previously written off directly are recognised in profit or loss.

2.6 Cash and cash equivalents

Cash and cash equivalents include cash at bank and in hand, demand deposits with banks and short term highly liquid investments with original maturities of three months or less that are readily convertible into known amounts of cash and which are subject to an insignificant risk of changes in value.

2. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued)

2.7 Financial liabilities

The Group's financial liabilities include trade and other payables and bank borrowings. They are recognised when the Group becomes a party to the contractual provisions of the instrument. All interest related charges are recognised in accordance with the Group's accounting policy for borrowing costs (see note 2.14).

A financial liability is derecognised when the obligation under the liability is discharged or cancelled or expires.

Where an existing financial liability is replaced by another from the same lender on substantially different terms, or the terms of an existing liability are substantially modified, such an exchange or modification is treated as a derecognition of the original liability and the recognition of a new liability, and the difference in the respective carrying amount is recognised in profit or loss.

Borrowings

Borrowings are recognised initially at fair value, net of transaction costs incurred. Borrowings are subsequently stated at amortised cost; any difference between the proceeds (net of transaction costs) and the redemption value is recognised in profit or loss over the period of the borrowings using the effective interest method.

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

Trade and other payables

Trade and other payables are recognised initially at their fair value and subsequently measured at amortised cost, using the effective interest method.

2.8 Leases

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

(i) Classification of assets leased to the Group

Assets that are held by the Company under leases which transfer to the Group substantially all the risks and rewards of ownership are classified as being held under finance leases. Leases which do not transfer substantially all the risks and rewards of ownership to the Group are classified as operating leases.

(ii) Operating lease charges as the lessee

Where the Group has the right to use of assets held under operating leases, payments made under the leases are charged to profit or loss on a straight line basis over the lease terms except where an alternative basis is more representative of the time pattern of benefits to be derived from the leased assets. Lease incentives received are recognised in profit or loss as an integral part of the aggregate net lease payments made. Contingent rental are charged to profit or loss in the accounting period in which they are incurred.

2. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued)

2.9 Provisions

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

All provisions are reviewed at each reporting date and adjusted to reflect the current best estimate.

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

2.10 Share capital

Ordinary shares are classified as equity. Share capital is determined using the nominal value of shares that have been issued.

Any transaction costs associated with the issuing of shares are deducted from share premium (net of any related income tax benefit) to the extent they are incremental costs directly attributable to the equity transaction.

2.11 Revenue recognition

Revenue comprises the fair value of the consideration received or receivable for the sale of goods, rendering of services, net of returns and discounts. Provided it is probable that the economic benefits will flow to the Group and the revenue and costs, if applicable, can be measured reliably, revenue is recognised as follows:

(a) Revenue from the sale of enterprise software and hardware products is recognised on the transfer of risks and rewards of ownership, which generally coincides with the time when the goods are delivered to customers and title has passed.

(b) Maintenance service income is recognised over the life of the agreement on a straight-line basis. The unearned portion of the maintenance service income received is stated as deferred income in the statement of financial position.

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

2. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued)

2.12 Impairment on non-financial assets

Property, plant and equipment and investments in subsidiaries are tested for impairment whenever there are indications that the asset's carrying amount may not be recoverable.

An impairment loss is recognised as an expense immediately for the amount by which the asset's carrying amount exceeds its recoverable amount. Recoverable amount is the higher of fair value, reflecting market conditions less costs to sell, and value in use. In assessing value in use, the estimated future cash flows are discounted to their present value using a pre-tax discount rate that reflects current market assessment of time value of money and the risk specific to the asset.

For the purposes of assessing impairment, where an asset does not generate cash inflows largely independent from those from other assets, the recoverable amount is determined for the smallest group of assets that generate cash inflows independently (i.e. a cash-generating unit). As a result, some assets are tested individually for impairment and some are tested at cash-generating unit level.

An impairment loss is reversed if there has been a favourable change in the estimates used to determine the asset's recoverable amount and only to the extent that the asset's carrying amount does not exceed the carrying amount that would have been determined, net of depreciation or amortisation, if no impairment loss had been recognised.

2.13 Employee benefits

Retirement benefits

Retirement benefits to employees are provided through defined contribution plans.

The Group operates a defined contribution retirement benefit plan under the Mandatory Provident Fund Schemes Ordinance, for all of its employees who are eligible to participate in the MPF Scheme. Contributions are made based on a percentage of the employees' basic salaries.

The employees of the Group's subsidiaries which operate in the PRC are required to participate in the central pension scheme operated by the local municipal government. These subsidiaries are required to contribute certain percentage of their payroll costs to the central pension scheme.

Contributions are recognised as an expense in profit or loss as employees render services during the year. The Group's obligations under these plans are limited to the fixed percentage contributions payable.

Short-term employee benefits

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

Non-accumulating compensated absences such as sick leave and maternity leave are not recognised until the time of leave.

2. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued)

2.13 Employee benefits (continued)

Share-based employee compensation

All share-based payment arrangements granted after 7 November 2002 and had not vested on 1 January 2005 are recognised in the financial statements. The Group operates equity-settled share-based compensation plans for remuneration of its employees.

All employee services received in exchange for the grant of any share-based compensation are measured at their fair values. These are indirectly determined by reference to the equity instruments awarded. Their value is appraised at the grant date and excludes the impact of any non-market vesting conditions (for example, profitability and sales growth targets).

All share-based compensation is recognised as an expense in profit or loss over the vesting period if vesting conditions apply, or recognised as an expense in full at the grant date when the equity instruments granted vest immediately unless the compensation qualifies for recognition as asset, with a corresponding increase in the share option reserve in equity. If vesting conditions apply, the expense is recognised over the vesting period, based on the best available estimate of the number of equity instruments expected to vest. Non-market vesting conditions are included in assumptions about the number of equity instrument that are expected to vest. Estimates are subsequently revised, if there is any indication that the number of equity instrument expected to vest differs from previous estimates.

