



Annual Report  
**2013**



**Mobile Telecom Network (Holdings) Limited**

(Incorporated in the Cayman Islands with limited liability)

Stock Code: 8266



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



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# Corporate Information

## DIRECTORS

### Executive Directors

Mr. Chan Wai Kwong, Peter  
Mr. Siu King Nin, Peter  
Mr. Choi Ho Yan  
Mr. So Haw, Herman

### Independent Non-executive Directors

Mr. Chiu Wai Piu  
Mr. Cheung Kwan Hung, Anthony  
Mr. Heung Chee Hang, Eric

## COMPLIANCE OFFICER

Mr. Chan Wai Kwong, Peter

## AUTHORISED REPRESENTATIVES

Mr. Chan Wai Kwong, Peter  
Mr. So Haw, Herman

## COMPANY SECRETARY

Ms. Chang Kam Lai, CPA

## AUDIT COMMITTEE

Mr. Cheung Kwan Hung, Anthony (*Chairman*)  
Mr. Chiu Wai Piu  
Mr. Heung Chee Hang, Eric

## REMUNERATION COMMITTEE

Mr. Cheung Kwan Hung, Anthony (*Chairman*)  
Mr. Chiu Wai Piu  
Mr. Heung Chee Hang, Eric

## NOMINATION COMMITTEE

Mr. Chiu Wai Piu (*Chairman*)  
Mr. Cheung Kwan Hung, Anthony  
Mr. Heung Chee Hang, Eric  
Mr. So Haw, Herman

## AUDITOR

RSM Nelson Wheeler

## LEGAL ADVISER

Michael Li & Co

## CAYMAN ISLANDS PRINCIPAL SHARE REGISTRAR AND TRANSFER 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

## HONG KONG BRANCH SHARE REGISTRAR AND TRANSFER OFFICE

Computershare Hong Kong  
Investor Services Limited  
17M, Hopewell Centre  
183 Queen's Road East  
Wanchai, Hong Kong

## REGISTERED OFFICE

Cricket Square  
Hutchins Drive  
P.O. Box 2681  
Grand Cayman KY1-1111  
Cayman Islands

## HEAD OFFICE AND PRINCIPAL PLACE OF BUSINESS

Suite 1006, 10th Floor  
Ocean Centre, Harbour City  
Tsim Sha Tsui  
Kowloon, Hong Kong

## PRINCIPAL BANKER

Standard Chartered Bank

## WEBSITE

[www.mtelnet.com](http://www.mtelnet.com)

## STOCK CODE

8266



## Schedule of Principal Properties

The following list contains properties held by the Group as at 31 March 2013:

### 1. INVESTMENT PROPERTIES

Location	Term	Type	Group's interest
Flat A, 52nd Floor, Tower 2, Manhattan Hill, No. 1 Po Lun Street, Kowloon, Hong Kong N.K.M.L. No. 3	Medium Lease	Residential	100%
Flat B, 5th Floor, No. 75 Broadway Mei Foo Sun Chuen, Kowloon, Hong Kong The remaining portion of N.K.I.L. No. 5087	Medium Lease	Residential	100%

### 2. PROPERTIES UNDER DEVELOPMENT

Location	Particulars of occupancy	Type	The site and gross floor area	Group's interest
Two separate parcels of land located at Wumaling, Longtao, Jiangcheng District, Yangjiang City, Guangdong Province, PRC	Vacant land as at the date of the annual report	Residential/ Commercial	Site area – approximately 173,602 square feet Gross floor area – approximately 504,313 square feet	66.66%



# Management Discussion and Analysis

## BUSINESS REVIEW

### Business Segments

The principal activities of the Group for this financial year can be classified into the following four main categories:

- Mobile application and data solution;
- Trading of electronic parts and components in relation to display modules and touch panel modules, and provision of professional solution with engineering services;
- Property development; and
- Property investment

### Mobile application and data solution

The Group carries out this operation under the brand of “MTel”. This can further be classified into the following major areas:

- Mobile Value-Added Service
- Mobile Application Development
- IT Outsourcing and Consultation
- Game Development

For **Mobile Value-Added Service**, the Group operates over 100 value-added services with over 30 mobile network operators in 15 countries, mainly focusing in popular topics, such as:–

- sports news (including live score update around the globe, with odds and analysis)
- movies info (including real-time available seating plan and in-Apps purchase of movie tickets)
- music channels



