

Pizu Group Holdings Limited

比優集團控股有限公司

(Incorporated in the Cayman Islands with limited liability)

Stock Code : 8053

ANNUAL REPORT | 2013



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

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

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CORPORATE INFORMATION

EXECUTIVE DIRECTORS

Mr. Ding Baoshan (*Chairman*)
Mr. Xiong Zeke (*Chief Executive Officer*)
Ms. Qin Chunhong
Mr. Cheung Jonathan

INDEPENDENT NON-EXECUTIVE DIRECTORS

Ms. Zhang Lin
Ms. Liu Talin
Mr. Enhe Bayaer

AUDIT COMMITTEE

Ms. Zhang Lin (*Chairman*)
Ms. Liu Talin
Mr. Enhe Bayaer

REMUNERATION COMMITTEE

Ms. Zhang Lin (*Chairman*)
Ms. Qin Chunhong
Ms. Liu Talin

NOMINATION COMMITTEE

Mr. Enhe Bayaer (*Chairman*)
Ms. Zhang Lin
Ms. Liu Talin

COMPANY SECRETARY

Ms. Shen Tianwei (MAPAIS, CPA, CICPA)

COMPLIANCE OFFICER

Ms. Qin Chunhong

AUTHORISED REPRESENTATIVES

Mr. Xiong Zeke
Ms. Shen Tianwei (MAPAIS, CPA, CICPA)

REGISTERED OFFICE

Royal Bank of Canada Trust Company (Cayman) Limited
4th Floor, Royal Bank House
24 Shedden Road, George Town
Grand Cayman KY1-1110
Cayman Islands

HEAD OFFICE AND PRINCIPAL PLACE OF BUSINESS IN HONG KONG

Flat A, 11/F, Two Chinachem Plaza
68 Connaught Road Central
Hong Kong

COMPANY WEBSITE ADDRESS

www.pizugroup.com

INDEPENDENT AUDITOR

BDO Limited
25th Floor
Wing On Centre
111 Connaught Road Central
Hong Kong

PRINCIPAL SHARE REGISTRAR AND TRANSFER OFFICE

Butterfield Fund Services (Cayman) Limited
Butterfield House
68 Fort Street
P.O. Box 705
George Town
Grand Cayman
Cayman Islands

HONG KONG SHARE REGISTRAR AND TRANSFER OFFICE

Computershare Hong Kong Investor Services Limited
Shops 1712-1716, 17/F., Hopewell Centre
183 Queen's Road East
Wanchai
Hong Kong

PRINCIPAL BANKER

In Hong Kong
Hang Seng Bank Limited
83 Des Voeux Road Central
Hong Kong

In the PRC

Shanghai Pudong Development Bank
No. 10 Huayuan Dong Road
Gao De Mansion, BLK C
Haidian District
Beijing
PRC

GEM LISTING CODE

8053



CHAIRMAN'S STATEMENT

Pizu Group Holdings Limited (the “Company”) and its subsidiaries (together the “Group”) is grateful to our shareholders and the community for their trust, understanding and support during the past financial year 2012. On behalf of the Board and all our staff, I would like to take this opportunity to express our sincere gratitude to our shareholders and the community for their care and support throughout the year.

During the year ended 31 March 2013, the school network integration services business was the main source of the Group's revenue. For the school network integration services business, due to tighter government requirements, the business segment has recorded a decrease of turnover from previous year.

The Group will continue to cautiously monitor the changes in the economic environment, and adjust business development strategies and directions should appropriate opportunities arise in order to adapt to changes in the business environment. The Group will continue to develop the existing businesses, proactively explore new business opportunities and create value for the Shareholders.

Ding Baoshan

Chairman

PRC, 24 June 2013

MANAGEMENT DISCUSSION AND ANALYSIS

BUSINESS REVIEW AND PROSPECTS 2012-2013

Business review

During the year ended 31 March 2013, the network integration services business was the main source of the Group's revenue. For the school network integration services business, due to tighter government requirements, the revenue decreased compared with the corresponding period of last year.

Prospect and outlook

In the future, the Group will continue to cautiously monitor the changes in the economic environment, and adjust business development strategies and directions should appropriate opportunities arise in order to adapt to changes in the business environment. In the coming year, the Group will continue to develop existing school network integration services business and money lending business, and vigorously expand bulk commodity trade business by utilizing the available resources in the Company. Moreover, the Group will continue to review its existing business operations strategies, and actively search for appropriate M&A and investment opportunities and broaden its source of income in order to generate solid and sustainable return for our Shareholders.



MANAGEMENT DISCUSSION AND ANALYSIS

FINANCIAL REVIEW

Turnover

The Group achieved a consolidated turnover from the continuing operations of approximately RMB32.38 million, a decrease of approximately 42.86% in comparison with year ended 31 March 2012. The following table is the breakdowns of turnover for the year ended 31 March 2013:

	RMB'000	Approximately % attributable to the turnover of the Group
Continuing operations		
Provision of school network integration services	31,464	97.17%
Interest income from money lending	917	2.83%
	<hr/>	<hr/>
	32,381	100%
	<hr/> <hr/>	<hr/> <hr/>

Cost of goods sold and services provided

The cost of goods sold and services provided of the continuing operations for the year ended 31 March 2013 was approximately RMB27.49 million. It was approximately 48.35% decrease as compared to last year. The main reason is the decrease in the related sales.

Other income and gain

The other income and gain for the year ended 31 March 2013 mainly consists of recovery of trade receivables previously written off which was amounted to RMB0.34 million.

Administrative and other operating expenses

For the year ended 31 March 2013, the Group's administrative and other operating expenses was approximately RMB14.34 million. As compared with the year ended 31 March 2012, it was approximately 55.37% decrease. The reason of decrease was mainly due to the Group strengthen control of trade receivables and inventories, this year's bad debt and obsolete inventory have been substantially decreased.

Loss per share

The loss per share of the Group is covered in note 16 to the financial statements.

MANAGEMENT DISCUSSION AND ANALYSIS

Segment Information

The segment information of the Group is covered in note 17 to the financial statements.

CAPITAL STRUCTURE

Movements in capital structure of the Company during the year are set out in note 33 to the financial statement. The capital of the Company comprises only ordinary shares. The Company and the Group has loan from a shareholder amounted to RMB30.4 million.

SIGNIFICANT INVESTMENTS

As at 31 March 2013, the Group did not have any significant investments (2012: nil).

MATERIAL ACQUISITIONS AND DISPOSALS OF SUBSIDIARIES

There has been no material acquisition and disposal of subsidiaries in 2013.

In June 2011, the Group completed the disposal of Beijing Power Along Technology Co., Ltd. (the "Along Group"). The Along Group is principally engaged in making research, development and provision of integrated information systems for power grid companies in the PRC.

GEARING RATIO

The Group's gearing ratio (being net debt over total equity) is 173% as at 31 March 2013 (2012: 51%). The increase in gearing ratio is mainly due to the substantially decrease in total equity.

LIQUIDITY AND FINANCIAL RESOURCES

As at 31 March 2013, the shareholders' funds of the Group amounted to approximately RMB8.24 million. Current assets amounted to approximately RMB24.41 million of which approximately RMB16.14 million were cash and cash equivalents, approximately RMB8.27 million were trade and other receivables. The Group's current liabilities amounted to approximately RMB11.67 million.

CHARGE OF ASSETS

The Group did not have any charge on its assets as at 31 March 2013 (2012: nil), except for the loan advanced from Shiny Ocean Holdings Limited, a substantial shareholder of the Company, which is interest bearing at 5% per annum, repayable on 1 April 2014 and is secured by 40% of the issued share capital of a subsidiary, Dragon Era Investments Limited.



MANAGEMENT DISCUSSION AND ANALYSIS

CAPITAL COMMITMENT

As at 31 March 2013, the Group's capital commitment in respect of property, plant and equipment contracted but not provided for is nil (2012: nil).

FOREIGN EXCHANGE EXPOSURE AND HEDGING POLICY

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

CONTINGENT LIABILITIES

As at 31 March 2013, the Group did not have any material contingent liabilities (2012: nil).

DIVIDEND

The Board did not recommend any payment of final dividend for the year ended 31 March 2013 (2012: nil).

HUMAN RESOURCES

As at 31 March 2013, the Group had 34 full time employees in the PRC and Hong Kong. Staff remuneration packages are determined by reference to prevailing market rates. Staff benefits include mandatory provident fund, personal insurance and discretionary bonus which are based on their performance and contribution to the Group.

CORPORATE GOVERNANCE REPORT

CORPORATE GOVERNANCE PRACTICES

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

DIRECTORS’ SECURITIES TRANSACTIONS

The Company has adopted a code of conduct regarding securities transactions by directors on terms no less exacting than the required standard of dealings as set out in Rules 5.48 to 5.67 of the GEM Listing Rules. The Company also had made specific enquiry of all Directors and the Company was not aware of any non-compliance with such code of conduct and required standard of dealings throughout the year ended 31 March 2013.

BOARD OF DIRECTORS

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

The Board is presently composed of seven members, comprising four executive directors, Mr. Ding Baoshan (Chairman), Mr. Xiong Zeke, Ms. Qin Chunhong and Mr. Cheung Jonathan, and three independent non-executive directors, Ms. Zhang Lin, Ms. Liu Talin and Mr. Enhe Bayaer.

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

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



CORPORATE GOVERNANCE REPORT



The main responsibilities of the Board includes:

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

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

CORPORATE GOVERNANCE REPORT

Details of the attendance of the Board of Directors for the year ended 31 March 2013 are as follows:

Total number of meetings held	16
Name of directors	Attended/Eligible to attend
<i>Executive directors</i>	
Mr. Ding Baoshan (<i>Chairman</i>) (appointed on 14 December 2012)	3/4
Mr. Xiong Zeke (appointed on 14 December 2012)	4/4
Ms. Qin Chunhong (appointed on 14 December 2012)	2/4
Mr. Chueng Jonathan	12/16
Mr. Cheng Wai Lam James (resigned on 15 April 2013)	14/16
Mr. Li Kangying (resigned on 14 December 2012)	5/12
<i>Non-executive directors</i>	
Mr. Chau King Fai (resigned on 14 December 2012)	3/12
Mr. Wang Dongbin (resigned on 14 December 2012)	5/12
<i>Independent non-executive directors</i>	
Ms. Zhang Lin (appointed on 14 December 2012)	2/4
Ms. Liu Talin (appointed on 14 December 2012)	2/4
Mr. Enhe Bayaer (appointed on 14 December 2012)	2/4
Mr. Yeung King Wah (resigned on 14 December 2012)	4/12
Mr. Gao Feng (resigned on 14 December 2012)	4/12
Mr. Chiang Sheung Yee (resigned on 14 December 2012)	4/12

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

Directors' training is an ongoing process. During the Year, directors received regular updates on changes and developments of the Group's business and to the legislative and regulatory environments in which the Company operates. All directors are also encouraged to attend relevant training courses at the Company's expense.

CHAIRMAN AND CHIEF EXECUTIVE OFFICER

For the year ended 31 March 2013, the post of the chairman of the board held by Mr. Ding Baoshan and the post of the chief executive officer held by Mr. Xiong Zeke are segregated.

Mr. Ding Baoshan is responsible for leadership and organization of the board of directors, whereas Mr. Xiong Zeke is in charge of management of the overall business operation of the Company.



CORPORATE GOVERNANCE REPORT

REMUNERATION OF DIRECTORS

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

During the year, the remuneration committee held two meetings. Details of the attendance of the remuneration committee for the year ended 31 March 2013 are as follows:

Total number of meetings held	2
Name of members	Attended/Eligible to attend
Ms. Zhang Lin (<i>Chairman</i>) (appointed on 14 December 2012)	-/-
Mr. Qin Chunhong (appointed on 14 December 2012)	-/-
Mr. Enhe Bayaer (appointed on 14 December 2012)	-/-
Mr. Yeung King Wah (resigned on 14 December 2012)	2/2
Mr. Gao Feng (resigned on 14 December 2012)	1/2
Mr. Chiang Sheung Yee (resigned on 14 December 2012)	2/2

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

AUDITOR'S REMUNERATION

For the year ended 31 March 2013, the remuneration in respect of audit services provided by the current auditor, BDO Limited, amounted to approximately RMB348,000.

AUDIT COMMITTEE

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

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

CORPORATE GOVERNANCE REPORT

Details of the attendance of the audit committee for the year ended 31 March 2013 are as follows:

Total number of meetings held	4
Name of members	Attended/Eligible to attend
Ms. Zhang Lin (<i>Chairman</i>) (appointed on 14 December 2012)	1/1
Ms. Liu Talin (appointed on 14 December 2012)	1/1
Mr. Enhe Bayaer (appointed on 14 December 2012)	1/1
Mr. Yeung King Wah (resigned on 14 December 2012)	2/3
Mr. Gao Feng (resigned on 14 December 2012)	2/3
Mr. Chiang Sheung Yee (resigned on 14 December 2012)	2/3

The audit committee is of the opinion that the financial statements of the Company and the Group for the year ended 31 March 2013 comply with applicable accounting standards, GEM Listing Rules and that adequate disclosures have been made.

RESPECTIVE RESPONSIBILITIES OF DIRECTORS AND AUDITOR

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

NOMINATION COMMITTEE

The Company established a nomination committee with written terms of reference in compliance with code provision D1.4 of the Code. The primary duties of the nomination committee are, among others, reviewing the structure, size and composition of the board of directors on a regular basis and making recommendations regarding any proposed changes, identifying and recommending individuals suitably qualified to become board members, and assessing the independence of independent non-executive directors. The nomination committee consists of the three independent non-executive Directors of the Company.

During the year, the nomination committee has nominated six directors.

Details of the attendance of the nomination committee for the year ended 31 March 2013 are as follows:

Total number of meetings held	1
Name of members	Attended/Eligible to attend
Mr. Enhe Bayaer (<i>Chairman</i>) (appointed on 14 December 2012)	0/0
Ms. Zhang Lin (appointed on 14 December 2012)	0/0
Ms. Liu Talin (appointed on 14 December 2012)	0/0
Mr. Yeung King Wah (resigned on 14 December 2012)	1/1
Mr. Gao Feng (resigned on 14 December 2012)	0/1
Mr. Cheung Jonathan (resigned on 14 December 2012)	1/1



CORPORATE GOVERNANCE REPORT

INTERNAL CONTROL

The Board has overall responsibility for the system of internal control of the Company and for reviewing its effectiveness. The Board is committed to implementing an effective and sound internal control system to safeguard the interests of shareholders and the Company's assets.

COMMUNICATIONS WITH SHAREHOLDERS AND INVESTORS

The rights of shareholders and the procedures for demanding a poll on resolutions at shareholders' meetings are contained in the Company's constitutional documents. Details of such rights to demand a poll and the poll procedures are included in all related circulars to shareholders and are explained during the proceedings of meetings. Except as at 11 April 2012, the Company had changed its name there was not any significant change to the Company's constitutional documents during the Year.

Poll results will be posted on the website of the Company and the Stock Exchange on the same day of the shareholders' meeting.

The general meeting of the Company provides a forum for communication between the shareholders and the Board.

Separate resolutions are proposed at shareholders' meetings on each substantial issue, including election of individual directors.

The Company continues to enhance communication and relations with its investors. Enquires from investors are dealt within an informative and timely manner.

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; and such meeting shall be held within two (2) months after the deposit of such requisition. If within twenty-one (21) days of such deposit the Board fails to proceed to convene such meeting the requisitionist(s) himself (themselves) may do so in the same manner, and all reasonable expenses incurred by the requisitionist(s) as a result of the failure of the Board shall be reimbursed to the requisitionist(s) by the Company.

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 Flat A, 11/F, Two Chinachem Plaza, 68 Connaught Road 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.

DIRECTORS AND SENIOR MANAGEMENT PROFILE

EXECUTIVE DIRECTORS

Mr. Ding Baoshan, aged 50, has been appointed as the executive director and chairman of the Board from 14 December 2012. He holds a Doctor of Philosophy in economics from China Social Science Institute. He is a senior economist and currently the general manager of Beijing Shenshi Huaxuan Investment Co. Ltd. (北京盛世華軒投資有限公司). Mr. Ding is also an independent director of Qinghai Huading Industrial Co., Ltd. (青海華鼎實業股份有限公司), a company listed on the Shanghai Stock Exchange. From October 2000 to August 2007, Mr. Ding had been an executive director of Denway Motors Limited, a company listed on the Main Board of the Stock Exchange prior to its withdrawal of listing on the Stock Exchange in August 2010. During the period between July 2000 and October 2007, Mr. Ding also held a senior position in Guangzhou Automobile Industry Group Co., Ltd. (廣州汽車工業集團有限公司) and several of its group companies.

Mr. Xiong Zeke, aged 38, has been appointed as the executive director and chief executive officer from 14 December 2012. He holds a Bachelor's degree in economics from International Economics of the Peking University. He has been the deputy general manager of Beijing Shenshi Huaxuan Investment Co. Ltd. since August 2008. Mr. Xiong is an independent director of Huadong Medicine Co., Ltd. (華東醫藥股份有限公司), a company listed on the Shenzhen Stock Exchange, and had been an independent director of Chengtun Mining Group Co. Ltd. (盛屯礦業集團股份有限公司) (formerly known as "Xiamen Eagle Mining Group Co. Ltd. (廈門雄震礦業集團股份有限公司)"), a company listed on the Shanghai Stock Exchange, from May 2008 to June 2011. Prior to this, he was the deputy general manager of First Create Investment Co. Ltd. (深圳市冠欣投資有限公司) from March 2005 to August 2008. Mr. Xiong also has over eight years of experience in the banking industry and had worked in the China Construction Bank during the period between July 1996 and March 2005.

Ms. Qin Chunhong, aged 40, has been appointed as the executive director from 14 December 2012. She holds a Master's degree in the School of Business Administration in Peking University. She also holds a Bachelor's degree in Henan Institute of Finance and Economics. She has been a member of the China Certified Tax Agents Association since 2008 and a member of the Chinese Institute of Certified Public Accountants since 2000. Ms. Qin has been the chief financial officer of Beijing Shenshi Huaxuan Investment Co. Ltd. (北京盛世華軒投資有限公司) since 2010. She was also the chief financial officer of Inner Mongolia Shuangli Mining Co., Ltd. (內蒙古雙利礦業有限責任公司) from 2006 to 2009 and the chief financial officer of Western Mining Group (Hong Kong) Company Limited from 2005 to 2006.

Mr. Cheung Jonathan, CFA, Certified FRM, aged 27, holds a Bachelor of Science degree from Cornell University, New York, majoring in Operations Research and Information Engineering. Mr. Cheung holds the Chartered Financial Analyst® designation and the Financial Risk Manager (FRM) designation. Mr. Cheung worked in major investment banks and major asset management firms. Mr. Cheung had experiences in corporate finance, financial advisory, private equity investments, direct investments and asset management.



DIRECTORS AND SENIOR MANAGEMENT PROFILE

INDEPENDENT NON-EXECUTIVE DIRECTORS AND AUDIT COMMITTEE

Ms. Zhang Lin, aged 40, has been appointed as the independent non-executive director from 14 December 2012. She is a chairman of audit committee and remuneration committee, a member of nomination committee. She holds a Master's degree from the University of California, San Diego. She also holds a Bachelor's degree from the University of Ohio, Marietta and a Bachelor's degree from Renmin University of China. Ms. Zhang has been the head of project development in China Three Gorges Corporation (中國長江三峽集團公司) since January 2011. Prior to this, she had been an audit manager in Ernst & Young LLP from March 2003 to September 2009. Ms. Zhang is licensed as a certified public accountant in the states of California and Georgia, the United States.

Ms. Liu Talin, aged 45, has been appointed as the independent non-executive director from 14 December 2012. She is also a member of audit committee, remuneration committee and nomination committee. She holds a Bachelor's degree from the Department of Chemistry, Inorganic Chemistry of Inner Mongolia University. She was the deputy manager of Inner Mongolia Supplies Group Company Xiansheng Supplies Co., Ltd. (內蒙古物資集團總公司威盛物資有限公司) from 1994 to 2005.

Mr. Enhe Bayaer, aged 60, has been appointed as the independent non-executive director from 14 December 2012. He is also the chairman of nomination committee and a member of audit committee. He holds a Bachelor's degree from the Graduate School of Inner Mongolia University. Mr. Enhe has held a senior position in several group companies of China Cinda Asset Management Co. Ltd. since 1999 and is currently the general manager of the custodian settlement department (託管清算部), the custodian coordination department (託管協同部) and the market development department of China Cinda Asset Management Co. Ltd. since July 2007. He has also been the vice-chairman of Shenhua Zhunge'er Energy Group Co. Ltd. (神華准格爾能源集團公司) since 2001.