At the time when the share options are exercised, the amount previously recognised in the share option reserve will be transferred to share premium. After vesting date, when the vested share options are later forfeited or are still not exercised at the expiry date, the amount previously recognised in the share option reserve will be transferred to retained profit.

2.14 Borrowing costs

Borrowing costs incurred, net of any investment income earned on the temporary investment of the specific borrowings, for the acquisition, construction or production of any qualifying asset are capitalised during the period of time that is required to complete and prepare the asset for its intended use. A qualifying asset is an asset which necessarily takes a substantial period of time to get ready for its intended use or sale. Other borrowing costs are expensed when incurred.

Borrowing costs are capitalised as part of the cost of a qualifying asset when expenditure for the asset is being incurred, borrowing costs are being incurred and activities that are necessary to prepare the asset for its intended use or sale are being undertaken. Capitalisation of borrowing costs ceases when substantially all the activities necessary to prepare the qualifying asset for its intended use or sale are complete.

2. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued)

2.15 Accounting for income taxes

Income tax comprises current tax and deferred tax.

Current income tax assets and/or liabilities comprise those obligations to, or claims from, fiscal authorities relating to the current or prior reporting period, that are unpaid at the reporting date. They are calculated according to the tax rates and tax laws applicable to the fiscal periods to which they relate, based on the taxable profit for the year. All changes to current tax assets or liabilities are recognised as a component of tax expense in profit or loss.

Deferred tax is calculated using the liability method on temporary differences at the reporting date between the carrying amounts of assets and liabilities in the financial statements and their respective tax bases. Deferred tax liabilities are generally recognised for all taxable temporary differences. Deferred tax assets are recognised for all deductible temporary differences, tax losses available to be carried forward as well as other unused tax credits, to the extent that it is probable that taxable profit, including existing taxable temporary differences, will be available against which the deductible temporary differences, unused tax losses and unused tax credits can be utilised.

Deferred tax assets and liabilities are not recognised if the temporary difference arises from goodwill or from initial recognition (other than in a business combination) of assets and liabilities in a transaction that affects neither taxable nor accounting profit or loss.

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

Deferred tax is calculated, without discounting, at tax rates that are expected to apply in the period the liability is settled or the asset realised, provided they are enacted or substantively enacted at the reporting date.

Changes in deferred tax assets or liabilities are recognised in profit or loss, or in other comprehensive income or directly in equity if they relate to items that are charged or credited to other comprehensive income or directly in equity.

Current tax assets and current tax liabilities are presented net if, and only if,

(a) the Group has the legally enforceable right to set off the recognised amounts; and

(b) intends either to settle on a net basis, or to realise the asset and settle the liability simultaneously.

2. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued)

2.15 Accounting for income taxes (continued)

The Group presents deferred tax assets and deferred tax liabilities net if, and only if,

(a) the entity has a legally enforceable right to set off current tax assets against current tax liabilities; and

(b) the deferred tax assets and the deferred tax liabilities relate to income taxes levied by the same taxation authority on either:

(i) the same taxable entity; or

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

2.16 Segment reporting

The Group identifies operating segments and prepares segment information based on the regular internal financial information reported to the executive directors for their decisions about resources allocation to the Group's business components and for their review of the performance of those components. The business components in the internal financial information reported to the executive directors are determined following the Group's major product and service lines.

The Group has identified the following reportable segments:

- Hardware: Sales of telecommunication and enterprise hardware products
- Software: Sales of enterprise software products
- Services: Maintenance service income

Each of these operating segments is managed separately as each of the product and service lines requires different resources as well as marketing approaches. All inter-segment transfers are carried out at arm's length prices.

2. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued)

2.17 Related parties

(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 Group's parent.

(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.

(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).

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

3. ADOPTION OF NEW OR AMENDED HKFRSs

In the current year, the Group has applied for the first time the following new standards, amendments and interpretations (the new "HKFRSs") issued by the HKICPA, which are relevant to and effective for the Group's financial statements for the annual period beginning on 1 April 2012:

Amendments to HKFRS 7	Financial instruments: Disclosures – Transfers of financial assets

The adoption of the new HKFRSs had no impact on how the results and financial position for the current and prior periods have been prepared and presented.

The following new standards, amendments and interpretations which have been issued by the HKICPA as of 31 March 2013 may be relevant to the Group in future years but are not yet effective for the year ended 31 March 2013:

Effective for the annual period beginning on 1 April 2013

Amendments to HKAS 1	Presentation of items of other comprehensive income
Amendments to HKFRS 7	Disclosures – Offsetting financial assets and financial liabilities
HKFRS 10	Consolidated financial statements
HKFRS 12	Disclosure of interests in other entities
HKFRS 13	Fair value measurement

Effective for the annual period beginning on 1 April 2014 or after

Amendments to HKAS 32	Financial instruments: Presentation – Offsetting financial assets and financial liabilities
HKFRS 9	Financial instruments

The above standards, amendments and interpretations, if they are relevant to the Group, will be adopted in the annual periods listed. The Group is in the process of making an assessment of the impact of the above standards, amendments and interpretations but is not yet in the position to ascertain their impact on its results of operations and financial position.

4. CRITICAL ACCOUNTING ESTIMATES AND JUDGEMENTS

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

The Group makes estimates and assumptions concerning the future. The resulting accounting estimates will, by definition, seldom equal the related actual results. The estimates and assumptions that have a significant risk of causing a material adjustment to the carrying amounts of assets and liabilities within the next financial year are addressed below:

Impairment of trade and other receivables

The Group's management estimates the provision of impairment of trade and other receivables by assessing their recoverability. Provisions are applied to trade and other receivables where events or changes in circumstances indicate that the balances may not be collectible and require the use of estimates. Where the expectation is different from the original estimate, such difference will impact carrying value of trade and other receivables and impairment charge in the period in which such estimate has been changed.