## Management Discussion and Analysis

In **Mobile Application Development**, the Group maintained its strong and renowned position in all popular mobile platforms (such as iOS, Android, Window 8, Blackberry, etc). We, now, provide development, execution and implementation in technological developments and services (including cross-platforms realisation) for our clients a more complete technical service. At the same time, by understanding the needs of our clients, we offer additional services beyond the capacity of a developer/programmer, i.e. our “MTel” integrated services, such as inclusion of areas of marketing related activities such as number of downloads and Apps-launch related promotional campaigns, etc. Currently, our clients include the Hong Kong Jockey Club, the Hong Kong Airport Authority, major retail banks in Hong Kong and Macau, reputable fashion and entertainment magazines, international brokerage houses and hotel brands, and utility and public transport providers in Hong Kong.

The Group is also proud to have received the Gold Award of Best Lifestyle (Social, Communications & Media) Award of the Hong Kong ICT Awards with one of our in-house developed mobile applications (available on both iOS and Android platforms), namely Movie Express (電影速遞). The Hong Kong ICT Awards (often dubbed as the “IT Oscars”) were established in 2006 under a collaborative effort amongst the industry, the academia and the HKSAR Government.

With the adoption of UX design, our Movie Express application provides a mobile platform to allow movie lovers to reach the latest and fastest movie information like trailers, stills, critics and schedules. It also builds up a communication platform for users to connect with their friends and share their thoughts related to movies through Facebook and WeChat. On top of that, by using the Augmented Reality (AR) technology, users can also interact with virtual reality by scanning movie posters and easily experience all fruitful features. In addition, our Movie Express application has won Gold Award/Special Mention (Cloud Computing) of the HKICT Award.

For **IT Outsourcing and Consultation**, we strive to provide the best tailored solutions to our clients. This is done by collaborating with our clients and inputting our technical knowledge, where we aim to leverage our clients’ value to their customers in an all-rounded way, whether our customers are in the industry of banking and finance, insurance, telecommunications and many more. Our relentless refinements enabled unique and specific experiences designed to allow our clients to achieve what are desired by their targeted customers. Our existing clients included Three Mobile (Hong Kong and Macau), Bank of China (Hong Kong and Macau), Standard Chartered Bank (Hong Kong), LUXE City Guides, The Hong Kong Jockey Club, China Light Power, and Vietnamobile, just to name a few.

For **Game Development**, the Group serves our clients in the capacity of digital creative consultancy with specialisation in game/interactive application production on the mobile, web, and social networking platforms. Over the years we have gathered extensive knowledge and proven track records in digital advertising, viral marketing and social game/community operations.



# Management Discussion and Analysis

## Trading of electronic parts and components in relation to display modules and touch panel modules, and provision of professional solution with engineering services

The Group carries out this operation under the brand of “ETC”. Today, ETC has been in the market for more than 10 years, with over 7 years of excellent agency service contracts and continuing with two of the most renowned suppliers of electronic parts and components in relation to display modules and touch panel modules, both of these companies are listed on the Taiwan Stock Exchange.

Top 10 customers of ETC for the year ended 31 March 2013 accounted to approximately 67.0% of its turnover. Our customers include reputable brands and sizeable merchandisers whose customers include ZTE, Tian Ma, Lenovo, Huawei, Konka, LG and Haier, etc.

## Property development and Property investment

With the recently announced proposed acquisition of a new real estate development project, the Group is expected to have 3 property development projects in the PRC; one is held in our 25% owned associated company, another is held in one of our subsidiaries and the newest to be acquired one with 35% is to be held as an associate company (if completed). At the moment, one of the development projects is coming to an end with the respective partners are now actively working on the sale of the final few remaining residential and commercial units; meanwhile planning and construction developments are in progress for the latter two projects fore-mentioned. The Group remains to hold 2 residential properties for investment purpose in Hong Kong. Both have been successfully leased out providing the Group with stable assets foundation and returns.

## Prospects

Affected by the worldwide financial crisis, Hong Kong market recovery seems to remain sluggish with unexpected fluctuation by outside events. To consolidate our foundation, the Group has been concentrating on investing in human resources and sound businesses in particularly to strengthen our key businesses in targeted markets and be prepared for potential opportunities in the future.