The Company has set up an audit committee with written terms of reference in compliance with the GEM Listing Rules, for the purpose of reviewing and providing supervision over the financial reporting process and internal control of the Group, and providing advice and comments to the Board accordingly.

SENIOR MANAGEMENT

Mr. Cheng Xianhui, aged 40, general manager, legal representative of Beijing Puhuaishiwei Technology Co., Ltd. He is a bachelor degree, graduated from Remin University of China, majored in investment economy. He is responsible for overall work of company operations.

Mr. Li Shihua, aged 34, executive director of wholly-owned subsidiaries of the group, undergraduate degree, responsible for the overall operations of the subsidiaries.

COMPANY SECRETARY

Ms. Shen Tianwei (MAPAIS, CPA, CICPA), aged 40, is the Financial Controller, Company Secretary and Authorized Representative of the Group. Prior to joining the Group in August 2006, she has over 12 years of auditing, accounting and financial management experience in Big 4 and others sizable corporations. She has a Master degree in Professional accounting and information system from City University of Hong Kong and is an associate member of both the Hong Kong Institute of Certified Public Accountants and Chinese Institute of Certified Public Accountants.

DIRECTORS' REPORT

The directors present herewith their annual report and the audited financial statements of the Company and the Group for the year ended 31 March 2013.

PRINCIPAL ACTIVITIES

The principal activity of the Company is investment holding. Details of the principal activities of the Group's subsidiaries are set out in note 20 to the financial statements.

An analysis of the Group's turnover and contribution to results by principal activities for the year ended 31 March 2013 are set out in note 17 to the financial statements.

RESULTS AND APPROPRIATIONS

The results of the Group for the year ended 31 March 2013 are set out in the consolidated statement of comprehensive income on page 26.

The state of affairs of the Group and the Company as at 31 March 2013 are set out in the consolidated statement of financial position on page 27 and the statement of financial position on page 28, respectively.

The Board does not recommend the payment of any final dividend in respect of the year ended 31 March 2013 (2012: nil).

FINANCIAL SUMMARY

A summary of the results and of the assets and liabilities of the Group for the last five financial years is set out on page 106 of this annual report. This summary does not form part of the audited financial statements.

RESERVES

Movements in reserves of the Group and the Company during the year are set out in the consolidated statement of changes in equity on page 31 of this annual report and in note 35 to the financial statements, respectively.

DISTRIBUTABLE RESERVES

As at 31 March 2013 and 31 March 2012, the Company has no reserves available for distribution to its shareholders.

SHARE CAPITAL

Movements in share capital of the Company during the year are set out in note 33 to the financial statements.

PROPERTY, PLANT AND EQUIPMENT

Movements in property, plant and equipment of the Group during the year are set out in note 18 to the financial statements.



DIRECTORS' REPORT

CHARITABLE DONATIONS

The Group does not made any charitable donations during the year (2012: Nil).

DIRECTORS

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

Executive directors

Mr. Ding Baoshan (*Chairman*) (appointed on 14 December 2012)

Mr. Xiong Zeke (*Chief Executive Officer*) (appointed on 14 December 2012)

Ms. Qin Chunhong (appointed on 14 December 2012)

Mr. Cheung Jonathan

Mr. Cheng Wai Lam James (resigned on 15 April 2013)

Mr. Li Kangying (resigned on 14 December 2012)

Non-executive directors

Mr. Wang Dongbin (resigned on 14 December 2012)

Mr. Chau King Fai (resigned on 14 December 2012)

Independent non-executive directors

Ms. Zhang Lin (appointed on 14 December 2012)

Ms. Liu Talin (appointed on 14 December 2012)

Mr. Enhe Bayaer (appointed on 14 December 2012)

Mr. Yeung King Wah (resigned on 14 December 2012)

Mr. Gao Feng (resigned on 14 December 2012)

Mr. Chiang Sheung Yee (resigned on 14 December 2012)

In accordance with article 86(3) and 87(1) of the Company's Articles of Association, Mr. Ding Baoshan, Mr. Xiong Zeke, Ms. Qin Chunhong, Ms. Zhang Lin, Ms. Liu Talin and Mr. Enhe Bayaer will retire from office at the forthcoming annual general meeting.

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

MANAGEMENT CONTRACTS

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

DIRECTORS' REPORT

DIRECTORS' SERVICE CONTRACTS

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

DIRECTORS' INTERESTS IN CONTRACTS

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

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

As at 31 March 2013, none of the Directors or chief executive of the Company had any interests or short positions in any shares, underlying shares or debentures of the Company or any associated corporations (within the meaning of Part XV of the SFO) which would have to be notified to the Company and the Stock Exchange pursuant to Divisions 7 and 8 of Part XV of the SFO (including interests or short positions which they are taken or deemed to have such provisions which they are taken or deemed to have such provisions of the SFO), or which were required, pursuant to section 352 of the SFO, to be entered in the register referred to therein, or which were otherwise required, pursuant to the minimum standards of dealing by directors of listed issuers as referred to in Rules 5.46 to 5.67 of the GEM Listing Rules, to be notified to the Company and the Stock Exchange.

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

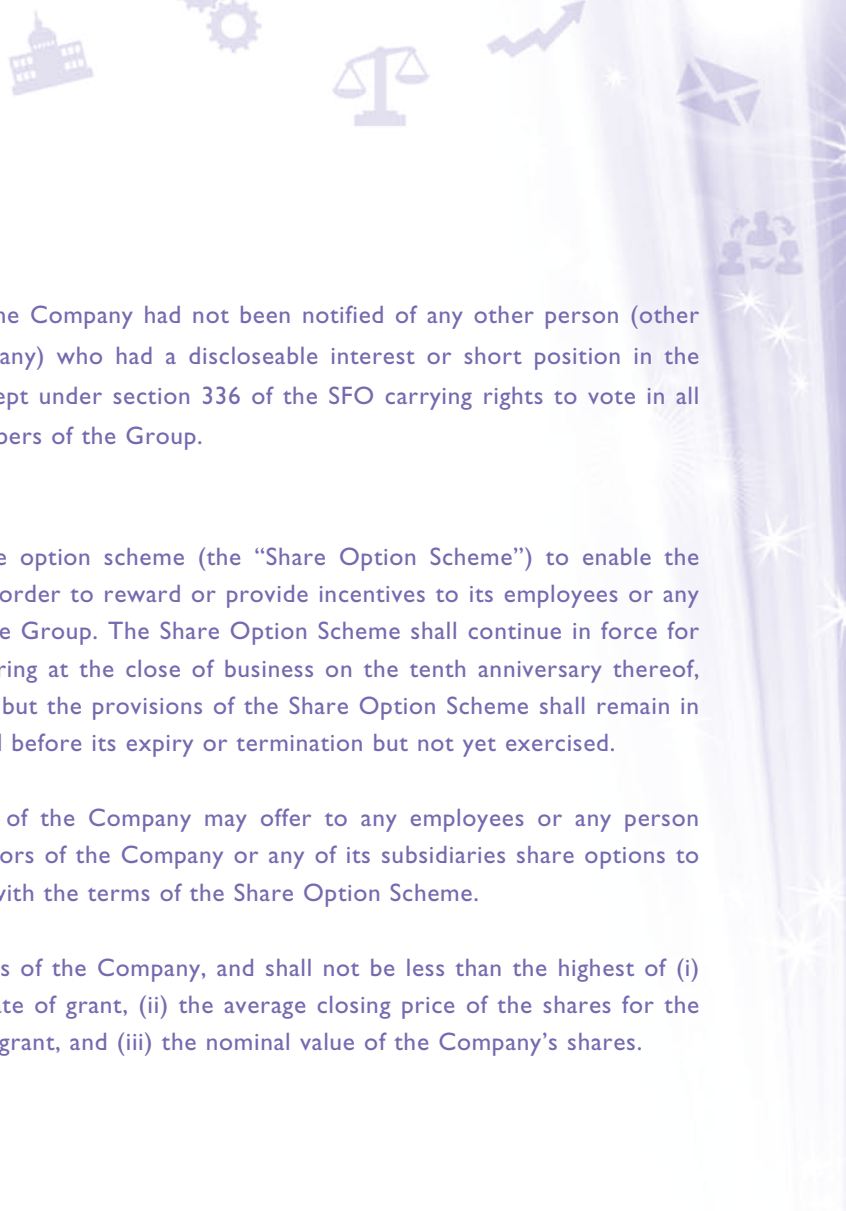
So far as is known to any Director or chief executive of the Company, as at 31 March 2013, the following persons (other than the Directors or chief executive of the Company as disclosed above) had an interest or short position in the Shares or underlying Shares of the Company which would fall to be disclosed to the Company under the provisions of Divisions 2 and 3 of Part XV of the SFO, or, who is expected, directly or indirectly, to be interested in 10 per cent. or more of the nominal value of any class of share capital carrying rights to vote in all circumstances at general meetings of any other member of the Group.

Long positions in shares

Name	Nature of Interest	Number of Shares	Percentage of shareholding
Shiny Ocean Holdings Limited	Beneficial Owner (Note)	707,356,693	68.63%
Mr. Ma Qiang	Interest of controlled corporation (Note)	707,356,693	68.63%

Notes:

Shiny Ocean Holdings Limited, a company incorporated in BVI, wholly and beneficially owned by Mr. Ma Qiang.



DIRECTORS' REPORT

Save as disclosed herein, as at 31 March 2013, the Company had not been notified of any other person (other than the Directors or chief executive of the Company) who had a discloseable interest or short position in the Shares as recorded in the register required to be kept under section 336 of the SFO carrying rights to vote in all circumstances at general meetings of any other members of the Group.

SHARE OPTION SCHEME

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

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

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

DIRECTORS' REPORT

Details of movement of options under the Share Option Scheme during the year ended 31 March 2013 was as follows:

Name or category of participant	Date of grant	Exercisable period	Exercise price per share HK\$	Number of share options				Balance as at 31 March 2013
				Balance as at 1 April 2012	Granted during the year	Exercised during the year	Cancelled during the year	
(i) Directors								
Wang Dongbin (Resigned on 14 December 2012)	26 March 2008	26 March 2008 to 25 March 2013	3.668	179,954	-	-	(179,954)	-
Yeung King Wah (Resigned on 14 December 2012)				179,954	-	-	(179,954)	-
Gao Feng (Resigned on 14 December 2012)				179,954	-	-	(179,954)	-
Employees				599,845	-	-	(599,845)	-
Total				1,139,707	-	-	(1,139,707)	-
(ii) Directors								
Wang Dongbin (Resigned on 14 December 2012)	18 March 2009	19 March 2009 to 18 March 2014	0.326	105,156	-	-	(105,156)	-
Yeung King Wah (Resigned on 14 December 2012)				105,156	-	-	(105,156)	-
Gao Feng (Resigned on 14 December 2012)				105,156	-	-	(105,156)	-
Employees				-	-	-	-	-
Total				315,468	-	-	(315,468)	-

DIRECTORS' REPORT

Name or category of participant	Date of grant	Exercisable period	Exercise price per share HK\$	Number of share options					Balance as at 31 March 2013
				Balance as at 1 April 2012	Granted during the year	Exercised during the year	Cancelled during the year	Lapsed during the year	
(iii) Directors									
Li Kangying (Resigned on 14 December 2012)	27 April 2010	27 April 2010 to 26 April 2015	0.984	3,886,200	-	-	(3,886,200)	-	-
Wang Dongbin (Resigned on 14 December 2012)				399,136	-	-	(399,136)	-	-
Gao Feng (Resigned on 14 December 2012)				137,160	-	-	(137,160)	-	-
Yeung King Wah (Resigned on 14 December 2012)				137,160	-	-	(137,160)	-	-
Employees				3,406,141	-	-	(1,280,160)	(2,125,981)	-
Total				7,965,797	-	-	(5,839,816)	(2,125,981)	-

PRE-EMPTIVE RIGHTS

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

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

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

EMOLUMENT POLICY

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

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

The Company has adopted a share option scheme as an incentive to directors and eligible employees, details of the scheme are set out in note 34 to the consolidated financial statements.

Details of the remuneration of the Directors and the five highest paid employees in the Group are set out in notes 10 and 11 respectively to the consolidated financial statements.

DIRECTORS' REPORT

RETIREMENT BENEFIT COST

Particulars of retirement benefit cost of the Group are set out in note 9 to the financial statements.

CONNECTED TRANSACTIONS

The Company did not have connected transactions for the year ended 31 March 2013.

COMPETING INTERESTS

For the year ended 31 March 2013, none of the Directors or the management shareholders or any of their respective associates (as defined in the GEM Listing Rules) of the Company had an interest in a business which causes or may causes any significant competition with the business of the Group.

SECURITIES TRANSACTIONS BY DIRECTORS

The Company has adopted a code of conduct regarding securities transactions by directors on terms no less exacting than the required standard of dealings as set out in Rules 5.48 to 5.67 of the GEM Listing Rules. The Company also had made specific enquiry of all Directors and the Company was not aware of any non-compliance with such code of conduct and required standard of dealings throughout year ended 31 March 2013.

SUFFICIENCY OF PUBLIC FLOAT

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

SEGMENT INFORMATION

An analysis of the principal activities and geographical locations of operations of the Group for the year ended 31 March 2013 is set out in note 17 to the financial statements.

MAJOR CUSTOMERS AND SUPPLIERS

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

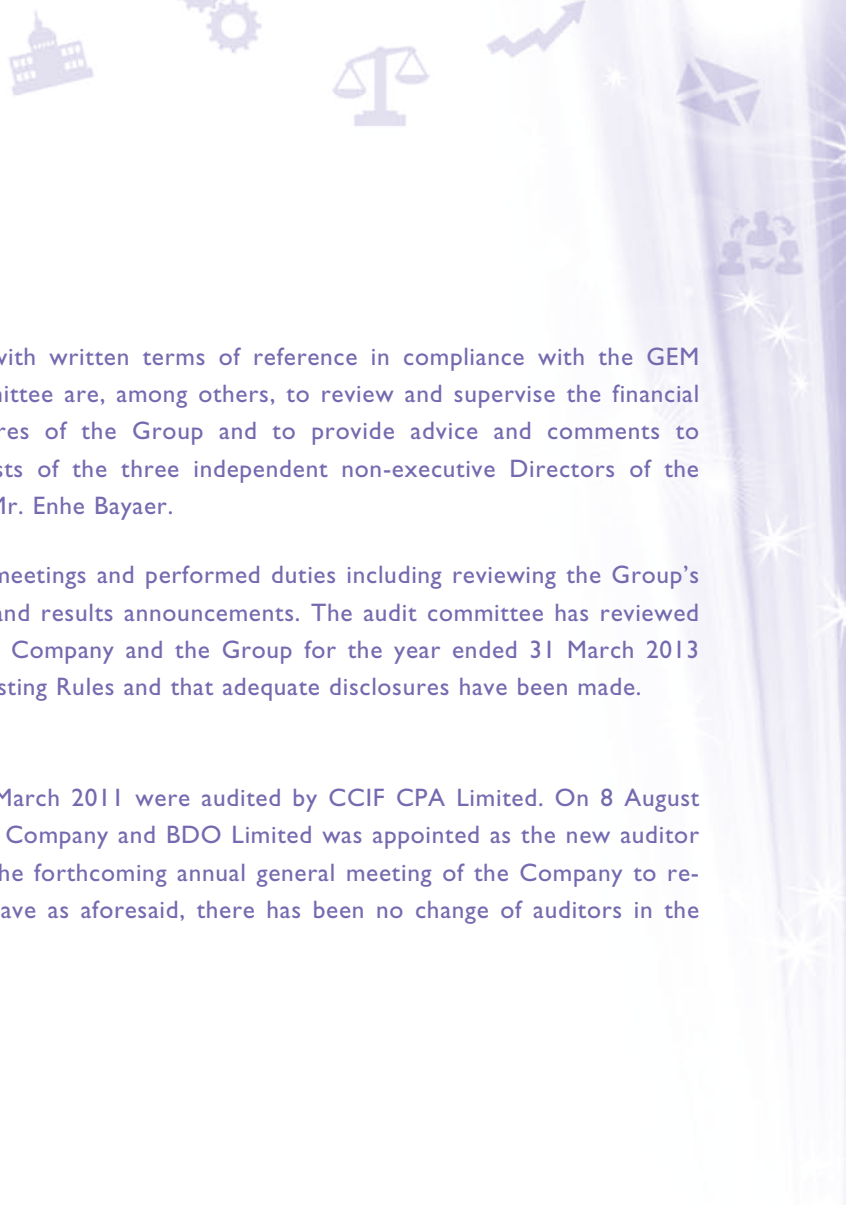
Purchases

– The largest supplier	8.24%
– Five largest suppliers in aggregate	31.40%

Sales

– The largest customer	58.51%
– Five largest customers in aggregate	80.61%

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



DIRECTORS' REPORT

AUDIT COMMITTEE

The Company established an audit committee with written terms of reference in compliance with the GEM Listing Rules. The primary duties of the audit committee are, among others, to review and supervise the financial reporting processes and internal control procedures of the Group and to provide advice and comments to the Board accordingly. The audit committee consists of the three independent non-executive Directors of the Company, namely, Ms. Zhang Lin, Ms. Lin Talin and Mr. Enhe Bayaer.

During the year, the audit committee held four meetings and performed duties including reviewing the Group's annual report, half-yearly report, quarterly reports and results announcements. The audit committee has reviewed and commented that the financial statements of the Company and the Group for the year ended 31 March 2013 comply with applicable accounting standards, GEM Listing Rules and that adequate disclosures have been made.

AUDITOR

The financial statements for the year ended 31 March 2011 were audited by CCIF CPA Limited. On 8 August 2011, CCIF CPA Limited resigned as auditors of the Company and BDO Limited was appointed as the new auditor of the Company. A resolution will be proposed at the forthcoming annual general meeting of the Company to re-appoint BDO Limited as auditor of the Company. Save as aforesaid, there has been no change of auditors in the past three years.

On behalf of the Board

Ding Baoshan

Chairman

China, 24 June 2013

INDEPENDENT AUDITOR'S REPORT



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香港干諾道中111號
永安中心25樓

To the shareholders of Pizu Group Holdings Limited

(incorporated in Cayman Islands with limited liability)

We have audited the consolidated financial statements of Pizu Group Holdings Limited (the "Company") and its subsidiaries (together the "Group") set out on pages 26 to 105, which comprise the consolidated and 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.

AUDITOR'S RESPONSIBILITY

Our responsibility is to express an opinion on these consolidated financial statements based on our audit. This report is made solely to you, as a body, in accordance with the terms of our engagement, 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.

BDO Limited
香港立信德豪會計師事務所有限公司

BDO Limited, a Hong Kong limited company, is a member of BDO International Limited, a UK company limited by guarantee, and forms part of the international BDO network of independent member firms.