5. REVENUE AND SEGMENT INFORMATION

	2013 HK$'000	2012 HK$'000
Revenue:		
Hardware	51,928	11,341
Software	909	2,045
Services	892	2,341
	53,729	15,727

Management has determined the operating segments based on the reports reviewed by the executive directors that are used to make operating decisions. Executive directors are considered as the chief operating decision maker ("CODM").

The CODM review the Group's financial information from hardware, software and services perspectives. The reportable segments are classified in a manner consistent with the information reviewed by the CODM.

The CODM assess the performance of the operating segments based on a measure of reportable segment (loss)/profit. This measurement basis excludes other income, gain on disposal of subsidiaries and unallocated expenses.

Segment assets mainly exclude assets that are managed on a central basis. Segment liabilities mainly exclude liabilities that are managed on a central basis.

In respect of geographical segment reporting, sales are based on the country in which the customer is located, and non-current assets are based on the country where the assets are located.

5. REVENUE AND SEGMENT INFORMATION (continued)

The segment results for the year ended 31 March 2013 are as follows:

	Hardware HK$'000	Software HK$'000	Services HK$'000	Unallocated HK$'000	Total HK$'000
Revenue from external customers	**51,928**	**909**	**892**	**–**	**53,729**
Reportable segment (loss)/profit	**(358)**	**150**	**(123)**	**(12,007)**	**(12,338)**
Other income					**568**
Finance costs					**(95)**
Loss before income tax					**(11,865)**
Income tax expense (Note 9)					**(31)**
Loss for the year					**(11,896)**
Depreciation of property, plant and equipment	**–**	**–**	**–**	**62**	**62**
Addition to non-current assets	**–**	**–**	**–**	**649**	**649**

The segment results for the year ended 31 March 2012 are as follows:

	Hardware HK$'000	Software HK$'000	Services HK$'000	Unallocated HK$'000	Total HK$'000
Revenue from external customers	11,341	2,045	2,341	–	15,727
Reportable segment (loss)/profit	(1,432)	220	1,660	(4,975)	(4,527)
Other income					84
Gain on disposal of subsidiaries					10,822
Profit before income tax					6,379
Income tax expense					–
Profit for the year					6,379
Depreciation of property, plant and equipment	–	–	–	21	21
Addition to non-current assets	–	–	–	24	24

5. REVENUE AND SEGMENT INFORMATION (continued)

The segment assets and liabilities as at 31 March 2013 are as follows:

	Hardware HK$'000	Software HK$'000	Services HK$'000	Total HK$'000
Segment assets	31,652	181	150	31,983
Unallocated assets				29,223
Total assets				61,206
Segment liabilities	17,852	88	213	18,153
Unallocated liabilities				11,577
Total liabilities				29,730

The segment assets and liabilities as at 31 March 2012 are as follows:

	Hardware HK$'000	Software HK$'000	Services HK$'000	Total HK$'000
Segment assets	1,256	744	182	2,182
Unallocated assets				66,185
Total assets				68,367
Segment liabilities	945	33	–	978
Unallocated liabilities				62,886
Total liabilities				63,864

5. REVENUE AND SEGMENT INFORMATION (continued)

The revenue from external customers of the Group by geographical segments is as follows:

	2013 HK$'000	2012 HK$'000
Revenue:		
Hong Kong	18,684	15,042
PRC	35,045	414
Other countries	–	271
	53,729	15,727

One (2012: Two) single external customer contributes more than 10% revenue of the Group. Revenues of approximately HK$35,045,000 are derived from this customer for the year ended 31 March 2013 which are attributable to hardware segment. For the year ended 31 March 2012, revenues of approximately HK$2,544,000 and HK$2,447,000 were derived from customer A and customer B, respectively. These revenues were attributable to hardware segment.

An analysis of the non-current assets, excluded financial instruments, of the Group by geographical segments is as follows:

	2013 HK$'000	2012 HK$'000
Non-current assets:		
Hong Kong	101	26
PRC	512	–
	613	26

6. OTHER INCOME

	2013 HK$'000	2012 HK$'000
Interest income on short-term bank deposits	–	1
Others	568	83
	568	84

7. FINANCE COSTS

	2013 HK$'000	2012 HK$'000
Interest on bank borrowings wholly repayable within one year	95	–

8. (LOSS)/PROFIT BEFORE INCOME TAX

(Loss)/Profit before income tax is arrived at after charging:

	2013 HK$'000	2012 HK$'000
Auditors' remuneration	250	400
Bad debts written off	238	75
Cost of inventories sold	49,354	9,509
Depreciation of property, plant and equipment	62	21
Employee benefit expense (Note 13)	9,036	3,116
Net foreign exchange loss	191	–
Operating lease charges in respect of rented premises	432	397

9. INCOME TAX EXPENSE

No provision for Hong Kong profits tax or overseas income tax has been made for the year as the Group had incurred losses for taxation purpose (2012: Nil as the Group had no assessable profit arising in or derived from Hong Kong or overseas). The PRC enterprise income tax has been provided at the rate of 25% (2012: Nil) on the estimated assessable profit for the year.

	2013 HK$'000	2012 HK$'000
PRC enterprise income tax		
Current year	31	–
Income tax expense	31	–

Reconciliation between income tax expense and accounting (loss)/profit at the applicable tax rate is as follows:

	2013 HK$'000	2012 HK$'000
(Loss)/Profit before income tax	(11,865)	6,379
Tax on (loss)/profit before income tax, calculated at Hong Kong profits tax rate of 16.5% (2012: 16.5%)	(1,957)	1,052
Tax effect of non-deductible expenses	142	3
Tax effect of non-taxable income	–	(1,880)
Tax effect of unrecognised tax losses	1,856	1,151
Tax effect of unrecognised temporary differences	(20)	–
Utilisation of previously unrecognised tax losses	–	(326)
Effect of different tax rates of subsidiaries operating in other jurisdictions	10	–
Income tax expense	31	–

10. (LOSS)/PROFIT FOR THE YEAR ATTRIBUTABLE TO OWNERS OF THE COMPANY

The consolidated loss for the year attributable to owners of the Company includes a loss of approximately HK$5,325,000 (2012: profit of approximately HK$33,121,000) which has been dealt with in the financial statements of the Company.