With the on set of the most sophisticated mobile internet and smartphones available, the Group is dedicated to the sustainable development of long term game-related and infotainment products for local and worldwide markets and provides a wide range of digital and innovative solution consultancy services to enterprises in banking and finance and other vertical industries of enterprises customers. The Group is focused to use technology and interactive experience solutions to differentiate from others and serve to the objectives of our customers in the market including the augmented reality, NFC solutions, multi-touch with Microsoft Pixelsense platform. In addition to mobile gaming, the Group shall release a new game title – Maximus, a ARPG action game with the success of Toonshooters which featured by the Apple App Store in early this year of 2013, followed by another 2 new game titles to be released in the upcoming quarters.





## Management Discussion and Analysis

In particular to the real estate market in the PRC, any potential new government regulations may deter the recent growth of the PRC market. The real estate market outlook of the country plus various regional reasons could affect our invested real estate development project, all being within the Guangdong province. Given, residential need is a basic requirement for the large population in particular for the newly-weds and younger generation moving up the social ladder plus the wish of returning to birthplace and family reunion which is a Chinese tradition plus the consistent growing trend of the real estate market. In view of these reasons, we expect the effect is likely to be limited, most importantly, recent increase in prices and numbers of transaction have shown demands and the purchasing powers of the actual users do exist. That said, consumers in the PRC are being vigilance and watchful to the country's economic conditions, due caution and prudence will be exercised during the planning and execution of our development projects, such as keeping costs to the minimal.

Touch-screen panels are used in many applications most notably the latest hit is on mobile phones and tablets. These are driven heavily first by Apple and now also Samsung, HTC, Microsoft and Blackberry. With more designs in size and specifications, the sector is divided in several pricing categories with technical cost being driven down. There are now cheaper versions of the same technology providing for the consumers to choose. With the increasing popularity and applications of touch-screen panels being used in more aspects of our daily life, the Group is optimistic that this hardware technology is the direction to continue. In September 2012, the Group completed the acquisition of the 75% interests in ETC, where it engaged in trading of electronic parts and components in relation to display modules and touch panel modules. It also provides professional solution with engineering services to meet individual customers needs. The industrial outlook continues to be strong as the market for the technology continues to boom. To increase margins, the Group will refine the business operations to minimise non-value added expenses.

In continuance to diversify the Group's existing business strategies through both vertical and horizontal integrations and maximise the return of the shareholders, the Group will be identifying further investment opportunities to maintain growth.

### FINANCIAL REVIEW

#### Revenue and results

For the year ended 31 March 2013, the Group recorded a turnover of approximately HK\$531,611,000 (2012: approximately HK\$31,602,000), representing an increase of 1,582.2% over the same period of last year. The increase was mainly attributable to the successful completion of the very substantial acquisition, namely ETC Technology Limited ("ETC"). ETC is principally engaged in the trading of electronic parts and components in relation to display modules and touch panel modules. ETC contributed turnover of approximately HK\$494,677,000 to the Group for the period between the date of acquisition and 31 March 2013.



# Management Discussion and Analysis

Loss attributable to owners of the Company for the year ended 31 March 2013 was approximately HK\$71,503,000 (2012: approximately HK\$26,662,000), representing an increase of 168.2% on previous year. The loss per share was 5.63 HK cents (2012: 2.50 HK cents). The increase in loss was mainly due to the charging of fair value of approximately HK\$6,612,000 of the issued warrants, the increase in share-based payment expenses of approximately HK\$5,766,000 recognised in current year, the losses on change in fair value of approximately HK\$6,887,000 on issued convertible bonds, the increase in finance costs of approximately HK\$4,168,000, the increase in impairment losses of approximately HK\$22,115,000 in respect of investments in associates and amounts due from associates.

## Segment information

### *Trading of electronic parts and components*

This segment was newly acquired in September 2012. It contributed revenue and profit of approximately HK\$494,595,000 and HK\$6,685,000 respectively to the Group for the period between the date of acquisition and 31 March 2013.

### *Mobile application and data solution business*

Revenue for the year ended 31 March 2013 grew by 16.7% from approximately HK\$31,602,000 for 2012 to approximately HK\$36,872,000 for 2013, which was attributable to the growth in its overall customer base and the diversification into the mobile application development business. Loss for the year increased by 12.3% from approximately HK\$5,685,000 for 2012 to HK\$6,386,000 for 2013, which was mainly due to the impairment loss in respect of investment in an associate and amounts due from the associate.