INDEPENDENT AUDITOR'S REPORT

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

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

OPINION

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

BDO Limited

Certified Public Accountants

Chiu Wing Cheung Ringo

Practising Certificate Number P04434

Hong Kong, 24 June 2013

CONSOLIDATED STATEMENT OF COMPREHENSIVE INCOME

FOR THE YEAR ENDED 31 MARCH 2013

	Notes	2013 RMB'000	2012 RMB'000
Continuing operations			
Revenue	6	32,381	56,673
Cost of goods sold and services provided		(27,492)	(53,229)
Gross profit		4,889	3,444
Other income and gain	7	670	413
Administrative and other operating expenses		(14,341)	(32,133)
Impairment loss on goodwill	21	(15,670)	(4,129)
Fair value loss on financial assets at fair value through profit or loss		(4)	(617)
Gain on early redemption of convertible bonds	31	3,640	894
Change in fair value of derivative financial asset	31	(20)	(90)
Loss from operations		(20,836)	(32,218)
Finance costs	12	(2,464)	(4,521)
Loss before income tax	8	(23,300)	(36,739)
Income tax (expense)/credit	13	(119)	45
Loss for the year from continuing operations		(23,419)	(36,694)
Discontinued operation			
Loss for the year from discontinued operation	14	–	(13,759)
Loss for the year	15	(23,419)	(50,453)
Other comprehensive income			
Exchange differences arising from:			
– translation of financial statements of foreign operations		–	(15,491)
– reclassification relating to disposal of subsidiaries		–	9,224
Other comprehensive income for the year		–	(6,267)
Total comprehensive income for the year		(23,419)	(56,720)
		RMB	RMB
Basic and diluted loss per share:			
	16		
– From continuing and discontinued operations		(0.025)	(0.101)
– From continuing operations		(0.025)	(0.074)
– From discontinued operation		N/A	(0.027)

CONSOLIDATED STATEMENT OF FINANCIAL POSITION

AS AT 31 MARCH 2013

	Notes	2013 RMB'000	2012 RMB'000
Non-current assets			
Property, plant and equipment	18	641	868
Intangible assets	19	7,142	11,910
Goodwill	21	20,761	36,431
Derivative financial asset	31	–	20
		28,544	49,229
Current assets			
Trade and other receivables, prepayments and deposits	22	8,271	10,985
Loan receivable	23	–	12,150
Financial assets at fair value through profit or loss	24	–	153
Cash and cash equivalents	25	16,135	28,221
		24,406	51,509
Current liabilities			
Trade payables	26	1,574	4,531
Other payables and accruals	27	9,725	9,709
Obligation under finance leases	29	–	3
Income tax payable		373	385
		11,672	14,628
Net current assets		12,734	36,881
Total assets less current liabilities		41,278	86,110
Non-current liabilities			
Other payables and accruals	27	833	–
Loan from a shareholder	30	30,421	–
Convertible bonds	31	–	47,237
Deferred tax	32	1,786	1,670
		33,040	48,907
Net assets		8,238	37,203
Capital and reserves			
Share capital	33	19,582	18,877
Reserves	35	(11,344)	18,326
Total equity		8,238	37,203

On behalf of the Board

XIONG ZEKE

Director

CHEUNG JONATHAN

Director

STATEMENT OF FINANCIAL POSITION

AS AT 31 MARCH 2013

	Notes	2013 RMB'000	2012 RMB'000
Non-current assets			
Property, plant and equipment	18	56	163
Investments in subsidiaries	20	34,688	54,823
Derivative financial asset	31	–	20
		<u>34,744</u>	<u>55,006</u>
Current assets			
Prepayments and deposits	22	1	2
Amounts due from subsidiaries	28	3,400	14,900
Cash and cash equivalents	25	12,623	14,064
		<u>16,024</u>	<u>28,966</u>
Current liabilities			
Other payables and accruals	27	500	556
Amounts due to subsidiaries	28	16,775	6,328
Obligation under finance leases	29	–	3
		<u>17,275</u>	<u>6,887</u>
Net current (liabilities)/assets		<u>(1,251)</u>	<u>22,079</u>
Total assets less current liabilities		<u>33,493</u>	<u>77,085</u>
Non-current liabilities			
Other payables and accruals	27	833	–
Loan from a shareholder	30	30,421	–
Convertible bonds	31	–	47,237
		<u>31,254</u>	<u>47,237</u>
Net assets		<u>2,239</u>	<u>29,848</u>
Capital and reserves			
Share capital	33	19,582	18,877
Reserves	35	(17,343)	10,971
Total equity		<u>2,239</u>	<u>29,848</u>

On behalf of the Board

XIONG ZEKE

Director

CHEUNG JONATHAN

Director

CONSOLIDATED STATEMENT OF CASH FLOWS

FOR THE YEAR ENDED 31 MARCH 2013

	2013 RMB'000	2012 RMB'000
Cash flows from operating activities		
Loss before income tax from continuing operations	(23,300)	(36,739)
Loss before income tax from discontinued operation	–	(7,067)
	(23,300)	(43,806)
Adjustments for:		
Amortisation of intangible assets	4,768	8,160
Change in fair value of derivative financial asset	20	90
Depreciation	214	283
Fair value loss on financial asset at fair value through profit or loss	4	617
Finance costs	2,464	4,521
Gain on early redemption of convertible bonds	(3,640)	(894)
Impairment loss on goodwill	15,670	4,129
(Reversal of impairment for)/Impairment of trade receivables	(47)	1,831
Interest income	(8)	(19)
Loss on disposal of property, plant and equipment	34	116
Written off of trade receivables	–	5,431
Written off of inventories	–	3,015
	(3,821)	(16,526)
Operating loss before working capital changes	(3,821)	(16,526)
Increase in inventories	–	(3,015)
Decrease in trade and other receivables, prepayments and deposits	2,761	13,810
Decrease/(Increase) in loan receivable	12,150	(12,150)
Decrease/(Increase) in financial asset at fair value through profit or loss	149	(770)
Decrease in trade payables	(2,957)	(579)
Increase/(Decrease) in other payables and accruals	16	(185)
	8,298	(19,415)
Cash generated from/(used in) operations	8,298	(19,415)
Interest element of finance leases	(1)	(1)
Income tax paid	(15)	(435)
	8,282	(19,851)
<i>Net cash generated from/(used in) operating activities</i>	8,282	(19,851)

CONSOLIDATED STATEMENT OF CASH FLOWS

FOR THE YEAR ENDED 31 MARCH 2013

	2013 RMB'000	2012 RMB'000
Cash flows from investing activities		
Interest received	8	19
Net proceed from disposal of subsidiaries (note 38)	–	18,897
Purchase of property, plant and equipment	(101)	(568)
Proceeds from disposals of property, plant and equipment	80	–
	<hr/>	<hr/>
<i>Net cash (used in)/generated from investing activities</i>	(13)	18,348
	<hr/>	<hr/>
Cash flows from financing activities		
Proceeds from issue of ordinary shares under open offer	–	41,217
Proceeds from issue of ordinary shares under subscriptions	11,346	–
Share issue expenses	(169)	(2,284)
Redemption payments of convertible bonds (note 39)	(19,049)	(14,612)
Repayment of obligation under finance leases	(3)	(7)
Repayment of loan from a third party (note 39)	(12,150)	–
Interest paid to loan from a third party	(330)	–
	<hr/>	<hr/>
<i>Net cash (used in)/generated from financing activities</i>	(20,355)	24,314
	<hr/>	<hr/>
Net (decrease)/increase in cash and cash equivalents	(12,086)	22,811
	<hr/>	<hr/>
Cash and cash equivalents at beginning of the year	28,221	5,679
	<hr/>	<hr/>
Effect of exchange rate changes on cash and cash equivalents	–	(269)
	<hr/>	<hr/>
Cash and cash equivalents at end of the year	16,135	28,221
	<hr/>	<hr/>

CONSOLIDATED STATEMENT OF CHANGES IN EQUITY

FOR THE YEAR ENDED 31 MARCH 2013

	Share capital RMB'000	Share premium* RMB'000	Capital distributable reserve* RMB'000	Contributed surplus* RMB'000	Convertible bonds equity reserve* RMB'000	Share-based compensation reserve* RMB'000	Foreign currency translation reserve* RMB'000	Statutory and other reserves* RMB'000	Accumulated losses* RMB'000	Total RMB'000
At 1 April 2011	83,852	296,295	-	933	34,246	14,660	(7,656)	-	(411,440)	10,890
Loss for the year	-	-	-	-	-	-	-	-	(50,453)	(50,453)
Other comprehensive income:										
Exchange differences from										
- translation of financial statements of foreign operations	-	-	-	-	-	-	(15,491)	-	-	(15,491)
- reclassification relating to disposal of subsidiaries (note 38)	-	-	-	-	-	-	9,224	-	-	9,224
Total comprehensive income for the year	-	-	-	-	-	-	(6,267)	-	(50,453)	(56,720)
Capital Reorganisation (note 33(ii))	(74,912)	(353,283)	23,714	-	-	-	-	-	404,481	-
Shares issued upon conversion of convertible bonds (notes 31 & 33(i))	3,822	56,988	-	-	(12,344)	-	-	-	-	48,466
Shares issued upon Open Offer (note 33(iv))	6,115	35,102	-	-	-	-	-	-	-	41,217
Share issue expenses (note 33(iv))	-	(2,284)	-	-	-	-	-	-	-	(2,284)
Early redemption of convertible bonds (note 31)	-	-	-	-	(4,159)	-	-	-	(207)	(4,366)
Transfer upon forfeiture of vested share options (note 34(ii) & (iv))	-	-	-	-	-	(11,102)	-	-	11,102	-
Transactions with owners	(64,975)	(263,477)	23,714	-	(16,503)	(11,102)	-	-	415,376	83,033
At 31 March 2012 and 1 April 2012	18,877	32,818	23,714	933	17,743	3,558	(13,923)	-	(46,517)	37,203
Transfer to statutory and other reserves	-	-	-	-	-	-	-	1,135	(1,135)	-
Loss for the year/Total comprehensive income for the year	-	-	-	-	-	-	-	-	(23,419)	(23,419)
Early redemption of convertible bonds (note 31)	-	-	-	-	(17,743)	-	-	-	1,020	(16,723)
Transfer upon cancellation/lapse of vested share options (note 34(i))	-	-	-	-	-	(3,558)	-	-	3,558	-
Issue of shares upon Subscriptions (note 33(v))	705	10,641	-	-	-	-	-	-	-	11,346
Share issue expenses (note 33(v))	-	(169)	-	-	-	-	-	-	-	(169)
Transactions with owners	705	10,472	-	-	(17,743)	(3,558)	-	-	4,578	(5,546)
At 31 March 2013	19,582	43,290	23,714	933	-	-	(13,923)	1,135	(66,493)	8,238

* The total of these equity accounts as at reporting date represents "reserves" in the consolidated statement of financial position.

NOTES TO THE FINANCIAL STATEMENTS

31 MARCH 2013

1. CORPORATE INFORMATION

Pizu Group Holdings Limited (the “Company”) is incorporated in Cayman Islands as an exempted company with limited liability. The address of its registered office is Royal Bank of Canada Trust Company (Cayman) Limited, 4th Floor, Royal Bank House, 24 Shedden Road, George Town, Grand Cayman KY1-1110, Cayman Islands. The address of its principal place of business is Flat A, 11/F., Two Chinachem Plaza, 68 Connaught Road 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”) since 6 August 2004.

The directors consider its ultimate parent is Shiny Ocean Holdings Limited, a company incorporated in British Virgin Islands (“BVI”).

The Company and its subsidiaries (collectively, the “Group”) were principally engaged in the provision of school network integration services and information technology related services in the People’s Republic of China (the “PRC”). During last financial year, the Group diversified its business into money lending and ceased the business of providing information technology services for the electric power industry as further explained in note 14. Details of the Company’s subsidiaries are set out in note 20.

Pursuant to a special resolution passed at the extraordinary general meeting of the Company held on 11 April 2012, and with the approval of the Registrar of Companies on 9 May 2012, the name of the Company has been changed from “China Electric Power Technology Holdings Limited 中國電力科技控股有限公司” to “Pizu Group Holdings Limited 比優集團控股有限公司”.

The financial statements for the year ended 31 March 2013 were approved for issue by the board of directors on 24 June 2013.

2. ADOPTION OF HONG KONG FINANCIAL REPORTING STANDARDS (“HKFRSs”)

2.1 Adoption of new/revised HKFRSs – effective from 1 April 2012

In the current year, the Group has applied for the first time the following amended HKFRS issued by the Hong Kong Institute of Certified Public Accountants (“HKICPA”), which is relevant to and effective for the Group’s financial statements for the annual period beginning on 1 April 2012:

Amendments to HKFRS 7

Disclosures – Transfers of Financial Assets

The adoption of the revised standard has no significant impact on the Group’s financial statements.

NOTES TO THE FINANCIAL STATEMENTS

31 MARCH 2013

2. ADOPTION OF HONG KONG FINANCIAL REPORTING STANDARDS (“HKFRSs”) (Continued)

2.2 New or amended HKFRSs that have been issued but are not yet effective

The following new or amended HKFRSs, potentially relevant to the Group’s financial statements, have been issued, but are not yet effective and have not been early adopted by the Group.

Amendments to HKAS 1 (Revised)	Presentation of Financial Statements – Presentation of Items of Other Comprehensive Income ¹
Amendments to HKAS 32	Presentation – Offsetting Financial Assets and Financial Liabilities ³
Amendments to HKFRS 7	Financial instruments: Disclosures – Offsetting Financial Assets and Financial Liabilities ²
HKFRS 9	Financial Instruments ⁴
HKFRS 10	Consolidated Financial Statements ²
HKFRS 12	Disclosure of Interests in Other Entities ²
HKFRS 13	Fair Value Measurement ²
HKAS 27 (2011)	Separate Financial Statements ²
HKFRSs (Amendments)	Annual Improvements 2009-2011 Cycle ²

¹ Effective for annual periods beginning on or after 1 July 2012

² Effective for annual periods beginning on or after 1 January 2013

³ Effective for annual periods beginning on or after 1 January 2014

⁴ Effective for annual periods beginning on or after 1 January 2015

Amendments to HKAS 1 (Revised) Presentation of Financial Statements – Presentation of Items of Other Comprehensive Income

These amendments require the Group to separate items presented in other comprehensive income into those that may be reclassified to profit and loss in the future (e.g. revaluations of available-for-sale financial assets) and those that may not (e.g. revaluations of property, plant and equipment). Tax on items of other comprehensive income is allocated and disclosed on the same basis. The amendments will be applied retrospectively.

Amendments to HKAS 32 Presentation – Offsetting Financial Assets and Financial Liabilities

The amendments clarify the offsetting requirements by adding application guidance to HKAS 32 which clarifies when an entity “currently has a legally enforceable right to set off” and when a gross settlement mechanism is considered equivalent to net settlement.

NOTES TO THE FINANCIAL STATEMENTS

31 MARCH 2013

2. ADOPTION OF HONG KONG FINANCIAL REPORTING STANDARDS (“HKFRSs”) (Continued)

2.2 New or amended HKFRSs that have been issued but are not yet effective (Continued)

Amendments to HKFRS 7 Financial Instruments: Disclosures – Offsetting Financial Assets and Financial Liabilities

HKFRS 7 is amended to introduce disclosures for all recognised financial instruments that are set off under HKAS 32 and those that are subject to an enforceable master netting agreement or similar arrangement, irrespective of whether they are set off under HKAS 32.

HKFRS 9 Financial Instruments

HKFRS 9 issued in November 2009 is the first part of phase I of a comprehensive project to entirely replace HKAS 39 Financial Instruments: Recognition and Measurement. This phase focuses on the classification and measurement of financial assets. Instead of classifying financial assets into four categories, an entity shall classify financial assets as subsequently measured at either amortised cost or fair value, on the basis of both the entity’s business model for managing the financial assets and the contractual cash flow characteristics of the financial assets. Fair value gains and losses will be recognised in profit or loss except for those non-trade equity investments, which the entity will have a choice to recognise the gains and losses in other comprehensive income. This aims to improve and simplify the approach for the classification and measurement of financial assets compared with the requirements of HKAS 39.

In November 2010, the HKICPA issued additions to HKFRS 9 to address financial liabilities (the “Additions”) and incorporated in HKFRS 9 the current derecognition principles of financial instruments of HKAS 39. Most of the Additions were carried forward unchanged from HKAS 39, while changes were made to the measurement of financial liabilities designated at fair value through profit or loss using the fair value option. For these fair value option liabilities, the amount of change in the fair value of a liability that is attributable to changes in credit risk must be presented in other comprehensive income. The remainder of the change in fair value is presented in profit or loss, unless presentation of the fair value change in respect of the liability’s credit risk in other comprehensive income would create or enlarge an accounting mismatch in profit or loss. However, loan commitments and financial guarantee contracts which have been designated under the fair value option are scoped out of the Additions.

HKAS 39 is aimed to be replaced by HKFRS 9 in its entirety. Before this entire replacement, the guidance in HKAS 39 on hedge accounting and impairment of financial assets continues to apply.

NOTES TO THE FINANCIAL STATEMENTS

31 MARCH 2013

2. ADOPTION OF HONG KONG FINANCIAL REPORTING STANDARDS (“HKFRSs”) (Continued)

2.2 New or amended HKFRSs that have been issued but are not yet effective (Continued)

HKFRS 10 Consolidated Financial Statements

HKFRS 10 introduces a single control model for consolidation of all investee entities. An investor has control when it has power over the investee (whether or not that power is used in practice), exposure or rights to variable returns from the investee and the ability to use the power over the investee to affect those returns. HKFRS 10 contains extensive guidance on the assessment of control. For example, the standard introduces the concept of “de facto” control where an investor can control an investee while holding less than 50% of the investee’s voting rights in circumstances where its voting interest is of sufficiently dominant size relative to the size and dispersion of those of other individual shareholders to give it power over the investee. Potential voting rights are considered in the analysis of control only when these are substantive, i.e. the holder has the practical ability to exercise them. The standard explicitly requires assessment of whether an investor with decision making rights is acting as principal or agent and also whether other parties with decision making rights are acting as agents of the investor. An agent is engaged to act on behalf of and for the benefit of another party and therefore does not control the investee when it exercises its decision making authority. The implementation of HKFRS 10 may result in changes in those entities which are regarded as being controlled by the Group and are therefore consolidated in the financial statements. The accounting requirements in the existing HKAS 27 on other consolidation related matters are carried forward unchanged. HKFRS 10 is applied retrospectively subject to certain transitional provisions.

HKFRS 12 Disclosure of Interests in Other Entities

HKFRS 12 integrates and makes consistent the disclosures requirements about interests in subsidiaries, associates and joint arrangements. It also introduces new disclosure requirements, including those related to unconsolidated structured entities. The general objective of the standard is to enable users of financial statements to evaluate the nature and risks of a reporting entity’s interests in other entities and the effects of those interests on the reporting entity’s financial statements.

HKFRS 13 Fair Value Measurements

HKFRS 13 provides a single source of guidance on how to measure fair value when it is required or permitted by other standards. The standard applies to both financial and non-financial items measured at fair value and introduces a fair value measurement hierarchy. The definitions of the three levels in this measurement hierarchy are generally consistent with HKFRS 7 Financial Instruments: Disclosures. HKFRS 13 defines fair value as the price that would be received to sell an asset or paid to transfer a liability in an orderly transaction between market participants at the measurement date (i.e. an exit price). The standard removes the requirement to use bid and ask prices for financial assets and liabilities quoted in an active market. Rather the price within the bid-ask spread that is most representative of fair value in the circumstances should be used. It also contains extensive disclosure requirements to allow users of the financial statements to assess the methods and inputs used in measuring fair values and the effects of fair value measurements on the financial statements. HKFRS 13 can be adopted early and is applied prospectively.

NOTES TO THE FINANCIAL STATEMENTS

31 MARCH 2013

2. ADOPTION OF HONG KONG FINANCIAL REPORTING STANDARDS (“HKFRSs”) (Continued)

2.2 New or amended HKFRSs that have been issued but are not yet effective (Continued)

HKFRSs (Amendments) Annual Improvements 2009-2011 Cycle

The improvements made amendments to five standards in which four standards are relevant to the Group.

(i) HKAS 1 Presentation of Financial Statements

The amendments clarify that the requirement to present a third statement of financial position when an entity applies an accounting policy retrospectively or makes a retrospective restatement or reclassification of items in its financial statements is limited to circumstances where there is a material effect on the information in that statement of financial position. The date of the opening statement of financial position is the beginning of the preceding period and not, as at present, the beginning of the earliest comparative period. The amendments also clarify that, except for disclosures required by HKAS 1.41-44 and HKAS 8, the related notes to the third statement of financial position are not required to be presented. An entity may present additional voluntary comparative information as long as that information is prepared in accordance with HKFRS. This may include one or more statements and not a complete set of financial statements. Related notes are required for each additional statement presented.

(ii) HKAS 16 Property, Plant and Equipment

The amendments clarify that items such as spare parts, stand-by equipment and servicing equipment are recognised as property, plant and equipment when they meet the definition of property, plant and equipment. Otherwise, such items are classified as inventory.

(iii) HKAS 32 Financial Instruments: Presentation

The amendments clarify that income tax relating to distributions to holders of an equity instrument and to transaction costs of an equity transaction should be accounted for in accordance with HKAS 12 Income Taxes. Depending on the circumstances these items of income tax might be recognised in equity, other comprehensive income or in profit or loss.

(iv) HKAS 34 Interim Financial Reporting

The amendments clarifies that in interim financial statements, a measure of total assets and liabilities for a particular reportable segment need to be disclosed when the amounts are regularly provided to the chief operating decision maker and there has been a material change in the total assets and liabilities for that segment from the amount disclosed in the last annual financial statements.

The Group is in the process of making an assessment of the potential impact of these new or revised HKFRSs and the directors so far concluded that the application of these new or revised HKFRSs will have no material impact on the Group's financial statements.

NOTES TO THE FINANCIAL STATEMENTS

31 MARCH 2013

3. BASIS OF PREPARATION

The consolidated financial statements on pages 26 to 105 have been prepared in accordance with HKFRSs which collective term includes all applicable individual Hong Kong Financial Reporting Standards, Hong Kong Accounting Standards and Interpretations issued by the HKICPA and the disclosure requirements of the Hong Kong Companies Ordinance. In addition, the financial statements include the applicable disclosures required by the Rules Governing the Listing of Securities on GEM of the Stock Exchange.

The significant accounting policies that have been used in the preparation of these financial statements are summarised in note 4. These policies have been consistently applied to all the years presented unless otherwise stated. The adoption of new or amended HKFRSs and the impact on the Group's financial statements, if any, are disclosed in note 2.

The financial statements have been prepared on the historical cost basis except for the derivative financial asset and the investments in equity securities, which are measured at fair value. The measurement bases are fully described in the accounting policies below.