11. DIVIDENDS

The board of directors does not recommend the payment of a final dividend for the year ended 31 March 2013 (2012: Nil).

On 13 April 2011, the board of directors resolved that a special dividend of HK$0.0693 per share, amounting to HK$41,580,000, to be paid to the shareholders of the Company. The special dividend was paid on 13 April 2011.

12. (LOSS)/EARNINGS PER SHARE

Basic (loss)/earnings per share for the year is calculated by dividing the loss attributable to owners of the Company of approximately HK$11,860,000 (2012: profit of approximately HK$6,233,000) by the weighted average number of 667,565,068 (2012: 600,000,000) ordinary shares in issue during the year.

Diluted (loss)/earnings per share for the year equals to the basic (loss)/earnings per share as the potential ordinary shares on exercise of warrants were not included in the calculation of diluted (loss)/earnings per share because they are anti-dilutive (2012: no dilutive potential ordinary shares in existence for the year).

Details of calculation of (loss)/earnings per share:

	2013	2012
(Loss)/Profit attributable to owners of the Company (HK$'000)	**(11,860)**	6,233
Weighted average number of ordinary shares in issue during the year (in thousands)	**667,565**	600,000
	HK cents	HK cents
Basic (loss)/earnings per share	**(1.78)**	1.04
Diluted (loss)/earnings per share	**(1.78)**	1.04

13. EMPLOYEE BENEFIT EXPENSE (INCLUDING DIRECTORS' EMOLUMENTS)

	2013 **HK$'000**	2012 HK$'000
Salaries, wages and other benefits	**8,852**	3,045
Pension costs – defined contribution schemes	**184**	71
	9,036	3,116

14. DIRECTORS' REMUNERATION AND SENIOR MANAGEMENT'S EMOLUMENTS

14.1 Directors' emoluments

The emoluments of each director are set out below:

	Fees HK$'000	Salaries, allowances and benefits in kind HK$'000	Employer's contribution to defined contribution schemes HK$'000	Total HK$'000
2013				
Executive directors				
Mr. Yau Hoi Kin	–	2,055	16	2,071
Mr. Kwong Wai Ho, Richard	–	2,055	15	2,070
Dr. Huang Youmin	–	1,096	15	1,111
Non-executive director				
Mr. Hsu Chia-Chun (Note)	58	–	–	58
Independent Non-executive directors				
Dr. Chow Ka Ming, Jimmy	100	–	–	100
Mr. Liu Zhiquan	100	–	–	100
Dr. Wong Wing Lit	100	–	–	100
	358	5,206	46	5,610

Note: Appointed on 24 August 2012.

14. DIRECTORS' REMUNERATION AND SENIOR MANAGEMENT'S EMOLUMENTS (continued)

14.1 Directors' emoluments (continued)

	Fees HK$'000	Salaries, allowances and benefits in kind HK$'000	Employer's contribution to defined contribution schemes HK$'000	Total HK$'000
2012				
Executive directors				
Mr. Yau Hoi Kin	–	310	–	310
Mr. Kwong Wai Ho, Richard	–	310	–	310
Dr. Huang Youmin	–	165	–	165
Mr. Lok Wai Man	–	15	–	15
Independent Non-executive directors				
Dr. Chow Ka Ming, Jimmy	17	–	–	17
Mr. Liu Zhiquan	12	–	–	12
Dr. Wong Wing Lit	12	–	–	12
Mr. Yip Tai Him	39	–	–	39
Ms. Yeung Wing Yan, Wendy	39	–	–	39
Mr. Lung Hung Cheuk	39	–	–	39
	158	800	–	958

During the year, no emoluments were paid by the Group to any of the directors of the Company as an inducement to join or upon joining the Group or as compensation for loss of office (2012: Nil). None of the directors waived or agreed to waive any remuneration during the year (2012: Nil).

14. DIRECTORS' REMUNERATION AND SENIOR MANAGEMENT'S EMOLUMENTS (continued)

14.2 Five highest paid individuals

The five individuals whose emoluments were the highest in the Group for the year include three (2012: two) directors whose emoluments are reflected in the analysis presented above. The emoluments payable to the remaining two (2012: three) individuals during the year are as follows:

	2013 HK$'000	2012 HK$'000
Salaries, allowances and benefits in kind	757	728
Employer's contributions to defined contribution schemes	29	34
	786	762

The emoluments fell within the following bands:

	Number of individuals	
	2013	2012
HK$		
Nil – HK$1,000,000	2	3

During the year, no emoluments were paid to the five highest paid individual as an inducement to join the Group or as compensation for loss of office (2012: Nil).