### *Property development*

No revenue was generated and it recorded a loss of approximately HK\$7,692,000 for 2013, an increase of 13.5% from a year ago.

### *Property investment*

Property investment recorded revenue of approximately HK\$144,000 whereas no revenue was generated for 2012 and recorded a profit of approximately HK\$1,879,000 for 2013 as compared to a loss of approximately HK\$261,000 for 2012, which was mainly attributable to the gain on change in fair value of the investment properties.



# Management Discussion and Analysis

## Liquidity and financial resources

The Group financed its operations with the revenue generated from its operations, the net proceeds from placement and banking facilities provided by its bankers in Hong Kong. The Group had total outstanding borrowings of approximately HK\$176,006,000 as at 31 March 2013 (2012: approximately HK\$38,075,000). 89.6% (2012: 76.8%) of the borrowings are considered as current liabilities and repayable within one year, the remaining are repayable in three years. HK and US dollar denominated borrowings accounted for 46.1% (2012: 100%) and 53.9% (2012: Nil) of the total borrowings respectively. 65.3% (2012: Nil) of borrowings are interest bearing bank loans on floating rate terms, 6.3% (2012: Nil) of borrowings are interest bearing other loans on fixed rate terms, 28.0% (2012: 97.3%) are non-interest bearing convertible bonds and the remaining 0.4% (2012: 2.7%) are interest bearing finance lease obligation as fixed interest rate.

At 31 March 2013, the Group had cash reserves of approximately HK\$15,821,000 (2012: approximately HK\$8,797,000). Most of the cash reserves were placed with major banks in Hong Kong and the PRC.

The gearing ratio as at 31 March 2013 was 194.6% (2012: 32.6%). The gearing ratio was derived by dividing the total borrowings including the bank and other loans, convertible bonds and finance lease payables of approximately HK\$176,006,000 (2012: approximately HK\$38,075,000) by the amount of shareholders' equity of approximately HK\$90,426,000 (2012: approximately HK\$116,895,000). The liquidity ratio of the Group, represented by a ratio between current assets over current liabilities, was 103.4% (2012: 205.9%).

The management of the Company will continue to make good efforts to improve the liquidity condition. Measures will include but not limited to tightening of costs control, expansion of current businesses, the securing of additional loan facilities and/or raising funds from the capital market.

## FOREIGN EXCHANGE EXPOSURE

The income and expenditure of the Group are mainly denominated in HK dollar, US dollar and Renminbi, the impact of foreign exchange exposure to the Group is considered minimal in this respect and no hedging or other arrangements to reduce the currency risk has been implemented.

## CAPITAL STRUCTURE

During the year ended 31 March 2013, a total of 68,965,517 ordinary shares of the Company were allotted and issued as a result of the conversion of the convertible bonds. Share premium increased by approximately HK\$10,570,000 accordingly.



## Management Discussion and Analysis

Pursuant to the placing and subscription agreement dated 26 November 2012, 124,288,000 ordinary shares of the Company were allotted and issued on 7 December 2012 at a price of HK\$0.155 per share. Details of the transaction are set out in the Company's announcement dated 26 November 2012 and 7 December 2012.

Save as disclosed above, there was no change in the capital structure of the Group during the year.

### SIGNIFICANT INVESTMENTS

For the acquisition of 33.33% of Jun Feng Enterprise (HK) Limited ("Jun Feng") and its subsidiaries (collectively as the "Jun Feng Group") as announced on 28 September 2011, each of Mr. Ke Lizhi ("Mr. Ke"), Mr. Jiang Heng Liang ("Mr. Jiang") and Mr. Li Jianhong ("Mr. Li"), being the original shareholders before the acquisition, has provided a profit guarantee to the Group that the audited consolidated net profits after taxation and extraordinary or exceptional items of the Jun Feng Group for the year ended 30 September 2012 shall not be less than HK\$10,000,000. As stipulated in the shareholders agreement entered into among Jun Feng, Mr. Ke, Mr. Jiang, Mr. Li and the Group, the profit guarantee of not less than HK\$10,000,000 shall be ascertained by an external auditor. And, the performance of the profit guarantee provided by Mr. Ke, Mr. Jiang and Mr. Li is secured by the share charges on 1,666,667 Jun Feng shares, 833,333 Jun Feng shares and 833,333 Jun Feng shares, respectively in favour of the Group.