The functional currency of the Company is Hong Kong Dollars ("HK\$"). The consolidated financial statements are presented in Renminbi ("RMB") which in the opinion of the directors is appropriate, since the major subsidiaries of the Group are operating in the RMB environment and the functional currency of these major subsidiaries is RMB.

It should be noted that accounting estimates and assumptions are used in preparation of these 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 Group's financial statements, are disclosed in note 5.

4. SIGNIFICANT ACCOUNTING POLICIES

4.1 Business combination and basis of consolidation

The consolidated financial statements comprise the financial statements of the Company and its subsidiaries (see note 4.2 below) made up to 31 March each year. Subsidiaries are consolidated from the date of acquisition, being the date on which the Group obtains control, and continue to be consolidated until the date that such control ceases. Inter-company transactions and balances between group companies together with unrealised profits are eliminated in full in preparing the consolidated financial statements. Unrealised losses are also eliminated unless the transaction provides evidence of impairment on the asset transferred, in which case the loss is recognised in profit or loss.

NOTES TO THE FINANCIAL STATEMENTS

31 MARCH 2013

4. SIGNIFICANT ACCOUNTING POLICIES (Continued)

4.1 Business combination and basis of consolidation (Continued)

The results of subsidiaries acquired or disposed of during the year are included in the consolidated statement of comprehensive income from the effective dates of acquisition or up to the effective dates of disposal, as appropriate. Where necessary, adjustments are made to the financial statements of subsidiaries to bring their accounting policies into line with those used by other members of the Group.

Acquisition of subsidiaries or businesses is accounted for using the acquisition method. The cost of an acquisition is measured at the aggregate of the acquisition-date fair value of assets transferred, liabilities incurred and equity interests issued by the Group, as the acquirer. The identifiable assets acquired and liabilities assumed are principally measured at acquisition-date fair value. The Group's previously held equity interest in the acquiree is re-measured at acquisition-date fair value and the resulting gains or losses are recognised in profit or loss. Acquisition-related costs incurred are expensed unless they are incurred in issuing equity instruments in which case the costs are deducted from equity.

Any contingent consideration to be transferred by the acquirer is recognised at acquisition-date fair value. Subsequent changes to the fair value of contingent consideration are recognised against goodwill only to the extent that they arise from new information obtained within the measurement period (a maximum of 12 months from the acquisition date) about the fair value at the acquisition date. All other subsequent changes to contingent consideration classified as an asset or a liability are recognised in profit or loss. If the contingent consideration is classified as equity, it will not be remeasured.

Contingent consideration balances arising from business combinations whose acquisition dates preceded 1 January 2010 (i.e. the date the Group first applied HKFRS 3 (2008)) have been accounted for in accordance with the transition requirements in the standard. Such balances are not adjusted upon first application of the standard. Subsequent revisions to estimates of such consideration are treated as adjustments to the cost of these business combinations and are recognised as part of goodwill.

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

NOTES TO THE FINANCIAL STATEMENTS

31 MARCH 2013

4. SIGNIFICANT ACCOUNTING POLICIES (Continued)

4.1 Business combination and 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. Amounts previously recognised in other comprehensive income in relation to the subsidiary are accounted for in the same manner as would be required if the relevant assets or liabilities were disposed of.

Goodwill arising on business combination is measured according to the policies in note 4.3.

4.2 Subsidiaries

A subsidiary is an entity over which the Company is able to exercise control. Control is achieved where the Company, directly or indirectly, has the power to govern the financial and operating policies of an entity so as to obtain benefits from its activities. In assessing control, potential voting rights that are presently exercisable are taken into account.

In the Company's statement of financial position, investments in subsidiaries are stated at cost less impairment loss, if any. The results of subsidiaries are accounted for by the Company on the basis of dividend received and receivable.

4.3 Goodwill

Goodwill is initially recognised at cost being the excess of the aggregate of consideration transferred and the amount recognised for non-controlling interests over the fair value of identifiable assets acquired, liabilities assumed including contingent liabilities as at the date of acquisition.

Where the fair value of identifiable assets, liabilities and contingent liabilities exceed the fair value of consideration paid, the excess is recognised in profit or loss on the acquisition date, after re-assessment.

Goodwill is measured at cost less impairment losses. For the purpose of impairment testing, goodwill arising from an acquisition is allocated to each of the relevant cash-generating units that are expected to benefit from the synergies of the acquisition. A cash-generating unit to which goodwill has been allocated is tested for impairment annually, and whenever there is an indication that the unit may be impaired (note 4.17).

On disposal of a subsidiary, the carrying amount of goodwill relating to the entity sold is included in determining the amount of the gain or loss on disposal.

NOTES TO THE FINANCIAL STATEMENTS

31 MARCH 2013

4. SIGNIFICANT ACCOUNTING POLICIES (Continued)

4.4 Property, plant and equipment

Property, plant and equipment are stated at cost less accumulated depreciation and any impairment losses (note 4.17). The cost of property, plant and equipment includes its purchase price and the costs directly attributable to the acquisition of the items.

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 repairs and maintenance are recognised as an expense in profit or loss during the financial period in which they are incurred.

Property, plant and equipment are depreciated so as to write off their cost net of expected residual value over their estimated useful lives on a straight-line basis. The useful lives, residual value and depreciation method are reviewed, and adjusted if appropriate, at the end of each reporting period. The useful lives are as follows:

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

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

Assets held under finance leases are depreciated over their expected useful lives on the same basis as owned assets, or where shorter, the term of the relevant lease.

The gain or loss on disposal of an item of property, plant and equipment is the difference between the net sale proceeds and its carrying amount, and is recognised in profit or loss on disposal.



NOTES TO THE FINANCIAL STATEMENTS

31 MARCH 2013

4. SIGNIFICANT ACCOUNTING POLICIES (Continued)

4.5 Intangible assets (other than goodwill)

Acquired intangible assets

Intangible assets acquired separately are initially recognised at cost. The cost of intangible assets acquired in a business combination are their fair values at the date of acquisition. Subsequently, intangible assets with finite useful lives are carried at cost less accumulated amortisation and impairment losses (note 4.17).

Amortisation is provided on a straight-line basis over their useful lives as follows:

Customer contracts	Over the terms of the contracts
Forensic centre contractual rights	5 years
Customer base	5 years
Technology know-how	10 years
Acquired computer software	3 years

The amortisation expense is recognised in profit or loss and included in administrative and other operating expenses.

Internally generated intangible assets (research and development costs)

Expenditure on internally developed products is capitalised if it can be demonstrated that:

- it is technically feasible to develop the product for it to be sold;
- adequate resources are available to complete the development;
- there is an intention to complete and sell the product;
- the Group is able to sell the product;
- sale of the product will generate future economic benefits; and
- expenditure on the project can be measured reliably.

Capitalised development costs are amortised over the periods the Group expects to benefit from selling the products developed. The amortisation expense is recognised in profit or loss and included in administrative and other operating expenses.

Development expenditure not satisfying the above criteria and expenditure on the research phase of internal projects are recognised in profit or loss as incurred.

Internally generated intangible assets are tested for impairment when there is an indication that an asset may be impaired (note 4.17)

NOTES TO THE FINANCIAL STATEMENTS

31 MARCH 2013

4. SIGNIFICANT ACCOUNTING POLICIES (Continued)

4.6 Leased assets

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

The Group as lessor

Rental income from operating leases is recognised in profit or loss on a straight-line basis over the term of the relevant lease. Initial direct costs incurred in negotiating and arranging an operating lease are added to the carrying amount of the leased asset and recognised as an expense on the straight-line basis over the lease term.

The Group as lessee

Assets held under finance leases are initially recognised as assets at their fair value or, if lower, the present value of the minimum lease payments. The corresponding lease commitment is shown as a liability. Lease payments are analysed between capital and interest. The interest element is charged to profit or loss over the period of the lease and is calculated so that it represents a constant proportion of the lease liability. The capital element reduces the balance owed to the lessor.

The total rentals payable under the operating leases are recognised in profit or loss on a straight-line basis over the lease term. Lease incentives received are recognised as an integrated part of the total rental expense, over the term of the lease.

4.7 Financial instruments

(i) *Financial assets*

The Group classifies its financial assets at initial recognition, depending on the purpose for which the asset was acquired. Financial assets at fair value through profit or loss are initially measured at fair value and all other financial assets are initially measured at fair value plus transaction costs that are directly attributable to the acquisition of the financial assets. Regular way purchases or sales of financial assets are recognised and derecognised on a trade date basis. A regular way purchase or sale is a purchase or sale of a financial asset under a contract whose terms require delivery of the asset within the time frame established generally by regulation or convention in the marketplace concerned.

The Group derecognises a financial asset when the contractual rights to the future cash flows in relation to the financial asset expire or when the financial asset has been transferred and the transfer meets the criteria for derecognition in accordance with HKAS 39.

NOTES TO THE FINANCIAL STATEMENTS

31 MARCH 2013

4. SIGNIFICANT ACCOUNTING POLICIES (Continued)

4.7 Financial instruments (Continued)

(i) *Financial assets (Continued)*

Financial assets at fair value through profit or loss

These assets include financial assets held for trading and financial assets designated upon initial recognition as at fair value through profit or loss. Financial assets are classified as held for trading if they are acquired for the purpose of sale in the near term. Derivatives, included separated embedded derivatives, are also classified as held for trading, unless they are designated as effective hedging instruments.

Financial assets may be designated upon initial recognition as at fair value through profit or loss if the following criteria are met: (i) the designation eliminates or significantly reduces the inconsistent treatment that would otherwise arise from measuring the assets or recognising gains or losses on them on a different basis; (ii) the assets are part of a group of financial assets which is managed and its performance evaluated on a fair value basis according to a documented management strategy; or (iii) the financial asset contains an embedded derivative that would need to be separately recorded.

Subsequent to initial recognition, financial assets at fair value through profit or loss are measured at fair value, with changes in fair value recognised in profit or loss in the period in which they arise.

Loans and receivables

These assets are non-derivative financial assets with fixed or determinable payments that are not quoted in an active market. They arise principally through the provision of goods and services to customers (trade debtors), and also incorporate other types of contractual monetary asset. Subsequent to initial recognition, they are carried at amortised cost using the effective interest method, less any identified impairment losses.

NOTES TO THE FINANCIAL STATEMENTS

31 MARCH 2013

4. SIGNIFICANT ACCOUNTING POLICIES (Continued)

4.7 Financial instruments (Continued)

(ii) *Impairment loss on financial assets*

The Group assesses, at the end of each reporting period, whether there is any objective evidence that financial asset is impaired. Financial asset is impaired if there is objective evidence of impairment as a result of one or more events that has occurred after the initial recognition of the asset and that event has an impact on the estimated future cash flows of the financial asset that can be reliably estimated. Evidence of impairment may include:

- significant financial difficulty of the debtor;
- a breach of contract, such as a default or delinquency in interest or principal payments;
- granting concession to a debtor because of debtor's financial difficulty;
- it becoming probable that the debtor will enter bankruptcy or other financial reorganisation; and
- a significant or prolonged decline in the fair value of an investment in an equity instrument below its cost.

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 include 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 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 impairment loss is recognised in profit or loss of the period in which the impairment occurs. The carrying amount of loans and receivables is reduced through the use of an allowance account. Loan and receivables together with any associated allowance are written off when there is no realistic prospect of future recovery and all collateral has been realised or has been transferred to the Group.

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.

NOTES TO THE FINANCIAL STATEMENTS

31 MARCH 2013

4. SIGNIFICANT ACCOUNTING POLICIES (Continued)

4.7 Financial instruments (Continued)

(iii) Financial liabilities

The Group classifies its financial liabilities, depending on the purpose for which the liabilities were incurred. Financial liabilities at amortised costs are initially measured at fair value, net of directly attributable costs incurred.

Financial liabilities at amortised cost including trade and other payables, accruals, amounts due to subsidiaries, loan from a shareholder, and the debt element of convertible bonds issued by the Group (note 4.9) are subsequently measured at amortised cost, using the effective interest method. The related interest expense is recognised in profit or loss (note 4.18).

Financial liabilities are derecognised when the obligation specified in the relevant contract is discharged, cancelled or expires.

Gains or losses are recognised in profit or loss when the liabilities are derecognised as well as through the amortisation process.

4.8 Cash and cash equivalents

Cash and cash equivalents include cash at bank and in hand, demand deposits with banks and other financial institutions, and short-term, highly liquid investments with original maturities of three months or less than that are readily convertible into known amounts of cash and which are subject to an insignificant risk of changes in value. For the purpose of the consolidated statement of cash flows presentation, cash and cash equivalents which are repayable on demand and form an integral part of the Group's cash management.

4.9 Convertible bonds

Convertible bonds issued by the Group that contain both liability and conversion option components are classified separately into their respective items on initial recognition. Conversion option that will be settled by the exchange of a fixed amount of cash or another financial asset for a fixed number of the Company's own equity instruments is classified as an equity instrument.

On initial recognition, the fair value of the liability component is determined using the prevailing market interest of similar non-convertible debts. The difference between the proceeds of the issue of the convertible loan notes and the fair value assigned to the liability component, representing the conversion option for the holder to convert the loan notes into equity, is included in equity (convertible bonds equity reserve).

NOTES TO THE FINANCIAL STATEMENTS

31 MARCH 2013

4. SIGNIFICANT ACCOUNTING POLICIES (Continued)

4.9 Convertible bonds (Continued)

In subsequent periods, the liability component of the convertible bonds is carried at amortised cost using the effective interest method. The equity component, represented by the option to convert the liability component into ordinary shares of the Company, will remain in convertible bonds equity reserve until the embedded option is exercised (in which case the balance stated in convertible bonds equity reserve will be transferred to share premium. Where the option remains unexercised at the expiry dates, the balance stated in convertible bonds equity reserve will be released to the accumulated losses. No gain or loss is recognised upon conversion or expiration of the option.

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

A substantial modification of the terms of convertible bonds shall be accounted for as an extinguishment of the original financial liability and the recognition of a new financial liability. Any costs or fees incurred are recognised as part of the gain or loss on the extinguishment. If the exchange or modification is not accounted for as an extinguishment, any costs or fees incurred adjust the carrying amount of the liability and are amortised over the remaining term of the modified liability.

4.10 Equity instruments

Equity instruments issued by the Company are recorded at the proceeds received, net of direct issue costs.

4.11 Non-current assets held for sale and disposal groups

Non-current assets and disposal groups are classified as held for sale when:

- they are available for immediate sale;
- management is committed to a plan to sell;
- it is unlikely that significant changes to the plan will be made or that the plan will be withdrawn;
- an active programme to locate a buyer has been initiated;
- the asset or disposal group is being marketed at a reasonable price in relation to its fair value; and
- a sale is expected to complete within 12 months from the date of classification.



NOTES TO THE FINANCIAL STATEMENTS

31 MARCH 2013

4. SIGNIFICANT ACCOUNTING POLICIES (Continued)

4.11 Non-current assets held for sale and disposal groups (Continued)

Non-current assets and disposal groups classified as held for sale are measured at the lower of:

- their carrying amount immediately prior to being classified as held for sale in accordance with the Group's accounting policy; and
- fair value less costs to sell.

Following their classification as held for sale, non-current assets (including those in a disposal group) are not depreciated.

The results of operations disposed of during the year are included in profit or loss up to the date of disposal.

4.12 Revenue recognition

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

(i) *School network integration services*

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

When the installation work is incomplete at the reporting date, revenue attributable to the installation work is determined recognised by reference to the stage of completion of the work. The stage of completion is determined by comparing costs incurred to date with the total estimated costs of the installation work.

(ii) *Information technology services for the electricity power industry*

Revenue from the provision of services is recognised when goods are delivered and installation work is completed and the customer has accepted the significant risks and rewards of ownership of the goods and services. Revenue excludes value added tax or other sales taxes and is after deduction of any trade discounts and returns.

NOTES TO THE FINANCIAL STATEMENTS

31 MARCH 2013

4. SIGNIFICANT ACCOUNTING POLICIES (Continued)

4.12 Revenue recognition (Continued)

(iii) *Interest income*

Interest income is accrued on a time basis on the principal outstanding at the applicable interest rate.

(iv) *Consultancy income*

Consultancy income is recognised when the agreed services are provided and in accordance with the terms of contracts entered into.

4.13 Income taxes

Income taxes for the year comprise current tax and deferred tax.

Current tax is based on the profit or loss from ordinary activities adjusted for items that are non-assessable or disallowable for income tax purposes and is calculated using tax rates that have been enacted or substantively enacted at the end of reporting period.

Deferred tax is recognised in respect of temporary differences between the carrying amounts of assets and liabilities for financial reporting purposes and the corresponding amounts used for tax purposes. Except for goodwill and recognised assets and liabilities that affect neither accounting nor taxable profits, deferred tax liabilities are recognised for all temporary differences. Deferred tax assets are recognised to the extent that it is probable that taxable profits will be available against which deductible temporary differences can be utilised. Deferred tax is measured at the tax rates expected to apply in the period when the liability is settled or the asset is realised based on tax rates that have been enacted or substantively enacted at the end of reporting period.

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

Income taxes are recognised in profit or loss except when they relate to items recognised in other comprehensive income in which case the taxes are also recognised in other comprehensive income.

NOTES TO THE FINANCIAL STATEMENTS

31 MARCH 2013

4. SIGNIFICANT ACCOUNTING POLICIES (Continued)

4.14 Foreign currency

Transactions entered into by the Group in currencies other than the currency of the primary economic environment in which they operate (the “functional currency”) are recorded at the rates ruling when the transactions occur. Foreign currency monetary assets and liabilities are translated at the rates ruling at the end of reporting period. 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.

Exchange differences arising on the settlement of monetary items, and on the translation of monetary items, are recognised in profit or loss in the period in which they arise. Exchange differences arising on the retranslation of non-monetary items carried at fair value are included in profit or loss for the period except for differences arising on the retranslation of non-monetary items in respect of which gains and losses are recognised in other comprehensive income, in which case, the exchange differences are also recognised in other comprehensive income.

On consolidation, income and expense items of foreign operations are translated into the presentation currency of the Group (i.e. RMB) at the average exchange rates for the year, unless exchange rates fluctuate significantly during the period, in which case, the rates approximating to those ruling when the transactions took place are used. All assets and liabilities of foreign operations are translated at the rate ruling at the end of reporting period. Exchange differences arising, if any, are recognised in other comprehensive income and accumulated in equity as foreign exchange reserve. Exchange differences recognised in profit or loss of group entities’ separate financial statements on the translation of long-term monetary items forming part of the Group’s net investment in the foreign operation concerned are reclassified to other comprehensive income and accumulated in equity as foreign exchange reserve.

On disposal of a foreign operation, the cumulative exchange differences recognised in the foreign exchange reserve relating to that operation up to the date of disposal are reclassified to profit or loss to the extent attributable to owners of the Company as part of the profit or loss on disposal.

Goodwill and fair value adjustments on identifiable assets acquired arising on an acquisition of a foreign operation on or after 1 January 2005 are treated as assets and liabilities of that foreign operation and translated at the rate of exchange prevailing at the end of reporting period. Exchange differences arising are recognised in the foreign currency translation reserve.

NOTES TO THE FINANCIAL STATEMENTS

31 MARCH 2013

4. SIGNIFICANT ACCOUNTING POLICIES (Continued)

4.15 Employee benefits

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.

Defined contribution plan

The Group operates a defined contribution Mandatory Provident Fund retirement benefits scheme (the “MPF Scheme”) under the Mandatory Provident Fund Schemes Ordinance (the “MPF Ordinance”), for those employees who are eligible to participate in the MPF Scheme. Contributions are made based on a percentage of the employees’ basic salaries and are charged to profit or loss as they become payable in accordance with the rules of the MPF Scheme. The assets of the MPF Scheme are held separately from those of the Company in an independently administered fund. The Group’s employer contributions vest fully with the employees when contributed into the MPF Scheme.

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

Share-based compensation

Details about the accounting policy on share-based compensation to employee are set out in note 4.16.

4.16 Share-based payments

Where share options are awarded to employees and others providing similar services, the fair value of the options at the date of grant is recognised in profit or loss over the vesting period with a corresponding increase in the share-based compensation reserve within equity. Non-market vesting conditions are taken into account by adjusting the number of equity instruments expected to vest at the end of each reporting period so that, ultimately, the cumulative amount recognised over the vesting period is based on the number of options that eventually vest. Market vesting conditions are factored into the fair value of the options granted. As long as all other vesting conditions are satisfied, a charge is made irrespective of whether the market vesting conditions are satisfied. The cumulative expense is not adjusted for failure to achieve a market vesting condition.



NOTES TO THE FINANCIAL STATEMENTS

31 MARCH 2013

4. SIGNIFICANT ACCOUNTING POLICIES (Continued)

4.16 Share-based payments (Continued)

Where the terms and conditions of options are modified before they vest, the increase in the fair value of the options, measured immediately before and after the modification, is also recognised in profit or loss over the remaining vesting period.