15. PROPERTY, PLANT AND EQUIPMENT

	Group						
	Leasehold land HK$'000	**Building** HK$'000	**Leasehold improvements** HK$'000	**Plant and machinery** HK$'000	**Furniture and fixtures** HK$'000	**Motor Vehicles** HK$'000	**Total** HK$'000
At 1 April 2011							
Cost	12,900	7,804	6,663	4,961	5,337	199	37,864
Accumulated depreciation	(1,426)	(861)	(6,437)	(4,352)	(4,436)	(171)	(17,683)
Net book amount	11,474	6,943	226	609	901	28	20,181
Year ended 31 March 2012							
Opening net book amount	11,474	6,943	226	609	901	28	20,181
Additions	–	–	–	14	10	–	24
Depreciation	–	–	–	(14)	(4)	(3)	(21)
Disposal of subsidiaries	(11,474)	(6,943)	(226)	(595)	(895)	(25)	(20,158)
Closing net book amount	–	–	–	14	12	–	26
At 31 March 2012 and 1 April 2012							
Cost	–	–	–	164	1,047	–	1,211
Accumulated depreciation	–	–	–	(150)	(1,035)	–	(1,185)
Net book amount	–	–	–	14	12	–	26
Year ended 31 March 2013							
Opening net book amount	**–**	**–**	**–**	**14**	**12**	**–**	**26**
Additions	**–**	**–**	**327**	**112**	**210**	**–**	**649**
Depreciation	**–**	**–**	**(34)**	**(23)**	**(5)**	**–**	**(62)**
Closing net book amount	**–**	**–**	**293**	**103**	**217**	**–**	**613**
At 31 March 2013							
Cost	**–**	**–**	**327**	**276**	**1,257**	**–**	**1,860**
Accumulated depreciation	**–**	**–**	**(34)**	**(173)**	**(1,040)**	**–**	**(1,247)**
Net book amount	**–**	**–**	**293**	**103**	**217**	**–**	**613**

15. PROPERTY, PLANT AND EQUIPMENT (continued)

	Company
	Plant and machinery HK$'000
At 1 April 2011	
Cost	–
Accumulated depreciation	–
Net book amount	–
Year ended 31 March 2012	
Opening net book amount	–
Additions	14
Depreciation	(1)
Closing net book amount	13
At 31 March 2012 and 1 April 2012	
Cost	14
Accumulated depreciation	(1)
Net book amount	13
Year ended 31 March 2013	
Opening net book amount	**13**
Additions	**81**
Depreciation	**(16)**
Closing net book amount	**78**
At 31 March 2013	
Cost	**95**
Accumulated depreciation	**(17)**
Net book amount	**78**

16. INVESTMENTS IN AND AMOUNTS DUE FROM/TO SUBSIDIARIES – COMPANY

16.1 Investments in subsidiaries

	2013 HK$'000	2012 HK$'000
Unlisted shares, at cost	1	1
Less: Provision for impairment	–	–
	1	1
Amounts due from subsidiaries (Note 16.2)	18,291	523
Less: Provision for impairment (Note 16.2)	–	–
	18,291	523
	18,292	524

Particulars of the principal subsidiaries at 31 March 2013 are as follows:

Name of company	Place of incorporation	Particulars of issued and paid up capital	Effective percentage holding 2013	Effective percentage holding 2012	Principal activities, place of operation
Subsidiaries held directly:					
Aion Investments Limited	The British Virgin Islands ("BVI") *	1 ordinary share of US$1 each	100%	100%	Investment holding in Hong Kong
Excellent Master Investments Limited	Hong Kong *	1 ordinary share of HK$1 each	100%	100%	Financing for group companies in Hong Kong
Huge Cyber Technology Limited	BVI *	1 ordinary share of US$1 each	100%	100%	Investment holding in Hong Kong
Joy Epoch Limited	BVI *	1 ordinary share of US$1 each	100%	100%	Investment holding in Hong Kong
YBDS Multi Media Company Limited	BVI *	1 ordinary share of US$1 each	100%	–	Dormant

16. INVESTMENTS IN AND AMOUNTS DUE FROM/TO SUBSIDIARIES – COMPANY (continued)

16.1 Investments in subsidiaries (continued)

Name of company	Place of incorporation	Particulars of issued and paid up capital	Effective percentage holding 2013	Effective percentage holding 2012	Principal activities, place of operation
Subsidiaries held indirectly:					
Norray Professional Computer Limited	Hong Kong *	200,000 ordinary shares of HK$1 each	**70%**	70%	Provision of system integration services and other value-added technical consultation services and hardware-related business in Hong Kong
Able Bloom Technology Limited	Hong Kong *	1 ordinary share of HK$1 each	**100%**	100%	Investment holding in Hong Kong
Pacific Honour Development Limited	Hong Kong *	1 ordinary share of HK$1 each	**100%**	100%	Investment holding in Hong Kong
Guangzhou YBDS IT Co., Ltd.	The People's Republic of China ("PRC") **	RMB12,655,000	**100%**	–	Provision of system integration services and other value-added technical consultation services and hardware-related business in the PRC
Beijing YBDS IT Co., Ltd.	PRC **	RMB4,040,000	**100%**	–	Provision of system integration services and other value-added technical consultation services and hardware-related business in the PRC

* Limited liability company
** Wholly foreign owned enterprise

16. INVESTMENTS IN AND AMOUNTS DUE FROM/TO SUBSIDIARIES – COMPANY (continued)

16.2 Amounts due from/to subsidiaries

The provision was determined on the basis of the amounts recoverable from the subsidiaries with reference to the estimated fair value of the underlying assets held by subsidiaries.

Movements in the provision for impairment of amounts due from subsidiaries are as follows:

	2013 HK$'000	2012 HK$'000
At 1 April	–	79,554
Derecognised on disposal of subsidiaries	–	(79,554)
At 31 March	–	–

The carrying amounts of the amounts due from/to subsidiaries approximate their fair values.