In the second quarter for the financial year, impairment loss on the investment in Jun Feng has been made. This was mainly attributable to fierce competitions (including hostile pricing strategy) being put on by other manufacturers of LCD and touch-screen panels in the PRC, when this period was traditionally the beginning of the high season for meeting orders to be shipped out for the festive periods near the year end). This forced thin margins on the factory and eventually priced out of competition causing material loss and resources wasted. The Group has taken into consideration the future operational aspects and profitability of Jun Feng. Given that there may not be any immediate upturns in the current business situations of Jun Feng, no positive cashflow being generated, and the uncertainties of the rest of respective shareholders being willing to provide further financial assistances (if and when necessary), the Group considered that it is prudent to make such impairment and provide such provision for losses.

Given the current status of Jun Feng and that the related profit guarantee, the Group is monitoring any changes in circumstances and/or developments; and it reserves the right to exercise such charges pending on the future development of Jun Feng.



# Management Discussion and Analysis

## MATERIAL ACQUISITIONS AND DISPOSALS

On 22 February 2012, the Group entered into an agreement (as supplemented by the supplemental agreement dated 15 March 2012) (the “Agreement”) with Mr. Chan Wan Kim and Mr. Wong Chun Wai (together with Mr. Chan Wan Kim, the “Vendors”) pursuant to which the Group has agreed to purchase and the Vendors have agreed to sell 75% of the issued share capital of ETC for a total consideration of HK\$39,000,000. The consideration is to be satisfied as to HK\$10,400,000 in cash, as to HK\$23,400,000 by way of issuance of convertible bonds and as to HK\$5,200,000 by way of issuance of promissory notes. Details of the acquisition are set out in the Company’s circular dated 23 August 2012. The transaction has been completed on 10 September 2012.

The Vendors issued a guarantee to the Group whereby the audited consolidated net profits after tax and any extraordinary or exceptional items of ETC will not less than HK\$8,000,000 for the year ended 31 March 2013 and each of the two years ending 31 March 2014 and 31 March 2015 (the “Profit Guarantee”). If the actual audited consolidated net profit after tax and any extraordinary or exceptional items of ETC is less than HK\$8,000,000, the Vendors shall pay to the Group in cash for the shortfall on a dollar to dollar basis. Should ETC record a loss in its audited financial statements for the year ended 31 March 2013 and each of the two years ending 31 March 2014 and 31 March 2015, the Vendors shall pay HK\$8,000,000 to the Group for such year. The Profit Guarantee for the year ended 31 March 2013 has been met.

The Vendors also issued a guarantee to the Group whereby the current assets of ETC less (i) cash and bank balances and (ii) prepayments, as shown in the unaudited consolidated statement of financial position of ETC as at 31 January 2012 (the “Net Current Assets”) will be recoverable in full by ETC before the date falling 90 days after the completion of the Agreement (the “Completion Date”). If the Net Current Assets is not recovered in full by ETC before the date falling 90 days after the Completion Date, then the Vendors shall pay to the Group in cash for the amount of the Net Current Assets not recovered in full by ETC (the “Shortfall Amount”) on a dollar to dollar basis on the date falling 90 days after the Completion Date.

If the Shortfall Amount is more than HK\$5,200,000, the Vendors shall satisfy the payment of the Shortfall Amount by:

- (a) offsetting HK\$5,200,000 of the Shortfall Amount against the principal amount of the promissory notes; and
- (b) offsetting the amount exceeding HK\$5,200,000 against the principal amount of the convertible bonds.

The Net Current Assets recoverability guarantee has been met.

Save as disclosed above, the Group did not make any material acquisitions or disposals during the year ended 31 March 2013.



# Management Discussion and Analysis

## CHARGES ON THE GROUP'S ASSETS

As at 31 March 2013, the Group pledged the following assets to secure other loans and bank loan facilities of the Group:

- (i) the investment properties with fair value of HK\$41,000,000 (2012: Nil);
- (ii) the leasehold properties with carrying amount of approximately HK\$4,936,000 (2012: Nil);
- (iii) bank deposits of approximately HK\$16,636,000 (2012: Nil).