Where equity instruments are granted to persons other than employees and others providing similar services, the fair value of goods or services received is recognised in profit or loss unless the goods or services qualify for recognition as assets. A corresponding increase in the share-based compensation reserve in equity is recognised. For cash-settled share based payments, a liability is recognised at the fair value of the goods or services received.

Upon exercise of the share options, the amount in the share-based compensation reserve is transferred to the share premium account. In case the share option are lapsed or vested and forfeited, the relevant amount in the share-based compensation reserve is released directly to accumulated losses.

4.17 Impairment of non-financial assets

Goodwill, other intangible assets, property, plant and equipment and investments in subsidiaries are subject to impairment testing. Goodwill and other intangible assets with an indefinite useful life or those not yet available for use are tested for impairment at least annually, irrespective of whether there is any indication that they are impaired. All other assets are tested for impairment whenever there are indications that the assets' 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. The 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 the 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. Goodwill in particular is allocated to those cash-generating units that are expected to benefit from synergies of the related business combination and represent the lowest level within the Group at which the goodwill is monitored for internal management purpose.

NOTES TO THE FINANCIAL STATEMENTS

31 MARCH 2013

4. SIGNIFICANT ACCOUNTING POLICIES (Continued)

4.17 Impairment of non-financial assets (Continued)

Impairment losses recognised for cash-generating units to which goodwill has been allocated are credited initially to the carrying amount of goodwill. Any remaining impairment loss is charged pro rata to the other assets in the cash generating unit, except that the carrying value of an asset will not be reduced below its individual fair value less cost to sell, or value in use, if determinable.

An impairment loss on goodwill is not reversed in subsequent periods including impairment losses recognised in an interim period. In respect of other assets, an impairment loss is reversed if there has been a favourable change in the estimates used to determine the asset's recoverable amount but 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) had no impairment loss been recognised.

A reversal of such impairment is credited to profit or loss in the period in which it arises unless that asset is carried at revalued amount, in which case the reversal of impairment loss is accounted for in accordance with the relevant accounting policy for the revalued amount.

4.18 Borrowing costs

Borrowing costs attributable directly to the acquisition, construction and production of qualifying assets are capitalised as part of the cost of those assets. All other borrowing costs are expensed in the period when they are incurred.

4.19 Provisions and contingent liabilities

Provisions are recognised for liabilities of uncertain timing or amount when the Group has a legal or constructive obligation arising as a result of a past event, which will probably result in an outflow of economic benefits that can be reasonably estimated.

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, the existence of which will only be confirmed by the occurrence or non-occurrence of one or more future events, are also disclosed as contingent liabilities unless the probability of outflow of economic benefits is remote.

NOTES TO THE FINANCIAL STATEMENTS

31 MARCH 2013

4. SIGNIFICANT ACCOUNTING POLICIES (Continued)

4.20 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 key management personnel of the Group or the Company's parent.

- (b) An entity is related to the Group if any of the following conditions apply:
 - (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 the employees of 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 key management personnel of the entity (or of a parent of the entity).

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

- (i) that person's children and spouse or domestic partner;
- (ii) children of that person's spouse or domestic partner; and
- (iii) dependents of that person or that person's spouse or domestic partner.

NOTES TO THE FINANCIAL STATEMENTS

31 MARCH 2013

4. SIGNIFICANT ACCOUNTING POLICIES (Continued)

4.21 Segment reporting

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

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

4.22 Discontinued operations

A discontinued operation is a clearly distinguishable component of the Group's business that has been disposed of or is classified as held for sale, which represents a separate major line of business or geographical area of operations of the Group.

5. CRITICAL ACCOUNTING ESTIMATES

Estimates and judgements used in preparing financial statements 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 to the related actual results. The estimates and assumptions that have a significant risk of causing a material adjustment to the carrying amounts of assets and liabilities within the next financial year are discussed below:

5.1 Useful lives of property, plant and equipment

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

NOTES TO THE FINANCIAL STATEMENTS

31 MARCH 2013

5. CRITICAL ACCOUNTING ESTIMATES (Continued)

5.2 Impairment of receivables

The Group maintains an impairment allowance for doubtful accounts based upon the periodic evaluation of the recoverability of its trade and other receivables, where applicable. The estimates are based on the ageing of the trade and other receivables balances, their financial position and the Group's historical write-off experience, net of recoveries. If the financial condition of the debtors were to deteriorate, additional impairment allowance may be required.

5.3 Impairment of non-financial assets

The Group assesses impairment by evaluating conditions specific to the Group that may need to impairment of the assets. When an impairment exists, the recoverable amount of the asset is determined. When applying the value-in-use calculations to determine recoverable amount, the Group estimates the future cash flows expected to arise from the assets/cash-generating units ("CGU") and applies a suitable discount rate in order to calculate the present value. These would incorporate a number of key estimates and assumptions about future events which are subject to uncertainty and might materially different from the actual results. Certain assumptions would be based on market conditions exist at the reporting date. If the carrying amount of the cash-generating unit exceeds its recoverable amount, additional impairment allowance may be required. Significant estimates and assumptions used by the Group for the impairment assessment of goodwill and intangible assets relating to the CGU of school network integration services segment are disclosed in note 21. The carrying amounts of the goodwill and intangible assets related to the CGU of school network integration services are sensitive to changes in those key estimates such as growth rate and gross profit. For example, a 1% decrease in gross profit margin or growth rate for each of forecast periods would result in additional impairment provision which is individually material to the Group.

5.4 Useful lives of intangible assets

Management determines the estimated useful lives of and related amortisation for its intangible assets. This estimate is based on the actual useful lives of assets of similar nature and functions. It could change significantly as a result of significant technical innovations and competition in response to industry cycles. Management will increase the amortisation charges where useful lives are less than previously estimated lives, or will write-off or write-down technically obsolete or non-strategic assets that have been abandoned or sold.

NOTES TO THE FINANCIAL STATEMENTS

31 MARCH 2013

5. CRITICAL ACCOUNTING ESTIMATES (Continued)

5.5 Current taxation and deferred taxation

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

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

6. REVENUE

The Group's turnover represents the revenue from its principal activities which are mainly the provision of services to customers. The amount of each significant category of revenue from continuing operations and discontinued operation (note 14) recognised during the year and in prior year is as follows:

	Continuing operations		Discontinued operation		Total	
	2013 RMB'000	2012 RMB'000	2013 RMB'000	2012 RMB'000	2013 RMB'000	2012 RMB'000
Provision of information technology services in electricity power industry	-	-	-	1,661	-	1,661
Provision of school network integration services	31,464	56,535	-	-	31,464	56,535
Interest income from money lending	917	138	-	-	917	138
	32,381	56,673	-	1,661	32,381	58,334

NOTES TO THE FINANCIAL STATEMENTS

31 MARCH 2013

7. OTHER INCOME AND GAIN

	Continuing operations		Discontinued operation		Total	
	2013 RMB'000	2012 RMB'000	2013 RMB'000	2012 RMB'000	2013 RMB'000	2012 RMB'000
Bank interest income	8	14	-	5	8	19
Consultancy income	130	54	-	-	130	54
Net foreign exchange gain	-	180	-	-	-	180
Recovery of trade receivables previously written off	338	-	-	-	338	-
Others	194	165	-	-	194	165
	670	413	-	5	670	418

8. LOSS BEFORE INCOME TAX

Loss before income tax is arrived at after charging/(crediting) the followings:

	Continuing operations		Discontinued operation		Total	
	2013 RMB'000	2012 RMB'000	2013 RMB'000	2012 RMB'000	2013 RMB'000	2012 RMB'000
Amortisation of intangible assets	4,768	8,160	-	-	4,768	8,160
Auditor's remuneration:						
– current year	348	402	-	-	348	402
– underprovision in prior year	8	-	-	-	8	-
Depreciation for property, plant and equipment	214	219	-	64	214	283
(Reversal of impairment for)/ Impairment of trade receivables	(47)	1,831	-	-	(47)	1,831
Loss on disposal of property, plant and equipment	34	116	-	-	34	116
Operating lease charges on land and buildings	927	1,190	-	287	927	1,477
Research and development costs	-	-	-	3,360	-	3,360
Staff costs (note 9)	5,646	6,673	-	7,313	5,646	13,986
Write-off of:						
– trade receivables	-	5,431	-	-	-	5,431
– inventories	-	3,015	-	-	-	3,015
	670	413	-	5	670	418

NOTES TO THE FINANCIAL STATEMENTS

31 MARCH 2013

9. STAFF COSTS (INCLUDING DIRECTORS' EMOLUMENTS)

	2013	2012
	RMB'000	RMB'000
Continuing operations		
Contributions to defined contribution retirement plans (Note)	595	878
Salaries, wages and other benefits	5,051	5,795
	5,646	6,673
Discontinued operation		
Contributions to defined contribution retirement plans (Note)	–	5
Salaries, wages and other benefits	–	7,308
	–	7,313
	5,646	13,986

Note:

The Group has implemented a provident fund scheme for its staff in Hong Kong in compliance with the requirements of the MPF Ordinance effective from 1 December 2000. The Group contributes to the scheme according to the minimum requirements of the MPF Ordinance (i.e. 5% of staff's relevant income with an upper monthly limit of HK\$1,000 which is revised to HK\$1,250 effective from 1 June 2012) and the contributions are charged to profit or loss as they become payable.

As stipulated by the rules and regulations in the PRC, the Group contributes to a state-sponsored retirement plan for its employees in the PRC at a rate of 20% of the basic salaries of its employees, and has no further obligations for the actual pension payments or post-retirement benefits beyond the annual contributions. The relevant government agencies are responsible for the entire pension obligation payable to all retired employees. The contributions are charged to profit or loss as they become payable in accordance with the rules of the retirement plan.

NOTES TO THE FINANCIAL STATEMENTS

31 MARCH 2013

10. DIRECTORS' EMOLUMENTS

Directors' emoluments are disclosed as follows:

	Fees RMB'000	Salaries, allowances and benefits in kind RMB'000	Retirement scheme contributions RMB'000	Total RMB'000
<i>For the year ended 31 March 2013</i>				
Executive directors				
Ding Baoshan (note (i))	–	57	–	57
Qin Chunhong (note (i))	–	57	–	57
Xiong Zeke (note (i))	–	57	–	57
Li Kangying (note (ii))	69	68	7	144
Cheung Jonathan (note (iii))	97	–	–	97
Cheng Wai Lam James (note (iv))	97	–	–	97
Non-Executive directors				
Chau King Fai (note (v))	69	–	–	69
Wang Dongbin (note (vi))	69	68	7	144
Independent non-executive directors				
Yeung Kenneth King Wah (note (ii))	69	–	–	69
Gao Feng (note (ii))	69	–	–	69
Chiang Sheung Yee (note (iii))	69	–	–	69
Enhe Bayaer (note (i))	28	–	–	28
Liu Talin (note (i))	28	–	–	28
Zhang Lin (note (i))	28	–	–	28
	<u>692</u>	<u>307</u>	<u>14</u>	<u>1,013</u>

NOTES TO THE FINANCIAL STATEMENTS

31 MARCH 2013

10. DIRECTORS' EMOLUMENTS (Continued)

	Fees RMB'000	Salaries, allowances and benefits in kind RMB'000	Retirement scheme contributions RMB'000	Total RMB'000
<i>For the year ended 31 March 2012</i>				
Executive directors				
Li Kangying	98	764	10	872
Wang Dongbin	98	585	10	693
Li Wingsang (note (viii))	39	–	–	39
Wu Zhanjiang (note (vii))	25	124	–	149
Cheung Jonathan (note (iii))	72	–	–	72
Cheng Wai Lam James (note (iv))	72	–	–	72
Non-Executive directors				
Chau King Fai (note (v))	55	–	–	55
Independent non-executive directors				
Yeung Kenneth King Wah	98	–	–	98
Gao Feng	98	–	–	98
Wu Kehe (note (vii))	25	–	–	25
Chiang Sheung Yee (note (iii))	72	–	–	72
	752	1,473	20	2,245

Notes:

- (i) Appointed on 14 December 2012
- (ii) Resigned on 14 December 2012
- (iii) Appointed on 8 July 2011 and resigned on 14 December 2012
- (iv) Appointed on 8 July 2011 and resigned on 15 April 2013
- (v) Appointed on 6 September 2011 and resigned on 14 December 2012
- (vi) Re-designated from an executive director to a non-executive director effective from 1 April 2012 and resigned on 14 December 2012
- (vii) Resigned on 8 July 2011
- (viii) Resigned on 24 August 2011

NOTES TO THE FINANCIAL STATEMENTS

31 MARCH 2013

10. DIRECTORS' EMOLUMENTS (Continued)

As at 31 March 2012, the directors held share options under the Company's share option scheme. During the year, all of the outstanding share options have been cancelled or lapsed resulting from the conditional voluntary cash offer made in October 2012. The details of the share options are disclosed in note 34.

No directors waived any emoluments during the year and no incentive payment or compensation for loss of office was paid or payable to any directors for the year ended 31 March 2013 (2012: nil).

11. FIVE HIGHEST PAID INDIVIDUALS

During the year ended 31 March 2013, none of the directors were the five individuals with the highest emoluments. During the year ended 31 March 2012, out of the five individuals with the highest emoluments in the Group, three were directors of the Company whose emoluments are included in note 10 above. The emoluments of the remaining two individuals and the emoluments of those five highest paid non-director individuals for the current year are as follows:

	2013 RMB'000	2012 RMB'000
Salaries, allowances and other benefits in kind	1,338	894
Contributions to defined contribution retirement plans	12	10
	1,350	904

The emoluments of each of the five (2012: two) highest paid non-director individuals are within the following band:

	2013 No. of individuals	2012 No. of individuals
Nil to HK\$1,000,000	5	2

The emoluments paid or payable to members of senior management were within the following bands:

	2013 No. of individuals	2012 No. of individuals
Nil to HK\$1,000,000	8	8

NOTES TO THE FINANCIAL STATEMENTS

31 MARCH 2013

12. FINANCE COSTS

	2013 RMB'000	2012 RMB'000
Finance charge on obligations under finance leases	1	1
Interest charge on loans from a third party and a shareholder – wholly repayable within five years	1,163	–
Imputed interest on convertible bonds (note 31)	1,300	4,520
	<u>2,464</u>	<u>4,521</u>

13. INCOME TAX EXPENSE/(CREDIT)

Income tax expense/(credit) comprises:

	Continuing operations		Discontinued operation		Total	
	2013 RMB'000	2012 RMB'000	2013 RMB'000	2012 RMB'000	2013 RMB'000	2012 RMB'000
Current tax – PRC Enterprise Income Tax						
– tax for the year	3	353	–	–	3	353
– under-provision in respect of prior years	–	942	–	–	–	942
Deferred tax (note 32)	116	(1,340)	–	–	116	(1,340)
Income tax expense/(credit)	<u>119</u>	<u>(45)</u>	<u>–</u>	<u>–</u>	<u>119</u>	<u>(45)</u>

No provision for profits tax in the Cayman Islands, BVI and Hong Kong has been made as the Group has no income assessable for tax for the year in these jurisdictions (2012: nil).

Tax on profits assessable in the PRC has been calculated at the applicable PRC enterprise income tax (“EIT”) rate. 北京普華雅龍科技有限公司 (“Along”) and 北京普華智維科技有限公司 (“智維”) are subject to the PRC EIT. Along and 智維 had been approved by the PRC tax authority as advanced technology enterprises (高新技術企業) which, subject to fulfilment of certain conditions, are entitled to enjoy a reduced tax rate of 15% for three years from 2008 and 2009 respectively. Along was disposed of on 24 June 2011 as mentioned in note 14. 智維 is not able to renew for the preferential tax at the reduced tax rate of 15% and thus the tax rate applicable to 智維 for the purpose of these financial statements is 25%.

NOTES TO THE FINANCIAL STATEMENTS

31 MARCH 2013

13. INCOME TAX EXPENSE/(CREDIT) (Continued)

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

	Continuing operations		Discontinued operation		Total	
	2013 RMB'000	2012 RMB'000	2013 RMB'000	2012 RMB'000	2013 RMB'000	2012 RMB'000
Loss before income tax	(23,300)	(36,739)	-	(7,067)	(23,300)	(43,806)
Tax calculated at the rates applicable to the tax jurisdictions concerned	(4,297)	(7,643)	-	(1,071)	(4,297)	(8,714)
Tax effect of non-deductible expenses	5,289	6,728	-	1,071	4,060	7,799
Tax effect of non-taxable income	(685)	(72)	-	-	(685)	(72)
Under-provision in respect of prior years	-	942	-	-	-	942
Tax loss not recognised	925	-	-	-	925	-
Effect on opening deferred tax balance resulting from an increase in applicable tax rate	(1,113)	-	-	-	116	-
Income tax expense/(credit)	119	(45)	-	-	119	(45)

14. DISCONTINUED OPERATION

On 12 May 2011, Topsheen Limited (“Topsheen”), a wholly-owned subsidiary of the Group, entered into a sale and purchase agreement with an independent third party for the disposal of its entire equity interests in Intelligent Investment Development Limited (“Intelligent Investment”) and China Sino Holdings Limited (“China Sino”) and the assignment of all amounts due by Intelligent Investment and China Sino to Topsheen at a total cash consideration of HK\$35,000,000 (equivalent to RMB29,050,000) which is subject to adjustment. Intelligent Investment and China Sino altogether holds the entire equity interests in Along (collectively known as “Along Group”). The disposal was completed on 24 June 2011 and further details about the disposal are disclosed in note 38. Since then, Intelligent Investment, China Sino and Along have ceased to be subsidiaries of the Group, and the Group has ceased the business of providing information technology services for the electricity power industry.

NOTES TO THE FINANCIAL STATEMENTS

31 MARCH 2013

14. DISCONTINUED OPERATION (Continued)

The revenue and results of Along Group which constitute discontinued operation and the net cash flows incurred by Along Group are as follows:

	Notes	Period from 1 April 2011 to 24 June 2011 RMB'000
Revenue	6	1,661
Cost of sales		(3,090)
Gross loss		(1,429)
Other income	7	5
Administrative and other operating expenses		(5,643)
Loss before income tax	8	(7,067)
Income tax expense	13	–
Operating loss from discontinued operation		(7,067)
Loss on disposal of Along Group (note 38)		(6,692)
Loss for the period from discontinued operation		(13,759)
Net cash (outflow)/inflow of Along Group:		
Operating cash flows		(3,789)
Investing cash flows		(8)
Financing cash flows		3,952
		155

The carrying amounts of the assets and liabilities of Along Group at the date of disposal are described in note 38.

The directors are of the opinion that no tax charge arose from the disposal.



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15. LOSS FOR THE YEAR

Among the consolidated loss attributable to owners of the Company of approximately RMB23,419,000 (2012: RMB50,453,000), a loss of approximately RMB22,063,000 (2012: RMB91,868,000) (note 35) has been dealt with in the financial statements of the Company.

16. LOSS PER SHARE

Basic loss per share

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

	2013 RMB'000	2012 RMB'000
<i>Losses</i>		
Loss for the year from continuing operations	(23,419)	(36,694)
Loss for the year from discontinued operation	—	(13,759)
	<hr/>	<hr/>
Loss for the year from continuing and discontinued operations	(23,419)	(50,453)
	<hr/>	<hr/>
<i>Number of shares</i>		
Weighted average number of ordinary shares for the purposes of basic loss per share	944,911	499,003
	<hr/>	<hr/>

The weighted average number of ordinary shares for the purpose of basic loss per share for the year ended 31 March 2012 was adjusted for the Share Consolidation and Open Offer as defined and detailed in notes 33(ii) and (iv). The Open Offer represented shares issued to the existing shareholders on a pro rata basis at below market price.

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16. LOSS PER SHARE (Continued)

Diluted loss per share

In calculating the diluted loss per share of continuing operations, the potential issue of shares arising from the conversion of the Company's convertible bonds would decrease the loss per share of continuing operations and was thereby not taken into account as they have an anti-dilutive effect. Therefore, the diluted loss per share of continuing operations was calculated based on the loss for the year from continuing operations of RMB23,419,000 (2012: RMB36,694,000) and on the weighted average of 944,911,000 (2012: 499,003,000) ordinary shares, being the weighted average number of ordinary shares used in the calculation of basic loss per share for continuing operations.

There were no potentially dilutive shares in issue in respect of the discontinued operation for the year ended 31 March 2012.

17. SEGMENT INFORMATION

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

The Group has identified and presented the segment information for the following reportable operating segments. These segments are managed separately.