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

17. TRADE AND OTHER RECEIVABLES

	Group		Company	
	2013 HK$'000	2012 HK$'000	2013 HK$'000	2012 HK$'000
Trade receivables	31,983	2,182	–	–
Prepayments, deposits and other receivables	452	364	266	256
	32,435	2,546	266	256

17. TRADE AND OTHER RECEIVABLES (continued)

The credit period granted by the Group to its customers generally ranged from 30 to 90 days. At the reporting date, the ageing analysis of the Group's trade receivables (net of provision for impaired receivables) based on invoice date is as follows:

	Group	
	2013	2012
	HK$'000	HK$'000
0–30 days	**7,959**	1,564
31–60 days	**6,582**	43
61–90 days	**16,111**	–
91–180 days	**1,264**	1
181–365 days	**55**	116
Over 365 days	**12**	458
	31,983	2,182

The ageing analysis of the Group's trade receivables based on due date is as follows:

	Group	
	2013	2012
	HK$'000	HK$'000
Neither past due nor impaired	**12,838**	1,564
1–30 days past due	**4,365**	43
31–60 days past due	**14,262**	–
61–90 days past due	**298**	1
91–180 days past due	**153**	–
181–365 days past due	**55**	116
Over 365 days past due	**12**	458
	19,145	618
	31,983	2,182

17. TRADE AND OTHER RECEIVABLES (continued)

Receivables that were neither past due nor impaired related to customers for whom there were no recent history of default. Receivables that were past due but not impaired related to customers that have a good track record of credit with the Group.

As at 31 March 2013, trade receivables of Nil (2012: HK$96,000) were impaired. No provision for impairment was recognised for the year ended 31 March 2012. The impairment was firstly assessed individually for individual significant or long outstanding balances, and the remaining balances were grouped for collective assessment according to their ageing and historical default rates as these customers were of similar credit risk characteristics.

The movement in the provision for impairment of trade receivables is as follows:

	Group	
	2013 HK$'000	2012 HK$'000
At 1 April	**96**	5,301
Derecognised on disposal of subsidiaries	**–**	(5,205)
Amount written off during the year	**(96)**	–
At 31 March	**–**	96

All amounts are short term and hence the carrying values of the Group's trade receivables are considered to be a reasonable approximation of fair values. The Group did not hold any collateral as security or other credit enhancements over the impaired trade receivables, whether determined on an individual or collective basis.

18. CASH AND CASH EQUIVALENTS

	Group		Company	
	2013 HK$'000	2012 HK$'000	**2013 HK$'000**	2012 HK$'000
Cast at bank and in hand	**28,158**	65,795	**20,722**	5,756

As at 31 March 2013, the Group had bank balances and cash of approximately HK$1,653,000 (2012: Nil) which were denominated in Renminbi. The remittance of these funds out of the PRC is subject to the exchange control restrictions imposed by the PRC government.

19. TRADE AND OTHER PAYABLES

	Group		Company	
	2013	2012	**2013**	2012
	HK$'000	HK$'000	**HK$'000**	HK$'000
Trade payables	**17,852**	945	**–**	–
Other payables and accruals	**1,546**	2,886	**642**	1,243
Sales deposits received	**301**	33	**–**	–
	19,699	3,864	**642**	1,243

The ageing analysis of the Group's trade payables based on invoice date is as follows:

	Group	
	2013	2012
	HK$'000	HK$'000
0–30 days	**7,496**	413
31–60 days	**384**	459
61–90 days	**9,826**	5
91–180 days	**77**	8
181–365 days	**9**	60
Over 365 days	**60**	–
	17,852	945

All amounts are short term and hence the carrying values of the Group's trade payables are considered to be a reasonable approximation of fair values.

20. BANK BORROWINGS – GROUP

	2013	2012
	HK$'000	HK$'000
Bank loans-secured	**10,000**	60,000
Carrying amount repayable:		
Amounts due on demand or within one year shown under current liabilities	**10,000**	60,000

20. BANK BORROWINGS – GROUP (continued)

As at 31 March 2013, the Group had banking facilities amounting to HK$100,000,000 (2012: HK$100,000,000) secured by the ultimate holding company's bank deposits and carried interest at 1.3% (2012: 2%) per annum over HIBOR. As at 31 March 2013, the unutilised banking facilities amounted to HK$90,000,000 (2012: HK$40,000,000).

All bank loans were denominated in Hong Kong dollars and the effective interest rate at the reporting date was 1.5% (2012: 2.15%) per annum.

The carrying amounts of bank loans approximate their fair values, as the impact of discounting is not significant due to their short-term maturity.

21. SHARE CAPITAL

	Authorised	
	Ordinary shares of HK$0.10 each	
	Number of shares (in thousands)	**HK$'000**
As at 31 March 2012 and 31 March 2013	**2,000,000**	**200,000**

	Issued and fully paid	
	Ordinary shares of HK$0.10 each	
	Number of shares (in thousands)	**HK$'000**
As at 1 April 2011, 31 March 2012 and 1 April 2012	600,000	60,000
Issue of shares (Note)	**306,250**	**30,625**
As at 31 March 2013	**906,250**	**90,625**

Note:

On 4 June 2012, the Company had completed, through the placing agent, the placing of 15,000,000 new shares of HK$0.10 each in the capital of the Company at a share placing price of HK$0.185 each to independent third parties and 30,000,000 warrants at a warrant issue price of HK$0.01 each and subscription price of HK$0.185 per warrant share to independent third parties.

On 26 July 2012, the Company had completed, through the placing agent, the placing of 10,000,000 new shares of HK$0.10 each in the capital of the Company at a share placing price of HK$0.141 each to independent third parties, and 60,000,000 warrants at issue price of HK$0.01 each and subscription price of HK$0.141 per warrant share to independent third parties.

On 13 December 2012, 156,250,000 offer shares of par value of HK$0.10 each of the Company were issued under an open offer at a subscription price of HK$0.10 each.

On 27 March 2013, the Company had completed, through the placing agent, the placing of 125,000,000 new shares of HK$0.10 each in the capital of the Company at a share placing price of HK$0.145 each to independent third parties.

30,000,000 warrants issued on 4 June 2012 and 60,000,000 warrants issued on 26 July 2012 have initial subscription prices of HK$0.185 per share and HK$0.141 per share respectively for one ordinary share of the Company exercisable for a period of five years.