Continuing operations

- Judicial authentication services and sales of application software: provision of judicial authentication services and selling of application software in the PRC
- School network integration services: provision of school network integration services to schools and educational institutes in the PRC
- Money lending services: provision and arrangement of credit facilities in Hong Kong

NOTES TO THE FINANCIAL STATEMENTS

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17. SEGMENT INFORMATION (Continued)

Discontinued operation

- Information technology services for electricity power industry: provision of information technology services for the customers operating in the electricity power industry in the PRC which was discontinued during last financial year (note 14)

Segment revenue, results, assets and liabilities

For the purpose of assessing segment performance and allocating resources between segments, the board of directors monitor the results, assets and liabilities attributable to each reportable operating segment on the following bases:

Revenue and expenses are allocated to the operating segments with reference to sales generated by those segments and the expenses incurred by those segments or which otherwise arise from the depreciation or amortisation of assets attributable to those segments. Head office and corporate expenses are not allocated to individual segments. Segment profit/loss represents the profit/loss of each segment without allocation of central administration costs such as directors' salaries and head office expenses and exclude other income and gain, finance costs, fair value gain/loss arising from the changes in value of the derivative component of convertible bonds and equity securities and other operating expenses not directly attributable to the operating segments.

Segment assets principally comprise all tangible assets, intangible assets and current assets directly attributable to each segment and exclude investments in equity securities, derivative component of convertible bonds and unallocated corporate assets.

Segment liabilities include trade and other payables, accrued liabilities and other liabilities which are directly attributable to the business activities of the operating segments and exclude obligation under finance leases, convertible bonds, loan from a shareholder and unallocated corporate liabilities.

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17. SEGMENT INFORMATION (Continued)

Segment revenue and segment results

	Segment revenue		Segment profit/(loss)	
	2013 RMB'000	2012 RMB'000	2013 RMB'000	2012 RMB'000
Continuing operations				
Judicial authentication services and sales of applicable software	-	-	-	-
School network integration services	31,464	56,535	(16,467)	(8,983)
Money lending	917	138	917	138
	32,381	56,673	(15,550)	(8,845)
Discontinued operation				
Information technology services for electricity power industry	-	1,661	-	(1,429)
	32,381	58,334	(15,550)	(10,274)
Other income and gain			670	418
Administrative and other operating expenses			(9,572)	(29,616)
Fair value loss on financial assets at fair value through profit or loss			(4)	(617)
Gain on early redemption of convertible bonds			3,640	894
Change in fair value of derivative financial asset			(20)	(90)
Finance costs			(2,464)	(4,521)
Loss before income tax			(23,300)	(43,806)

NOTES TO THE FINANCIAL STATEMENTS

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17. SEGMENT INFORMATION (Continued)

Segment revenue reported above represents revenue generated from external customers.

	2013 RMB'000	2012 RMB'000
Segment assets		
Continuing operations		
Judicial authentication services and sales of applicable software	–	–
School network integration services	36,695	60,562
Money lending	–	12,150
	36,695	72,712
Discontinued operation		
Information technology services for electricity power industry	–	–
	36,695	72,712
Total segment assets	36,695	72,712
Derivative financial asset	–	20
Financial assets at fair value through profit or loss	–	153
Unallocated assets	16,255	27,853
	52,950	100,738
Segment liabilities		
Continuing operations		
School network integration services	7,153	8,240
	7,153	8,240
Discontinued operation		
Information technology services for electricity power industry	–	–
	7,153	8,240
Total segment liabilities	7,153	8,240
Loan from a shareholder	30,421	–
Convertible bonds	–	47,237
Obligation under finance leases	–	3
Unallocated liabilities	7,138	8,055
	44,712	63,535
Consolidated liabilities	44,712	63,535

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17. SEGMENT INFORMATION (Continued)

Other segment information

	Additions to specified non-current assets		Depreciation and amortisation		Impairment loss recognised in profit or loss	
	2013 RMB'000	2012 RMB'000	2013 RMB'000	2012 RMB'000	2013 RMB'000	2012 RMB'000
Continuing operations						
Judicial authentication services and sales of application software	-	-	-	-	-	-
School network integration services	98	415	4,844	8,212	15,623	5,960
Money lending	-	-	-	-	-	-
	98	415	4,844	8,212	15,623	5,960
Discontinued operation						
Information technology services for electricity power industry	-	8	-	64	-	-
	98	423	4,844	8,276	15,623	5,960
Unallocated	3	145	138	167	-	-
Total	101	568	4,982	8,443	15,623	5,960

Geographical Information

The Company is an investment company incorporated in the Cayman Islands where the Group does not have any activities. The Group's continuing operations are mainly conducted in the PRC, and therefore, the PRC is considered as the Group's country of domicile for the purpose of the disclosures as required by HKFRS 8 "Operating Segments".

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17. SEGMENT INFORMATION (Continued)

Geographical Information (Continued)

The following table provides an analysis of the Group's revenue from external customers and non-current assets other than financial instruments, deferred tax assets and post-employment benefit assets ("Specified non-current assets").

	Revenue from external customers		Specified non-current assets	
	2013 RMB'000	2012 RMB'000	2013 RMB'000	2012 RMB'000
The PRC (country of domicile)	31,464	58,196	28,488	49,046
Hong Kong	917	138	56	163
	<u>32,381</u>	<u>58,334</u>	<u>28,544</u>	<u>49,209</u>

Information about major customers

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

	2013 RMB'000	2012 RMB'000
Continuing operations		
– Customer A (note)	18,945	27,532
– Customer B	4,650	13,539
	<u>23,595</u>	<u>41,071</u>

Note:

The ex-Chairman of the Company, who resigned on 14 December 2012, held 40.95% of indirect equity interest in Customer A on behalf of a third party.

NOTES TO THE FINANCIAL STATEMENTS

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18. PROPERTY, PLANT AND EQUIPMENT

The Group	Leasehold improvements RMB'000	Computer equipment RMB'000	Furniture and equipment RMB'000	Motor vehicles RMB'000	Total RMB'000
At 1 April 2011					
Cost	73	954	642	697	2,366
Accumulated depreciation	(68)	(324)	(151)	(218)	(761)
Net carrying amount	<u>5</u>	<u>630</u>	<u>491</u>	<u>479</u>	<u>1,605</u>
Year ended 31 March 2012					
Opening net carrying amount	5	630	491	479	1,605
Additions	113	22	43	390	568
Depreciation	(38)	(64)	(82)	(99)	(283)
Disposals	–	(87)	(29)	–	(116)
Disposal of subsidiaries (note 38)	–	(482)	(269)	(150)	(901)
Exchange realignment	(1)	–	(4)	–	(5)
Closing net carrying amount	<u>79</u>	<u>19</u>	<u>150</u>	<u>620</u>	<u>868</u>
At 31 March 2012					
Cost	167	44	260	862	1,333
Accumulated depreciation	(88)	(25)	(110)	(242)	(465)
Net carrying amount	<u>79</u>	<u>19</u>	<u>150</u>	<u>620</u>	<u>868</u>
Year ended 31 March 2013					
Opening net carrying amount	79	19	150	620	868
Additions	–	–	3	98	101
Depreciation	(56)	(8)	(48)	(102)	(214)
Disposals	–	–	(24)	(90)	(114)
Closing net carrying amount	<u>23</u>	<u>11</u>	<u>81</u>	<u>526</u>	<u>641</u>
At 31 March 2013					
Cost	167	44	170	583	964
Accumulated depreciation	(144)	(33)	(89)	(57)	(323)
Net carrying amount	<u>23</u>	<u>11</u>	<u>81</u>	<u>526</u>	<u>641</u>



NOTES TO THE FINANCIAL STATEMENTS

31 MARCH 2013

18. PROPERTY, PLANT AND EQUIPMENT (Continued)

The Company	Leasehold improvements RMB'000	Furniture and equipment RMB'000	Total RMB'000
At 1 April 2011			
Cost	73	189	262
Accumulated depreciation	(68)	(91)	(159)
Net carrying amount	<u>5</u>	<u>98</u>	<u>103</u>
Year ended 31 March 2012			
Opening net carrying amount	5	98	103
Additions	113	32	145
Disposals	–	(4)	(4)
Depreciation	(38)	(38)	(76)
Exchange realignment	(1)	(4)	(5)
Closing net carrying amount	<u>79</u>	<u>84</u>	<u>163</u>
At 31 March 2012			
Cost	167	199	366
Accumulated depreciation	(88)	(115)	(203)
Net carrying amount	<u>79</u>	<u>84</u>	<u>163</u>
Year ended 31 March 2013			
Opening net carrying amount	79	84	163
Additions	–	3	3
Disposals	–	(24)	(24)
Depreciation	(56)	(30)	(86)
Closing net carrying amount	<u>23</u>	<u>33</u>	<u>56</u>
At 31 March 2013			
Cost	167	109	276
Accumulated depreciation	(144)	(76)	(220)
Net carrying amount	<u>23</u>	<u>33</u>	<u>56</u>

As at 31 March 2012, the carrying amount of property, plant and equipment of the Group and the Company included an amount of RMB3,000 in respect of assets acquired under a finance lease (note 29). The finance lease expired during the year ended 31 March 2013. As at 31 March 2013, no plant or equipment was held under finance lease.

NOTES TO THE FINANCIAL STATEMENTS

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19. INTANGIBLE ASSETS – GROUP

	Judicial authentication services and sales of application software		Information technology services in the electricity power industry		School network integration services			Total RMB'000
	Customer contracts RMB'000	Forensic central contractual rights RMB'000	Customer base RMB'000	Technology know-how RMB'000	Customer contracts RMB'000	Customer base RMB'000	Acquired computer software RMB'000	
At 1 April 2011								
Cost	884	10,562	29,960	22,497	4,214	23,805	48	91,970
Accumulated amortisation and impairment	(884)	(10,562)	(28,012)	(21,314)	(4,214)	(3,759)	(24)	(68,769)
Net carrying amount	–	–	1,948	1,183	–	20,046	24	23,201
Year ended 31 March 2012								
Opening net carrying amount	–	–	1,948	1,183	–	20,046	24	23,201
Amortisation	–	–	–	–	–	(8,144)	(16)	(8,160)
Disposal of subsidiaries (note 38)	–	–	(1,948)	(1,183)	–	–	–	(3,131)
Closing net carrying amount	–	–	–	–	–	11,902	8	11,910
At 31 March 2012								
Cost	884	10,562	–	–	4,214	23,805	48	39,513
Accumulated amortisation and impairment	(884)	(10,562)	–	–	(4,214)	(11,903)	(40)	(27,603)
Net carrying amount	–	–	–	–	–	11,902	8	11,910
Year ended 31 March 2013								
Opening net carrying amount	–	–	–	–	–	11,902	8	11,910
Amortisation	–	–	–	–	–	(4,760)	(8)	(4,768)
Closing net carrying amount	–	–	–	–	–	7,142	–	7,142
At 31 March 2013								
Cost	884	10,562	–	–	4,214	23,805	48	39,513
Accumulated amortisation and impairment	(884)	(10,562)	–	–	(4,214)	(16,663)	(48)	(32,371)
Net carrying amount	–	–	–	–	–	7,142	–	7,142

All intangible assets have finite useful lives as detailed in note 4.5. The amortisation charge for the year is included in administrative expenses in the consolidated statement of comprehensive income.

The intangible asset of customer base relating to school network integration services is combined with other assets under the cash generating unit (“CGU”) of school network integration services and is assessed for impairment at that CGU level (note 21).

NOTES TO THE FINANCIAL STATEMENTS

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20. INVESTMENTS IN SUBSIDIARIES – COMPANY

	2013	2012
	RMB'000	RMB'000
Unlisted shares, at cost	122,319	121,999
Less: Impairment	(87,631)	(67,176)
	34,688	54,823

Details of the subsidiaries as at 31 March 2013 are as follows:

Name	Place of incorporation and operation	Particulars of issued issue and paid up capital/ registered capital	Percentage of ownership interests/voting rights/profit share held by the Company		Principal activities
			Directly	Indirectly	
Dragon Era Investments Limited	BVI	10 ordinary shares of U.S. Dollars ("US\$")1 each	100%	–	Investment holding
Pizu International Limited	Hong Kong	10,000 ordinary shares of HK\$1 each	–	100%	Investment holding and money lending
Famous Rise International Limited	BVI	1 ordinary share of US\$1	100%	–	Investment holding
eJet Group Limited	Hong Kong	1 ordinary share of HK\$1	–	100%	Investment holding
北京捷通易信科技發展有限公司(note i)	PRC	US\$150,000	–	100%	Dormant
Pizu Group Limited	Hong Kong	10,000 ordinary shares of HK\$1 each	–	100%	Dormant
Topsheen Limited	BVI	1 ordinary share of US\$1	100%	–	Investment holding
Jumbo Lucky Limited	BVI	1 ordinary share of US\$1	–	100%	Investment holding
Supercor Development Limited	Hong Kong	1 ordinary share of HK\$1	–	100%	Investment holding

NOTES TO THE FINANCIAL STATEMENTS

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20. INVESTMENTS IN SUBSIDIARIES – COMPANY (Continued)

Name	Place of incorporation and operation	Particulars of issued issue and paid up capital/ registered capital	Percentage of ownership interests/voting rights/profit share held by the Company		Principal activities
			Directly	Indirectly	
智維 (note ii)	PRC	RMB1,000,000	–	100%	Provision of school network integration services in the PRC
North West Enterprises Limited	BVI	1 ordinary share of US\$1	100%	–	Inactive
Perfect Start Development Limited	BVI	50,000 ordinary shares of US\$1 each	100%	–	Investment holding
Gryphuz Capital Limited	BVI	1,000,000 ordinary shares of US\$1 each	100%	–	Investment holding
Gryphuz Asset Management Limited	Hong Kong	10,000 ordinary shares of HK\$1 each	–	100%	Asset management

Notes:

- (i) 北京捷通易信科技發展有限公司 is a wholly-foreign-owned enterprise established in the PRC to operate for 30 years up to 28 November 2037.
- (ii) 智維 is a wholly-foreign-owned enterprise established in the PRC to operate for 20 years up to 18 May 2026.

NOTES TO THE FINANCIAL STATEMENTS

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21. GOODWILL – GROUP

	2013	2012
	RMB'000	RMB'000
Cost		
At beginning of the year	53,841	372,426
Derecognised on disposal of subsidiaries (note 38)	–	(318,585)
	<hr/>	<hr/>
At end of the year	53,841	53,841
	<hr/>	<hr/>
Accumulated impairment		
At beginning of the year	17,410	316,517
Impairment loss recognised in the year	15,670	4,129
Derecognised on disposal of subsidiaries (note 38)	–	(303,236)
	<hr/>	<hr/>
At end of the year	33,080	17,410
	<hr/>	<hr/>
Net carrying amount	20,761	36,431
	<hr/>	<hr/>

As at 31 March 2013, goodwill together with the intangible asset – customer base amounting to RMB7,142,000 (2012: RMB11,902,000) (note 19) have been allocated to the CGU of school network integration services business for impairment testing.

The recoverable amount of the CGU of school network integration services has been determined following value in use basis using cash flow projections based on financial budgets covering a five-year period approved by the senior management. The valuation of this CGU is made by reference to the valuation report issued by Asset Appraisal Limited, independent qualified professional valuers who has experience in the valuation of similar assets in the relevant industries.

Key estimates and assumptions used for determining the recoverable amount of the CGU of school network integration services are as follows:

Growth rate during the five-year period	16% for first year, 41% for second year and 7% thereafter (2012: 8%-15%)
Gross margin	
– Provision of technical support services	30% (2012: 30%)
– Other services	13%-20% (2012: 15%-27%)
Discount rate	18.29% (2012: 17.38%)
Growth rate to extrapolate cash flow projects	3% (2012: 3%)

NOTES TO THE FINANCIAL STATEMENTS

31 MARCH 2013

21. GOODWILL – GROUP (Continued)

Estimates and assumptions are determined by the management based on past performance of the segment, government's current policy on education sector and management's expectation for market development. The discount rate used is pre-tax and reflect specific risks relating to the segment.

The carrying amount of the CGU of school network integration services including the goodwill and the intangible assets as at 31 March 2013 exceeded its recoverable amount by approximately RMB15,670,000 (2012: RMB4,129,000), resulting in impairment loss of RMB15,670,000 for the year (2012: RMB4,129,000). The impairment loss is firstly allocated to write down the carrying amount of goodwill, resulting in the amount of goodwill as at 31 March 2013 being written down by RMB15,670,000 (2012: RMB4,129,000). The impairment loss for the year is mainly attributable to the considerable increase in the related cost of materials and workforce as a result of tighter government requirements and increase of quality demanded for projects.

22. TRADE AND OTHER RECEIVABLES, PREPAYMENTS AND DEPOSITS

	The Group		The Company	
	2013 RMB'000	2012 RMB'000	2013 RMB'000	2012 RMB'000
Trade receivables	5,023	9,298	–	–
Less: Impairment of trade receivables	(1,784)	(1,831)	–	–
	<u>3,239</u>	<u>7,467</u>	<u>–</u>	<u>–</u>
Other receivables *	2,213	22	–	–
Prepayments	1,620	1,748	–	1
Deposits	1,199	1,748	1	1
	<u>8,271</u>	<u>10,985</u>	<u>1</u>	<u>2</u>

* Included in other receivables as at 31 March 2013 is an advance of RMB1,352,000 made to a company where one of the key management personnel of the Group is the sole shareholder and director of that company. The amount is unsecured, interest-free and repayable within one year.

Regarding the business of school network integration services, upon completion of the relevant services by the Group, the customers would apply to the government for funding for settling the service fee. In practice, trading with the customers of school network integration services is on credit. The customers normally make settlement in one month but sometimes it takes the customers as long as almost one year to make settlement, depending on the availability of government funding. Regarding other business, trade receivables are normally due within one month. The Group does not hold any collateral or other credit enhancements over its trade receivables. Trade receivables are non-interest bearing.

NOTES TO THE FINANCIAL STATEMENTS

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22. TRADE AND OTHER RECEIVABLES, PREPAYMENTS AND DEPOSITS (Continued)

The ageing analysis (based on invoice date) of trade receivables (net of impairment) as of the end of the reporting period is as follows:

	2013	2012
	RMB'000	RMB'000
0-30 days	2,034	4,849
31-90 days	84	–
91-365 days	992	1,971
Over 1 year	129	647
	3,239	7,467

In general, the management regards trade receivables relating to school network integration service which are aged over 1 month are past due. The ageing analysis of trade receivables which are neither past due nor impaired, and which are past due but not impaired are as follows:

	2013	2012
	RMB'000	RMB'000
Neither past due nor impaired	2,034	4,846
Past due but not impaired		
– less than 1 month past due	84	3
– 3 months to 1 year past due	559	1,971
– over 1 year past due	562	647
	3,239	7,467

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

Trade receivables that were past due but not impaired relate to a number of independent customers that had a good track record of credit with the Group. Based on past credit history, management believes that no impairment allowance is necessary in respect of these balances as there has not been a significant change in credit quality and the balances are still considered fully recoverable.

NOTES TO THE FINANCIAL STATEMENTS

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22. TRADE AND OTHER RECEIVABLES, PREPAYMENTS AND DEPOSITS (Continued)

Impairment of trade receivables are recorded using an allowance account unless the Group is satisfied that recovery of the amount is remote, in which case the impairment loss is written off against trade receivables directly.

Movements in the provision for impairment of trade receivables are as follows:

	2013	2012
	RMB'000	RMB'000
At beginning of the year	1,831	41,601
(Reversal of impairment)/Impairment losses recognised	(47)	1,831
Disposal of subsidiaries	-	(41,601)
	<hr/>	<hr/>
At end of the year	1,784	1,831

As at 31 March 2013, trade receivables of the Group amounting to RMB1,784,000 (2012: RMB1,831,000) were individually determined to be impaired and full provision (2012: full provision) has been made. These individually impaired receivables were long overdue as at the end of the reporting period or were due from companies with financial difficulties. Management has assessed that the entire amount of the respective receivable balances is unlikely to be recovered.

23. LOAN RECEIVABLE – GROUP

The balance as at 31 March 2012 represented an amount due from a company in which one of its directors was then a director and key management personnel of the Company. The maximum balance outstanding during the year was RMB12,500,000 (2012: RMB12,288,000). Interest outstanding as at 31 March 2012 amounting to RMB136,000 was included in "Trade and other receivables". The loan was drawn on 15 March 2012 and was interest bearing at 24% per annum, repayable within 6 months and was guaranteed by another company in which one of its directors is also a director of the Company. The entire balance of the loan receivable with outstanding interest accrued up to 14 June 2012 amounted to RMB12,254,000 was early repaid on 15 June 2012.

The directors considered that the carrying amount of the balance as at 31 March 2012 approximated its fair value.

NOTES TO THE FINANCIAL STATEMENTS

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24. FINANCIAL ASSETS AT FAIR VALUE THROUGH PROFIT OR LOSS – GROUP

	2013 RMB'000	2012 RMB'000
Held for trading:		
Equity securities listed in Hong Kong, at fair value	–	153

The fair values of the listed equity securities was determined by reference to the quoted market bid price available on the Stock Exchange. All the equity securities have been disposed of during the year.

25. CASH AND CASH EQUIVALENTS

	The Group		The Company	
	2013 RMB'000	2012 RMB'000	2013 RMB'000	2012 RMB'000
Cash held with a broker, a company with a common key management personnel	–	11,388	–	–
Cash at banks and on hand	16,135	16,833	12,623	14,064
	16,135	28,221	12,623	14,064

The cash held with the broker as at 31 March 2012 was non-interest bearing. The interest rates on the cash at banks ranged from 0.01% to 0.50% (2012: 0.01% to 0.50%) per annum.

NOTES TO THE FINANCIAL STATEMENTS

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26. TRADE PAYABLES – GROUP

The Group has been granted by its suppliers a credit period of 30 to 180 days (2012: 30 to 90 days) in general. Ageing analysis of trade payables, based on the invoice dates, is as follows:

	2013	2012
	RMB'000	RMB'000
0-30 days	414	1,519
31-90 days	328	974
91-365 days	581	1,899
Over 1 year	251	139
	1,574	4,531

27. OTHER PAYABLES AND ACCRUALS

	The Group		The Company	
	2013	2012	2013	2012
	RMB'000	RMB'000	RMB'000	RMB'000
Other payables and accruals	3,754	2,557	1,333	556
Receipt in advance	1,011	1,359	–	–
Amount due to former shareholders of subsidiaries (note)	5,793	5,793	–	–
	10,558	9,709	1,333	556
Current	9,725	9,709	500	556
Non-current	833	–	833	–
	10,558	9,709	1,333	556

Note:

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

NOTES TO THE FINANCIAL STATEMENTS

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28. AMOUNTS DUE FROM/(TO) SUBSIDIARIES

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

29. OBLIGATION UNDER FINANCE LEASES – GROUP AND COMPANY

	Minimum lease payments		Present value of minimum lease payments	
	2013 RMB'000	2012 RMB'000	2013 RMB'000	2012 RMB'000
Due within one year	-	4	-	3
Total minimum finance lease payments	-	4	-	3
Future finance charges	-	(1)	-	-
Present value of finance lease liabilities	-	3	-	3
Less: Portion due within one year included under current liabilities	-	(3)	-	-
Portion due after one year included under non-current liabilities	-	-	-	-

The Group had entered into finance leases for certain computer equipment at a fixed interest rate of 5.5% per annum. The lease periods are for five years. As at 31 March 2012, finance lease liabilities are effectively secured by the underlying assets with a carrying amount of RMB 3,000 as the rights to the leased asset would be reverted to the lessor in the event of default by repayment by the Group. The finance lease expired during the year ended 31 March 2013. None of the lease included contingent rental.

30. LOAN FROM A SHAREHOLDER

The loan advanced from Shiny Ocean Holdings Limited (“Shiny Ocean”), a substantial shareholder of the Company, is interest bearing at 5% per annum, repayable on 1 April 2014 and is secured by 40% of the issued share capital of a subsidiary, Dragon Era Investments Limited (“Dragon Era”). The net asset value of Dragon Era and its subsidiaries as at 31 March 2013 was approximately RMB30 million.

The directors consider that the carrying amount of the balance approximates its fair value.

NOTES TO THE FINANCIAL STATEMENTS

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31. CONVERTIBLE BONDS – GROUP AND COMPANY

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

The convertible bonds contain two components: liability and equity elements. On initial recognition, the fair value of the liability component was calculated using the market interest rate for an equivalent non-convertible bond. The residual amount, representing the value of the equity conversion component, is included in equity as convertible bonds equity reserve.

In March 2010, the holders of Bond A converted part of Bond A with a principal amount of HK\$138,000,000 into shares of the Company. In June 2011, the entire Bond B with principal amount of HK\$63,940,000 had been converted into 47,185,973 ordinary shares of the Company. The conversion in June 2011 has resulted in derecognition of the liability component of the convertible bonds to the extent of RMB48,466,000 and the transfer of convertible bonds equity reserve amounting to RMB12,344,000 to the share premium account.

On 20 July 2011, an agreement for amending the terms of Bond A by adding the term “early redemption at the option of the Company” (the “Amendment Agreement”) was entered between the Company and the bondholders. In accordance with the Amendment Agreement, the Company may redeem Bond A prior to the maturity day. The redemption payment shall be calculated as follows: (i) if the redemption occurs within 6 months of the maturity date, the redemption payment shall equal the redemption amount; or (ii) if the redemption occurs 6 months before the maturity date, the redemption payment shall equal 110% of the outstanding amount of the convertible bonds. The Amendment Agreement gives rise to a derivative financial asset which represents an issuer call option recognised separately from the original Bond A at fair value, which amounted to approximately RMB110,000 on the date of initial recognition. The corresponding amount is being recognised in the statement of financial position and is included in the liability component of the convertible bonds. The fair value of the early redemption option is calculated using the binomial tree pricing model. The amendments are conditional on the approval by the shareholders of the Company at an extraordinary general meeting. Such shareholders’ approval was obtained on 2 September 2011.

NOTES TO THE FINANCIAL STATEMENTS

31 MARCH 2013

31. CONVERTIBLE BONDS – GROUP AND COMPANY (Continued)

Pursuant to the Amendment Agreement, the Company served a redemption notice on 28 February 2012 to exercise its redemption right for redeeming an outstanding principal amount of HK\$16,400,000 of Bond A, which was settled in cash consideration of HK\$18,040,000 (equivalent to approximately RMB14,612,000) by the Company. The early redemption has resulted in derecognition of the liability component and the convertible bonds equity reserve of the convertible bonds by approximately RMB11,140,000 and RMB4,159,000 respectively. The consideration for redemption is allocated to those two components by firstly measuring the fair value of the liability component by discounting the remaining stream of future cash flows to present value using current market rate and then the residual balance is allocated to the equity component. The credit arising from the difference between the amount allocated to the liability component and its carrying amount of RMB894,000 was credited to profit or loss for the year ended 31 March 2012 while the difference between the amount allocated to the equity component and its carrying amount of RMB207,000 was dealt with in equity in accumulated losses during the year ended 31 March 2012.

The Company further served redemption notices on 13 June 2012, 3 July 2012 and 17 September 2012 to exercise its redemption right for redeeming the remaining outstanding principal amount of HK\$69,160,000 in aggregate of Bond A, which was settled in cash consideration of HK\$76,076,000 (equivalent to approximately RMB61,620,000) in aggregate. The early redemption has resulted in derecognition of the liability component and the convertible bonds equity reserve of the convertible bonds by approximately RMB48,537,000 and RMB17,743,000 respectively. The credit arising from the difference between the amount allocated to the liability component and its carrying amount of RMB3,640,000 is credited to profit or loss for the current year while the difference between the amount allocated to the equity component and its carrying amount of RMB1,020,000 is dealt with in equity in accumulated losses during the current year.

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

	2013	2012
	RMB'000	RMB'000
At beginning of the year	47,237	105,444
Interest expenses (note 12)	1,300	4,520
Conversion into ordinary shares (note 33(i))	–	(48,466)
Recognition of early redemption option	–	110
Early redemption of convertible bonds	(48,537)	(11,140)
Effect of foreign exchange rate changes	–	(3,231)
	<hr/>	<hr/>
At end of the year	–	47,237
	<hr/>	<hr/>

NOTES TO THE FINANCIAL STATEMENTS

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31. CONVERTIBLE BONDS – GROUP AND COMPANY (Continued)

Interest expenses on Bond A is calculated using the effective interest method by applying the effective interest rate of 7.04% per annum (or 7.10% before the Amendment Agreement) whereas the effective interest rate for Bond B for the year ended 31 March 2012 was 6.33% per annum.

The movements of the derivative financial asset are set out as below:

	2013	2012
	RMB'000	RMB'000
At beginning of the year	20	–
Recognition of early redemption option	–	110
Change in fair value	(20)	(90)
	<hr/>	<hr/>
At end of the year	–	20
	<hr/>	<hr/>

32. DEFERRED TAX – GROUP

As at 31 March 2013, all tax losses of the Group have no expiry dates under the current tax legislation except for the tax losses amounted to approximately RMB0.8 million (2012: Nil) incurred by a subsidiary in the PRC, which will expire after 5 years from the year in which the losses were incurred. The Group has taxable losses arising in Hong Kong of approximately RMB4.5 million (equivalent to approximately HK\$5.5 million)(2012: Nil). Deferred tax assets have not been recognised in respect of these losses due to unpredictability of future profits.

Details of deferred tax recognised and the movements during the current and prior years are as follows:

	Intangible assets
	RMB'000
At 31 March 2011 and 1 April 2011	3,479
Credited to profit or loss (note 13)	(1,340)
Disposal of subsidiaries	(469)
	<hr/>
At 31 March 2012 and 1 April 2012	1,670
Charged to profit or loss (note 13)	116
	<hr/>
At 31 March 2013	1,786
	<hr/>

NOTES TO THE FINANCIAL STATEMENTS

31 MARCH 2013

32. DEFERRED TAX – GROUP (Continued)

Pursuant to the PRC Corporate Income Tax Law which took effect from 1 January 2008, a 10% withholding tax was levied on dividends declared and payable to foreign enterprise investors from PRC entities effective from 1 January 2008. A lower withholding tax rate may be applied if there is a tax treaty arrangement between the PRC and the jurisdiction of the foreign enterprise investors. On 22 February 2008, Caishui (2008) No. 1 was promulgated by the PRC tax authorities to specify that dividends declared and remitted out of the PRC from the retained earnings as at 31 December 2007 determined based on the relevant PRC tax laws and regulations are exempted from the withholding tax. Deferred tax liabilities of RMB129,000 (2012: RMB525,000) in respect of the aggregate amount of temporary difference of RMB1,287,000 (2012: RMB5,249,000) associated with the undistributable earnings of certain of the Group's subsidiaries have not been recognised as the Company controls the dividend policy of these subsidiaries and that the profits earned by the Group's PRC subsidiaries for the period from 1 January 2008 to 31 March 2013 will not be distributed in the foreseeable future.

33. SHARE CAPITAL – GROUP AND COMPANY

	2013			2012		
	Number of shares	Par value HK\$	Nominal value RMB'000	Number of shares	Par value HK\$	Nominal value RMB'000
Authorised:						
At beginning of the year	1,500,000,000	0.01	62,150	2,000,000,000	0.1	212,000
Share Consolidation (increase in par value from HK\$0.1 each to HK\$0.5 each) (note (ii)(a))	-	-	-	(1,600,000,000)	-	-
Capital Reduction (decrease in par value from HK\$0.5 each to HK\$0.01 each) (note (ii)(b))	-	-	-	-	-	(158,760)
Capital Increase (note (iii))	-	-	-	1,100,000,000	0.01	8,910
At end of the year	<u>1,500,000,000</u>	<u>0.01</u>	<u>62,150</u>	<u>1,500,000,000</u>	<u>0.01</u>	<u>62,150</u>
Issued and fully paid:						
At beginning of the year	943,719,455	0.01	18,877	896,533,500	0.1	83,852
Issue of shares upon conversion of convertible bonds (note (i))	-	-	-	47,185,973	0.1	3,822
Share Consolidation (increase in par value from HK\$0.1 each to HK\$0.5 each) (note (ii)(a))	-	-	-	(754,975,582)	-	-
Capital Reduction (decrease in par value from HK\$0.5 each to HK\$0.01 each) (note (ii)(b))	-	-	-	-	-	(74,912)
Open Offer (note (iv))	-	-	-	754,975,564	0.01	6,115
Issue of shares upon Subscriptions (note (v))	87,000,000	0.01	705	-	-	-
At end of the year	<u>1,030,719,455</u>	<u>0.01</u>	<u>19,582</u>	<u>943,719,455</u>	<u>0.01</u>	<u>18,877</u>

NOTES TO THE FINANCIAL STATEMENTS

31 MARCH 2013

33. SHARE CAPITAL – GROUP AND COMPANY (Continued)

Notes:

- (i) On 22 June 2011, 47,185,973 ordinary shares were issued at the adjusted conversion price of approximately HK\$1.34 per share to the bondholders upon the conversion of the entire Bond B (note 31) which resulted to the increase in share capital and share premium of approximately RMB3,822,000 and RMB56,988,000 respectively.
- (ii) Following the approval by the shareholders of the Company in the extraordinary general meeting held on 2 September 2011 and the approval granted by the Grand Court of Cayman Islands in respect of the Capital Reduction (as defined below), the proposed capital reorganisation which comprise the followings (the “Capital Reorganisation”) became effective on 17 January 2012:
 - (a) every five issued and unissued shares of HK\$0.10 each was consolidated into one new share (“Consolidated Share”) of HK\$0.50 each (the “Share Consolidation”);
 - (b) the par value of each issued Consolidated Share was reduced from HK\$0.50 to HK\$0.01 by cancelling paid-up capital to the extent of HK\$0.49 on each Consolidated Share in issue, and the authorised share capital was reduced from HK\$200,000,000 divided into 400,000,000 Consolidated Shares of HK\$0.50 each to HK\$4,000,000 divided into 400,000,000 new shares (“New Shares”) of HK\$0.01 each (the “Capital Reduction”); and
 - (c) the entire amount standing to the credit of the share premium account was cancelled and the credit arising therefrom was eliminated against the accumulated loss of the Company (the “Share Premium Cancellation”).
- (iii) Pursuant to a resolution passed on 16 January 2012, and subject to the Capital Reorganisation which became effective on 17 January 2012, the authorised share capital of the Company had increased from HK\$4,000,000 divided into 400,000,000 New Shares of HK\$0.01 to HK\$15,000,000 divided into 1,500,000,000 New Share of HK\$0.01 each by the creation of an additional 1,100,000,000 New Shares of HK\$0.01 each (the “Capital Increase”).
- (iv) A resolution was passed in the extraordinary general meeting of the Company held on 16 January 2012 regarding the issue of 754,975,564 offer shares at a subscription price of HK\$0.0674 per offer share on the basis of four offer share for every one New Share of the Company (the “Open Offer”). The Open Offer was subject to the Capital Reorganisation and Capital Increase which became effective on 17 January 2012. The Open Offer had become unconditional on 16 February 2012. In February 2012, 492,665,103 and 262,310,461 New Shares of HK\$0.01 each were issued at the subscription price of HK\$0.0674 per share to the existing shareholders and an underwriter respectively. The Open Offer has resulted in the increase in share capital and share premium account of the Company by approximately RMB6,115,000 and RMB35,102,000 respectively. The related share issue expenses of approximately RMB2,284,000 were dealt with in the share premium account.
- (v) On 18 March 2013, the Company entered into separate subscription agreements with two independent third parties regarding the issue of 87,000,000 new shares in aggregate at the subscription price of HK\$0.161 per share (the “Subscriptions”). The Subscriptions have resulted in increase in share capital and share premium account of the Company by approximately RMB705,000 and RMB10,641,000 respectively. The related share issue expenses of approximately RMB169,000 were dealt with in the share premium account. The Subscriptions were completed on 27 March 2013.



NOTES TO THE FINANCIAL STATEMENTS

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34. SHARE OPTIONS

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

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

The maximum number of shares in respect of which share options may be granted under the Share Option Scheme shall not, when aggregated with any shares subject to any other schemes, exceeds such number of shares as represents 10% of the issued shares as at the date of approval of the Share Option Scheme which shall be equivalent to 63,834,750 shares. On 28 September 2010 and 11 April 2012, the Scheme Mandate Limit was refreshed to 89,653,500 and 94,371,947 shares respectively. The Company may seek approval from the shareholders in a general meeting to refresh the Share Option Scheme. However, the total number of shares which may be issued upon exercise of all share options to be granted under all of the schemes of the Company or its subsidiaries under the limit must not exceed 10% of the shares in issue as at the date of approval of the Share Option Scheme.

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

The options may be exercised at any time after the date of grant of the share options to the fifth anniversary of the date of grant.

NOTES TO THE FINANCIAL STATEMENTS

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34. SHARE OPTIONS (Continued)

As at 31 March 2013, all of the outstanding share options have been lapsed or cancelled as further detailed in note (i) below. Details of the share options granted under the Company's Share Option Scheme as at 31 March 2012 are as follows:

Grantees	Number of options granted after adjustments*	Exercise price per share before adjustments HK\$	Exercise price per share after adjustments* HK\$	Date of grant	Exercisable period	Contractual life of option
Directors	539,862	1.677	3.668	26 March 2008	26 March 2008 to 25 March 2013	5 years
	315,468	0.149	0.326	18 March 2009	19 March 2009 to 18 March 2014	5 years
	4,559,656	0.450	0.984	27 April 2010	27 April 2010 to 26 April 2015	5 years
Employees	599,845	1.677	3.668	26 March 2008	26 March 2008 to 25 March 2013	5 years
	3,406,141	0.450	0.984	27 April 2010	27 April 2010 to 26 April 2015	5 years
	<u>9,420,972</u>					

* Adjusted for Share Consolidation and Capital Reduction as well as Open Offer as further detailed in note (iii).

NOTES TO THE FINANCIAL STATEMENTS

31 MARCH 2013

34. SHARE OPTIONS (Continued)

The following tables disclose the movements of the Company's share options granted under the Share option Scheme during the year and in prior year.

For the year ended 31 March 2013

Option type	Outstanding at 1/4/2012	Granted during the year	Exercised during the year	Cancelled during the year (note (i))	Lapsed during the year (note (i))	Outstanding at 31/3/2013
2008	1,139,707	–	–	(1,139,707)	–	–
2009	315,468	–	–	(315,468)	–	–
2010	7,965,797	–	–	(5,839,816)	(2,125,981)	–
	<u>9,420,972</u>	<u>–</u>	<u>–</u>	<u>(7,294,991)</u>	<u>(2,125,981)</u>	<u>–</u>
Exercisable at the end of the year:						–
Weighted average exercise price						
– in HK\$	<u>1.287</u>			<u>1.375</u>	<u>0.984</u>	<u>N/A</u>
– equivalent to RMB	<u>1.062</u>			<u>1.114</u>	<u>0.797</u>	<u>N/A</u>

NOTES TO THE FINANCIAL STATEMENTS

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34. SHARE OPTIONS (Continued)

For the year ended 31 March 2012

Option type	Outstanding at 1/4/2011	Granted during the year	Exercised during the year	Forfeiture before Share Consolidation (note (ii))	Adjusted upon Share Consolidation	Adjusted upon Open Offer (note (iii))	Forfeiture after Open Offer (note (iv))	Outstanding at 31/3/2012
					and Capital Reduction (note (iii))			
2008	28,339,200	–	–	–	(22,671,360)	7,288,840	(11,816,973)	1,139,707
2009	6,420,000	–	–	(5,230,000)	(952,000)	306,068	(228,600)	315,468
2010	66,873,000	–	–	(24,100,000)	(34,218,400)	11,001,217	(11,590,020)	7,965,797
	<u>101,632,200</u>	<u>–</u>	<u>–</u>	<u>(29,330,000)</u>	<u>(57,841,760)</u>	<u>18,596,125</u>	<u>(23,635,593)</u>	<u>9,420,972</u>
Exercisable at the end of the year:								<u>9,420,972</u>
Weighted average exercise price								
– in HK\$	<u>0.773</u>			<u>0.380</u>			<u>2.310</u>	<u>1.287</u>
– equivalent to RMB	<u>0.680</u>			<u>0.325</u>			<u>1.920</u>	<u>1.062</u>

NOTES TO THE FINANCIAL STATEMENTS

31 MARCH 2013

34. SHARE OPTIONS (Continued)

Notes:

- (i) In October 2012, Shiny Ocean, now a substantial shareholder of the Company, made conditional cash offers (the “Cash Offers”) to acquire all of the issued shares of the Company, and to cancel all the outstanding share options (the “Option Offer”) and warrants (the “Warrant Offer”) of the Company at the offer price of HK\$0.001 per option/warrant. The outstanding share options and warrants were all out of money when the Cash Offers were made. Pursuant to the terms of the Share Option Scheme, the outstanding share options held by those option holders who do not accept the Option Offer, if unexercised, will automatically lapse upon the expiry of one month after the Cash Offers become unconditional. As a result of the Cash Offers, 7,294,991 options held by those optionholders who have accepted the Option Offer were cancelled and the remaining 2,125,981 options lapsed automatically in one month after the Cash Offers has become unconditional. The carrying amount of these cancelled/lapsed options was RMB3,558,000 which was released from share-based compensation reserve to accumulated losses.
- (ii) 5,230,000 and 24,100,000 options granted in 2009 and 2010 respectively were held by directors and employees of Along Group which was disposed of on 24 June 2011. Such options with carrying amount of RMB4,210,000 were forfeited during the year ended 31 March 2012 and the corresponding amount were released from share-based compensation reserve to accumulated losses.
- (iii) The number and exercise price of outstanding share options upon the Share Consolidation, the Capital Reduction and the Open Offer become effective were adjusted as follows:

	Before Share Consolidation, Capital Reduction and Open Offer		After Share Consolidation and Capital Reduction		After Open Offer	
	No. of options	Exercise price HK\$	Adjusted no. of options	Adjusted exercise price HK\$	Adjusted no. of options	Adjusted exercise price HK\$
Options granted in:						
2008	28,339,200	1.677	5,667,840	8.385	12,956,681	3.668
2009	1,190,000	0.149	238,000	0.745	544,068	0.326
2010	42,773,000	0.450	8,554,600	2.250	19,555,816	0.984
	<u>72,302,200</u>		<u>14,460,440</u>		<u>33,056,565</u>	
(Decrease)/Increase in no. of options			<u>(57,841,760)</u>		<u>18,596,125</u>	

- (iv) 23,635,593 options granted in aggregated were held by employees of the Group who ceased to be employees of the Group during the year. Such options with carrying amount of RMB6,892,000 were forfeited during the year ended 31 March 2012 and the corresponding amount were released from share-based compensation reserve to accumulated losses.