22. SHARE OPTIONS

Pursuant to an ordinary resolution passed at an annual general meeting of the Company held on 1 August 2011 ("Adoption Date"), the Company adopted the new share option scheme ("New Scheme") on the Adoption Date. The major terms of the New Scheme are summarised as follows:

(a) The purpose of the New Scheme is to enable the Group to grant options to selected participants as incentives or rewards for their contribution to the Group.

(b) The participants included any employee or consultant, advisor, agent, contractor, client or supplier of the Company or any subsidiary who in the sole opinion of the board of directors have contributed or are expected to contribute to the Group ("Participant").

(c) The maximum number of shares to be issued upon the exercise of all outstanding options granted and yet to be exercised under the New Scheme and any other share option scheme of the Group must not in aggregated exceed 30% of the issued share capital of the Company from time to time.

(d) The initial total number of shares which may be issued upon exercise of all options (excluding, for this purpose, options which have lapsed in accordance with the terms of the New Scheme and any other share option scheme of the Group) to be granted under the scheme and any other share option scheme of the Group must not in aggregate exceed 10% of the shares in issued at the day on which the New Scheme is approved and such limit might be refreshed by shareholders in general meeting.

(e) The total number of shares issued and which may fall to be issued upon exercise of the options granted under the New Scheme and any other share option scheme of the Group to each Participant in any 12-month period shall not exceed 1% of the issued share capital of the Company for the time being (the "Individual Limit"). Any further grant of options in excess of the Individual Limit in any 12-month period up to and including the date of such further grant shall be subject to the issue of a circular to the shareholders and the shareholders' approval in general meeting of the Company with such Participant and his associates abstaining from voting.

(f) Unless the directors otherwise determined and stated in the offer of the grant of options to a grantee, a grantee is not required to achieve any performance targets before any options granted under the New Scheme can be exercised.

(g) An offer of the grant of the option may be accepted by a Participant within 28 days from the date of the offer of grant of the option. A nominal consideration of HK$1 is payable on acceptance of the grant of an option.

(h) The subscription price for shares under the New Scheme will be a price determined by the directors, but shall not be less than the higher of:

- the closing price of shares as stated in the Stock Exchange's daily quotations sheet on the date of the offer of grant, which must be a business day;
- the average closing price of shares as stated in the Stock Exchange's daily quotations for the five trading days immediately preceding the date of the offer of grant; and
- the nominal value of the shares.

(i) The New Scheme will remain in force for a period of 10 years commencing on the date on which the New Scheme is adopted.

No share options were granted by the Company or outstanding at any time during the year ended 31 March 2013.

23. RESERVES – COMPANY

	Share premium HK$'000	Warrant reserve HK$'000	Accumulated losses HK$'000	Total reserves HK$'000
As at 1 April 2011	79,872	–	(126,207)	(46,335)
Comprehensive income				
Profit for the year	–	–	33,121	33,121
Total comprehensive income for the year	–	–	33,121	33,121
Special distribution	(41,580)	–	–	(41,580)
As at 31 March 2012 and 1 April 2012	38,292	–	(93,086)	(54,794)
Comprehensive expense				
Loss for the year	–	–	(5,325)	(5,325)
Total comprehensive expense for the year	–	–	(5,325)	(5,325)
Issue of shares	7,310	–	–	7,310
Issue of warrants	–	900	–	900
As at 31 March 2013	**45,602**	**900**	**(98,411)**	**(51,909)**

(a) Share premium

Share premium represents the excess of the net proceeds from issuance of the Company's shares over its par value.

(b) Translation reserve

The translation reserve comprises all foreign exchange differences arising from the translation of the financial statements of foreign operations. The reserve is dealt with in accordance with the accounting policy set out in note 2.3.

(c) Warrant reserve

Warrant reserve represents the unexercised equity element of warrants issued by the Company.

(d) Distributable reserve

As at 31 March 2013, in the opinion of the directors, the Company's reserve available for distribution to shareholders amounted to approximately HK$45,602,000.

24. DEFERRED INCOME TAX

Deferred income tax liabilities:

No deferred income tax liabilities have been recognised in the financial statements as the Group and the Company did not have material temporary difference arising between the tax bases of assets and liabilities and their carrying amounts as at 31 March 2013 and 2012.

Deferred income tax assets:

A deferred income tax asset has not been recognised in the financial statements in respect of tax losses available to offset future profits due to the uncertainty of future profit streams against which the asset can be utilised. As at 31 March 2013, the unrecognised tax losses of the Group and of the Company are as follows:

	Group		Company	
	2013 HK$'000	2012 HK$'000	**2013 HK$'000**	2012 HK$'000
Tax losses	**28,327**	17,075	**21,342**	16,783

25. OPERATING LEASE COMMITMENTS

Group – as lessee

At the reporting dates, the total future minimum lease payments payable by the Group under non-cancellable operating leases in respect of rented premises are as follows:

	2013 HK$'000	2012 HK$'000
Within one year	**574**	162
In the second to fifth year inclusive	**309**	–
	883	162

The Group leases a number of properties under operating leases. The leases run for an initial period of two years, with an option to renew the leases and renegotiate the terms at the expiry date.

Company – as lessee

The Company does not have any significant operating lease commitments as lessee as at 31 March 2013 and 2012.

26. RELATED PARTY TRANSACTIONS

The Group entered into the following significant transactions with related parties:

	2013 HK$'000	2012 HK$'000
Printing service fee paid to a related company controlled by a former substantial shareholder of the Company	–	478

No transactions have been entered with the directors of the Company (being the key management personnel) during the year other than the emoluments paid to them (being the key management personnel compensation) as disclosed in note 14.1.

27. GAIN ON DISPOSAL OF SUBSIDIARIES

On 13 April 2011, the Group disposed of its entire equity in SomaFlex International Inc., together with its subsidiaries and associated companies (save and except Norray Professional Computer Limited) to SomaFlex Holdings Inc., the former ultimate holding company of the Company, for a cash consideration of HK$40,000,000 and realised a gain on disposal of approximately HK$10,822,000. The transaction constituted a related party transaction and also a very substantial disposal and connected transaction on the part of the Company under the GEM Listing Rules.

Aggregate net assets disposed on date of disposal:

	2012 HK$'000
Property, plant and equipment	20,158
Investments in associates	966
Available-for-sale financial assets	15
Inventories	525
Trade and other receivables	18,696
Income tax assets	899
Bank balances and cash	13,954
Trade and other payables	(23,668)
	31,545
Translation reserve released	(1,495)
Gain on disposal of subsidiaries	10,822
Non-controlling interests	(872)
Consideration received	40,000
Satisfied by:	
Cash and cash equivalents received as consideration	40,000
Cash and cash equivalents disposed	(13,954)
Net cash inflow on disposal	26,046

28. FINANCIAL RISK MANAGEMENT AND FAIR VALUE MEASUREMENTS

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

28.1 Categories of financial assets and liabilities

The carrying amounts presented in the statements of financial position relate to the following categories of financial assets and financial liabilities:

	2013 HK$'000	2012 HK$'000
Financial assets		
Loans and receivables:		
Trade and other receivables	32,292	2,413
Cash and cash equivalents	28,158	65,795
	60,450	68,208
Financial liabilities		
Financial liabilities measured at amortised cost:		
Trade and other payables	19,398	3,831
Bank borrowings	10,000	60,000
	29,398	63,831

28.2 Financial risk factors

Exposure to market risk (including foreign exchange, interest rate and price risks), credit risk and liquidity risk arises in the normal course of business. The risks are minimised by the financial management policies and practices described below:

28. FINANCIAL RISK MANAGEMENT AND FAIR VALUE MEASUREMENTS (continued)

28.2 Financial risk factors (continued)

28.2.1 Market Risk

(i) Foreign exchange risk

Foreign exchange risk mainly arises from future commercial transactions, recognised assets and liabilities and net investments in foreign operations.

The management of the Group considers the foreign exchange risk of the Group is not significant, and thus does not have any active policies to hedge against the foreign exchange risk.

(ii) Price risk

The Group is not exposed to significant price risk.

(iii) Interest rate risk

The Group is exposed to cash flow interest rate risk in relation to variable-rate borrowings (see note 20). However, the management considers that the risk is insignificant to the Group.

28.2.2 Credit risk

The Group has no significant concentrations of credit risk. It has policies in place to ensure that credits are granted to customers with an appropriate credit history.

In addition, the Group reviews the recoverable amounts of each individual trade debt at the end of each reporting period to ensure that adequate impairment losses are made for irrecoverable amounts. The Group has maintained relationship with various financial institutions and has policies that limit the amount of credit exposure to any financial institution.

28.2.3 Liquidity risk

Prudent liquidity risk management implies maintaining sufficient cash and marketable securities. The Group regularly reviews its major funding positions to ensure that it has adequate financial resources in meeting its financial obligations.

The Group's financial liabilities principally comprise bank borrowings, trade payables and other financial liabilities included in other payables and accruals, all of which are expected to be settled within one year and are included in current liabilities. As at 31 March 2013, the Group did not have any derivative financial liabilities (2012: Nil).

The Group's and the Company's non-derivative financial liabilities due within 12 months equal their carrying balances as the impact of discounting is not significant.

28.3 Fair value

The Group does not have any financial instruments that are measured in the statement of financial position at fair value.

The carrying amounts of the Group's financial assets and liabilities (including cash and cash equivalents, trade and other receivables, trade and other payables and bank borrowings) approximate their fair values due to their short-term maturities.

29. CAPITAL MANAGEMENT

The Group's objectives when managing capital are to safeguard the Group's ability to continue as a going concern in order to provide returns for equity holders and to maintain an optimal capital structure to reduce the cost of capital.

In order to maintain or adjust the capital structure, the Group may adjust the amount of dividends paid to equity holders, return capital to equity holders, issue new shares or reduce debt.

The Group monitors capital on the basis of the gearing ratio. This ratio is calculated as a percentage of bank borrowings and long-term debts over total equity. Total capital is calculated as 'equity', as shown in the consolidated statement of financial position.

As at 31 March 2013, the Group's gearing ratio was 0.32 times (2012: 13.32 times).

30. EVENTS AFTER THE REPORTING DATE

On 12 April 2013, the Company announced that YBDS Multimedia Company Limited, a direct wholly-owned subsidiary of the Company had entered into a non-legally binding memorandum of understanding with New5TV (Cayman) CO., LTD. for service in related to establish, develop, and create a variety of online platforms for television channel.

On 18 April 2013, the Company announced that Guangzhou YBDS IT Co., Ltd. ("Guangzhou YBDS"), an indirect wholly owned subsidiary of the Company had entered into a cooperation agreement with South China Normal University in respect to research, develop, design and produce micro lectures in physics for schools in PRC. According to the agreement, Guangzhou YBDS will invest RMB605,000 (equivalent to HK$705,200) in the project.

On 22 April 2013, the Company announced that Guangzhou YBDS had entered into a collaboration agreement with Guangdong branch of China Telecom Corporation Limited ("China Telecom Guangdong") in respect to develop, establish and operate an online education platform. According to the agreement, Guangzhou YBDS agrees to pay to China Telecom Guangdong for using and accessing its network and platform. Guangzhou YBDS will invest a total of RMB700,000,000 (equivalent to HK$875,000,000) for construction of the online education platform.

On 7 May 2013, the Company announced that Excellent Master Investments Limited, a direct wholly-owned subsidiary of the Company, had entered into a project implementation agreement with, inter alia, Chinasoft International (Hong Kong) Limited in respect to the wireless city project.