NOTES TO THE FINANCIAL STATEMENTS

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35. RESERVES

The Group

The Group's reserves and the movements therein for the current and prior years are presented in the consolidated statement of changes in equity on page 31. The nature and purpose of the reserves are as follows:

Share premium

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

Capital distributable reserve

Capital distributable reserve arose from Share Premium Cancellation. Upon the Capital Reorganisation being effective as described in note 33(ii), the amount standing to the credit of the share premium account has been cancelled and the credit arising from the share premium cancellation has been used to eliminate the accumulated loss of the Company. The remaining balance of RMB23,714,000 has been credited to this reserve of the Company where it may be utilised by the Directors in accordance with the Company's memorandum and article of association and all applicable laws.

Contributed surplus

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

Convertible bonds equity reserve

The convertible bonds equity reserve comprises the value of the unexercised equity component of convertible bonds issued by the Group recognised in accordance with the accounting policy adopted for convertible bonds as disclosed in note 4.9.

Share-based compensation reserve

The share-based compensation reserve represents the fair value of the actual or estimated number of unexercised share options granted to employees of a subsidiary recognised in accordance with the accounting policy adopted for share-based payments set out in note 4.16.

Foreign currency translation reserve

The foreign currency translation reserve comprises all foreign exchange differences arising from the translation of the financial statements of foreign operation. The reserve is dealt with in accordance with the accounting policy set out in note 4.14.

NOTES TO THE FINANCIAL STATEMENTS

31 MARCH 2013

35. RESERVES (Continued)

The Group (Continued)

Statutory reserve

In accordance with the relevant laws and regulations of the PRC, the PRC subsidiaries are required to appropriate 10% of its profit after tax, prepared in accordance with the accounting regulation in the PRC, to the statutory reserve fund until the statutory reserve balance reaches 50% of the registered capital. Such reserve may be used to reduce any losses incurred or for capitalisation as paid-up capital.

The Company

	Share premium RMB'000	Capital distributable reserve RMB'000	Contributed surplus RMB'000	Convertible bonds equity reserve RMB'000	Share-based compensation reserve RMB'000	Foreign currency translation reserve RMB'000	Accumulated losses RMB'000	Total RMB'000
At 31 March 2011 and 1 April 2011	296,295	–	(18,702)	34,246	14,660	(7,700)	(362,387)	(43,588)
Loss for the year	–	–	–	–	–	–	(91,868)	(91,868)
Exchange differences from translation of financial statements	–	–	–	–	–	(1,581)	–	(1,581)
Capital Reorganisation (note 33(ii))	(353,283)	23,714	–	–	–	–	404,481	74,912
Shares issued upon conversion of convertible bonds (notes 31 & 33(i))	56,988	–	–	(12,344)	–	–	–	44,644
Shares issued upon Open Offer (note 33(iv))	35,102	–	–	–	–	–	–	35,102
Share issue expenses (note 33(iv))	(2,284)	–	–	–	–	–	–	(2,284)
Early redemption of convertible bonds (note 31)	–	–	–	(4,159)	–	–	(207)	(4,366)
Transfer upon forfeiture of vested share options (note 34(ii)&(iv))	–	–	–	–	(11,102)	–	11,102	–
At 31 March 2012 and 1 April 2012	32,818	23,714	(18,702)	17,743	3,558	(9,281)	(38,879)	10,971
Loss for the year	–	–	–	–	–	–	(22,063)	(22,063)
Early redemption of convertible bonds (note 31)	–	–	–	(17,743)	–	–	1,020	(16,723)
Transfer upon cancellation/lapse of vested share options (note 34(i))	–	–	–	–	(3,558)	–	3,558	–
Issue of shares upon Subscriptions (note 33(v))	10,641	–	–	–	–	–	–	10,641
Share issue expenses (note 33(v))	(169)	–	–	–	–	–	–	(169)
At 31 March 2013	43,290	23,714	(18,702)	–	–	(9,281)	(56,364)	(17,343)

NOTES TO THE FINANCIAL STATEMENTS

31 MARCH 2013

36. OPERATING LEASE COMMITMENT – GROUP AND COMPANY

At 31 March 2013, the total future minimum lease payments payable by the Group under non-cancellable operating lease are as follows:

	2013 RMB'000	2012 RMB'000
Within one year	292	1,150
In the second to fifth year inclusive	–	286
	292	1,436

The Group leases certain of its office premises under operating lease arrangements. Leases run for a lease term of 2 years, with an option to renew the lease and renegotiate the terms at the expiry date or at dates as mutually agreed between the Company and the respective landlord. None of the lease includes contingent rental.

The Company did not have any significant lease commitments as at 31 March 2013 (2012: nil).

37. RELATED PARTY TRANSACTIONS

(a) In addition to those disclosed elsewhere in these financial statements, the Group had the following significant transactions with related parties during the year:

	2013 RMB'000	2012 RMB'000
Underwriting commission paid to a broker, a company with a common key management personnel	–	417
Acquisition of a subsidiary from a company with a common key management personnel	–	320
Rental income received from a company with a common key management personnel	157	97

The terms of these transactions were based on those agreed between the Group and the related parties.



NOTES TO THE FINANCIAL STATEMENTS

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37. RELATED PARTY TRANSACTIONS (Continued)

(b) Key management personnel compensation:

	2013	2012
	RMB'000	RMB'000
Salaries, allowances and benefits in kind	702	1,877
Contributions to defined contribution retirement plans	7	20
	709	1,897

38. DISPOSAL OF SUBSIDIARIES

As mentioned in note 14, the Group disposed of Along Group which is principally engaged in research, development and provision of integrated information systems for power grid companies in the PRC. The disposal was completed on 24 June 2011 and the loss on disposal of Along Group, which is included in the loss for the year from discontinued operations, is calculated as follows:

	RMB'000
Consideration (note (a))	21,815
Net assets disposed of (note (b))	(33,735)
Assignment of sale loans	(3,996)
Recycling of cumulative exchange differences	9,224
	<u>(6,692)</u>
Loss on disposal (note 14)	<u>(6,692)</u>
Consideration satisfied by:	
Cash	<u>21,815</u>
Net cash inflow arising on disposal:	
Cash consideration	21,815
Cash and bank balances disposed of	(2,918)
	<u>18,897</u>

NOTES TO THE FINANCIAL STATEMENTS

31 MARCH 2013

38. DISPOSAL OF SUBSIDIARIES (Continued)

Notes:

(a) In accordance with the terms of the sale and purchase agreement, the consideration amounting to HK\$35 million (equivalent to approximately RMB29,050,000) is subject to adjustment. If the net asset value of Along Group as at the completion date increases by more than 5% of the net asset value of Along Group as at 31 March 2011, the purchaser shall pay to the vendor an amount equal to the excess over the 5% increase. If the net asset value of Along Group as at the completion date decreases by more than 5% of the net asset value of Along Group as at 31 March 2011, the vendor shall pay to the purchaser an amount equal to the deficit after the 5% decrease. As of the completion date, the net asset value of Along Group decreased by more than 5% of the net asset value of Along Group as at 31 March 2011. Accordingly, the Group is obliged to pay to the purchaser the deficit which amounted to RMB7,235,000 and the adjusted consideration thereby amounted to RMB21,815,000.

(b) Net assets disposed of is set out as below:

	RMB'000
Property, plant and equipment (note 18)	901
Goodwill (note 21)	15,349
Intangible assets (note 19)	3,131
Trade receivables	33,053
Prepayment, deposits and other receivables	2,978
Cash and cash equivalents	2,918
Accounts payable	(5,293)
Other payables and accruals	(19,302)
	<hr/>
	33,735
	<hr/>

39. NOTES TO THE STATEMENT OF CASH FLOWS – GROUP

Major non-cash transactions

During the year ended 31 March 2013, the Company served redemption notices on 13 June 2012, 3 July 2012 and 17 September 2012 to exercise its redemption right for redeeming the remaining outstanding principal amounts of HK\$69,160,000 in aggregate of Bond A, which was settled in cash consideration of HK\$23,520,000 and HK\$52,556,000 (equivalent to approximately RMB19,049,000 and RMB42,571,000) by the Company and a third party respectively. During the year ended 31 March 2013, HK\$15,000,000 (equivalent to approximately RMB12,150,000) out of the loan from the third party was settled while the remaining balance of HK\$37,556,000 (equivalent of approximately RMB30,421,000) was reassigned to Shiny Ocean on 24 December 2012, which was detailed in note 30.

NOTES TO THE FINANCIAL STATEMENTS

31 MARCH 2013

40. SUMMARY OF FINANCIAL ASSETS AND LIABILITIES BY CATEGORIES

The carrying amounts of the Group's financial assets and liabilities as recognised at the reporting dates are also analysed into the following categories. See note 4.7 for explanations about how the category of financial instruments affects their subsequent measurement.

	The Group		The Company	
	2013 RMB'000	2012 RMB'000	2013 RMB'000	2012 RMB'000
Financial assets				
Financial asset at fair value through profit or loss				
– derivative financial asset held for trading	–	20	–	20
– equity securities listed in Hong Kong held for trading	–	153	–	–
Loans and receivables				
– cash and cash equivalents	16,135	28,221	12,623	14,064
– loan receivable	–	12,150	–	–
– trade and other receivables and deposits	6,651	9,237	1	1
– amounts due from subsidiaries	–	–	3,400	14,900
	22,786	49,781	16,024	28,985
Financial liabilities				
Financial liabilities at amortised cost				
– trade payables	1,574	4,531	–	–
– other payables and accruals	9,547	8,350	1,333	556
– obligation under a finance lease	–	3	–	3
– loan from a shareholder	30,421	–	30,421	–
– convertible bonds	–	47,237	–	47,237
– amounts due to subsidiaries	–	–	16,775	6,328
	41,542	60,121	48,529	54,124

NOTES TO THE FINANCIAL STATEMENTS

31 MARCH 2013

41. FINANCIAL RISK MANAGEMENT

Exposure to credit, liquidity, interest rate and currency risks arises in the normal course of the Group's business. The Group is also exposed to equity price risk arising from its equity investments in other entities. The management manages and monitors these exposures to ensure appropriate measures are implemented on a timely and effective manner. The policies on how to mitigate these risks are set out below.

41.1 Credit risk

The Group's credit risk is primarily attributable to its trade and other receivables, loan receivable and its investing activities. Management has a credit policy in place and the exposures to these credit risks are monitored on an ongoing basis.

In respect of trade and other receivables and loan receivable, credit evaluations are performed on the financial condition of each major trade customer periodically. These evaluations focus on the customer's past history of making payments when due and current ability to pay, and take into account information specific to the customer as well as pertaining to the economic environment in which the customer operates. The Group does not require collateral in respect of its financial assets.

The Group's exposure to credit risk is influenced mainly by the individual characteristics of each customer. The default risk of the industry and country in which customers operate also has an influence on credit risk. At the end of reporting period, the Group had a certain concentration of credit risk as 21.3% (2012: 61.2%) and 44.4% (2012: 77.2%) of the total trade and other receivables was due from the Group's largest customer and the five largest customers respectively. Also, as at 31 March 2012, 100% of loan receivable and 40.4% of cash and cash equivalents was due from/held with a company and its associated company in which one of its directors is also a key management personnel of the Group.

Investments are only in liquid securities quoted on a recognised stock exchange which are transacted with a broker-dealer which is regulated by the Hong Kong Securities and Futures Commission (the "SFC"). In respect of deposits with banks, the Group mitigates its exposure to credit risk by placing deposits with financial institutions with high credit ratings. Given the high credit ratings of the banks and capital requirements imposed on the broker-dealer by the SFC, management does not expect any counterparty to fail to meet its obligations.

41.2 Liquidity risk

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

NOTES TO THE FINANCIAL STATEMENTS

31 MARCH 2013

41. FINANCIAL RISK MANAGEMENT (Continued)

41.2 Liquidity risk (Continued)

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

The Group

	As at 31 March 2013				Carrying amount RMB'000
	Within 1 year or on demand RMB'000	More than 1 year but less than 2 years RMB'000	More than 2 years but less than 5 years RMB'000	Total contractual undiscounted cash flow RMB'000	
Trade payables	1,574	–	–	1,574	1,574
Other payables and accruals	8,714	833	–	9,547	9,547
Loan from a shareholder	–	31,941	–	31,941	30,421
	10,288	32,774	–	43,062	41,542

	As at 31 March 2012				Carrying amount RMB'000
	Within 1 year or on demand RMB'000	More than 1 year but less than 2 years RMB'000	More than 2 years but less than 5 years RMB'000	Total contractual undiscounted cash flow RMB'000	
Trade payables	4,531	–	–	4,531	4,531
Other payables and accruals	8,350	–	–	8,350	8,350
Obligations under finance leases	3	–	–	3	3
Convertible bonds	–	–	56,020	56,020	47,237
	12,884	–	56,020	68,904	60,121

NOTES TO THE FINANCIAL STATEMENTS

31 MARCH 2013

41. FINANCIAL RISK MANAGEMENT (Continued)

41.2 Liquidity risk (Continued)

The Company

	As at 31 March 2013				Carrying amount RMB'000
	Within 1 year or on demand RMB'000	More than 1 year but less than 2 years RMB'000	More than 2 years but less than 5 years RMB'000	Total contractual undiscounted cash flow RMB'000	
Other payables and accruals	500	833	–	1,333	1,333
Loan from a shareholder	–	31,941	–	31,941	30,421
Amounts due to subsidiaries	16,775	–	–	16,775	16,775
	17,275	32,774	–	50,049	48,529

	As at 31 March 2012				Carrying amount RMB'000
	Within 1 year or on demand RMB'000	More than 1 year but less than 2 years RMB'000	More than 2 years but less than 5 years RMB'000	Total contractual undiscounted cash flow RMB'000	
Other payables and accruals	556	–	–	556	556
Obligations under finance leases	3	–	–	3	3
Convertible bonds	–	–	56,020	56,020	47,237
Amounts due to subsidiaries	6,328	–	–	6,328	6,328
	6,887	–	56,020	62,907	54,124



NOTES TO THE FINANCIAL STATEMENTS

31 MARCH 2013

41. FINANCIAL RISK MANAGEMENT (Continued)

41.3 Interest rate risk

The Group has no significant interest-bearing assets and liabilities other than the loan from a shareholder (note 30) which bears interest at fixed rate of 5% per annum. The Group's income and operating cash flows are substantially independent of changes in market interest rates.

41.4 Currency risk

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

41.5 Equity price risk

As at 31 March 2013, the Group is not exposed to equity price risk as no trading securities or derivatives were held by the Group.

As at 31 March 2012, the Group is exposed to equity price changes arising from equity instruments classified as trading securities. The Group's securities investments are listed on the Stock Exchange. Decisions to buy and sell trading securities are based on daily monitoring of the performance of individual securities compared to other industry indicators, as well as the Group's liquidity needs.

The Group is also exposed to equity price risk arising from changes in the Company's own share price to the extent that the Company's own equity instruments underlie the fair values of derivatives or other financial liabilities of the Group as at 31 March 2012.

Sensitivity analysis

The sensitivity analysis on equity price risk includes the Group's financial instruments, which fair value or future cash flows will fluctuate because of changes in their corresponding or underlying asset's equity price. If the Hong Kong Stock market index had been 10% higher/lower, loss in the prior year would decrease/increase by RMB15,000. The assumed changes in prices are considered by management to be reasonably possible based on observation of current market conditions.

42. CAPITAL RISK MANAGEMENT

The Group's objective of managing capital is to safeguard the Group's ability to continue as a going concern in order to provide returns for shareholders and benefits for other stakeholders and to maintain an optimal capital structure to reduce cost of capital.

The Group's management reviews the capital structure by considering the cost of capital and the risks associated with each class of capital. In order to maintain or adjust the capital structure, the Group may adjust the amount of dividends paid to shareholders, issue new share as well as issue new debt or redeem its existing debt as it sees fit and appropriate. No change was made in the objectives, policies or processes for managing capital during the years ended 31 March 2013 and 2012.

NOTES TO THE FINANCIAL STATEMENTS

31 MARCH 2013

42. CAPITAL RISK MANAGEMENT (Continued)

The gearing ratio at the end of reporting period was as follows:

	2013	2012
	RMB'000	RMB'000
Loan from a shareholder	30,421	–
Convertible bonds	–	47,237
Less: Cash and cash equivalents	(16,135)	(28,221)
	<hr/>	<hr/>
Net debt	14,286	19,016
	<hr/>	<hr/>
Equity	8,238	37,203
	<hr/>	<hr/>
Net debt to equity ratio	173%	51%
	<hr/>	<hr/>

The increase in the gearing ratio resulted primarily from the impairment loss of goodwill which was detailed in note 21.

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

43. FAIR VALUE MEASUREMENTS

HKFRS 7 requires the Group to classify fair value measurements using a fair value hierarchy. The hierarchy groups financial assets and liabilities into three levels based on the relative reliability of significant inputs used in measuring the fair value of these financial assets. The fair value hierarchy has the following levels:

- Level 1: quoted prices (unadjusted) in active markets for identical assets or liabilities;
- Level 2: inputs other than quoted prices included within Level 1 that are observable for the asset or liability, either directly (i.e. as prices) or indirectly (i.e. derived from prices); and
- Level 3: inputs for the asset or liability that are not based on observable market data (unobservable inputs).

The level in the fair value hierarchy within which the financial asset or liability is categorised in its entirety is based on the lowest level of input that is significant to the fair value measurement.

NOTES TO THE FINANCIAL STATEMENTS

31 MARCH 2013

43. FAIR VALUE MEASUREMENTS (Continued)

As at 31 March 2013, no financial asset or liability is measured at fair value. The financial assets measured at fair value in the statement of financial position as at 31 March 2012 were grouped into the fair value hierarchy as follows:

	Level 1 RMB'000	Level 2 RMB'000	Level 3 RMB'000	Total RMB'000
As at 31 March 2012				
Derivative component of convertible bonds	–	20	–	20
Equity securities held for trading	153	–	–	153
	<u> </u>	<u> </u>	<u> </u>	<u> </u>

There is no transfer between levels 1 and 2 in the reporting period. The methods and valuation techniques used for the purpose of measuring fair value are detailed in note 4.7.

The carrying amounts of the Group's and the Company's financial instruments carried at amortised costs are not materially different from their fair values due to the short maturity period.

As at 31 March 2012, the fair value of the liability component of the convertible bond amounted to RMB53,361,000. The fair value was calculated using cash flows discounted at a rate based on an equivalent market interest rate for the similar non-convertible note, which was 10.50%.

FIVE YEARS FINANCIAL SUMMARY

The consolidated statement of comprehensive income of the Group for the financial years 2009 to 2013 and the consolidated statement of financial position of the Group as at 31 March 2009, 2010, 2011, 2012 and 2013 are as follows:

	Year ended 31 March				
	2013 RMB'000	2012 RMB'000	2011 RMB'000 (Restated)	2010 RMB'000 (Restated)	2009 RMB'000
Results					
Turnover	32,381	58,334	85,971	89,945	77,828
(Loss)/Profit before income tax	(23,300)	(50,498)	(169,014)	(252,723)	12,789
Taxation (expense)/credit	(119)	45	(289)	1,863	(6,041)
(Loss)/Profit for the year	(23,419)	(50,453)	(169,303)	(250,860)	6,748
	As at 31 March				
	2013 RMB'000	2012 RMB'000	2011 RMB'000 (Restated)	2010 RMB'000 (Restated)	2009 RMB'000
Assets and liabilities					
Total assets	52,950	100,738	155,219	306,216	275,896
Total liabilities	(44,712)	(63,535)	(144,329)	(143,826)	(51,960)
Total equity	8,238	37,203	10,890	162,390	223,936