And, a leased motor vehicle with carrying amount of approximately HK\$825,000 (2012: approximately HK\$1,134,000) was charged to secure the Group's finance lease payables.

## CONTINGENT LIABILITIES

ETC, a 75% owned subsidiary of the Group, has entered into a guarantee agreement with a bank providing a guarantee with respect to a mortgage loan granted by the bank to a related party of ETC since 2011, of which HK\$2,762,000 have been outstandings as at 31 March 2013. Under the guarantee agreement, ETC would be liable to pay the bank should the bank be unable to recover the repayment of the loan in full from the related party. As at 31 March 2013, no provision for ETC's obligation under the guarantee agreement has been made as the Directors considered that it was not probable that the repayment of the loan would be in default.

Except for the above, the Group did not have any significant contingent liabilities as at 31 March 2013 (2012: Nil).

## EMPLOYEE INFORMATION

As at 31 March 2013, the Group had a total of 136 employees of which 100 were based in Hong Kong while the rest were located in the PRC. The Group's employees are remunerated in accordance with their work performance, experience and prevailing industry practices. Total staff costs, including Directors' emoluments, amounted to approximately HK\$40,660,000 for the year ended 31 March 2013 (2012: approximately HK\$24,816,000). Share options and bonuses are also available to the Group's employees at the discretion of the Directors and depending upon the financial performance of the Group.



# Management Discussion and Analysis

## APPRECIATION

On behalf of the Board, I would like to express my sincere thanks to all our shareholders, business partners and professional advisors for their support throughout the year, and to our management and staff for their ongoing dedication to the Group.

On behalf of the Board

**Choi Ho Yan**

*Executive Director*

Hong Kong, 20 June 2013







# Biographical Details of Directors and Senior Management

## DIRECTORS

### Executive Directors

**Mr. Chan Wai Kwong, Peter** (“Mr. Chan”), aged 59, has served on the Board since the listing of the Company in 2003 and was appointed as an executive director of the Company on 27 March 2003. Mr. Chan is also the compliance officer of the Group. Mr. Chan is responsible for overseeing and supervising the administration of the Group. Mr. Chan graduated with a bachelor of arts degree in social science from the University of Western Ontario, Canada in 1978. Mr. Chan also serves as an independent non-executive director of Century Ginwa Retail Holdings Limited (Stock code: 162), whose shares are listed on The Stock Exchange of Hong Kong Limited (the “Stock Exchange”).

**Mr. Siu King Nin, Peter** (“Mr. Siu”), aged 72, was appointed as an executive director of the Company on 10 June 2010 and is responsible for the formulation and execution of business strategies as well as corporate management of the Group. Mr. Siu has had over 35 years of experience in the banking and financial services sector serving at senior management level in various leading banks and financial institutions in the United States, Canada and Hong Kong.

**Mr. Choi Ho Yan** (“Mr. Choi”), aged 37, was appointed as an executive director of the Company on 30 July 2010. Mr. Choi is responsible for the finance function and public relation of the Group. Mr. Choi graduated from the University of Hertfordshire, United Kingdom with a Bachelor of Accounting degree. Mr. Choi has over 14 years of experience in auditing, accounting, corporate finance and investor relations experience gained from his previous employment. Mr. Choi was an accountant at Ernst and Young from 1998 – 2004, overseeing audit work for projects related to initial public offerings of several companies, as well as other related work for listed companies. During his time as a chief financial officer for a company listed on the stock exchange of the Singapore Exchange Limited from 2004 – 2010, he oversaw the investor relations programme as well as the accounting and financial functions of that company. Mr. Choi also serves as an independent non-executive director of Time Watch Investments Limited (Stock code: 2033), whose shares are listed on the Stock Exchange.

**Mr. So Haw, Herman** (“Mr. So”), aged 31, was appointed as an executive director of the Company on 7 June 2011. Mr. So is responsible for the property investment and property development of the Group. Mr. So attained his Bachelor of Mechanical Engineering (with honours and IMechE accreditation) in University of London, United Kingdom and Master of Oceanography (with IMarEST accreditation) in University of Southampton, United Kingdom in 2004 and 2005, respectively. Since his graduation, he has worked in Geotek Ltd. as a geophysicist/engineer for around 11 months and later pursued his career in the banking business. He has worked in China Construction Bank (Asia) Corp. Ltd., Hong Kong for more than 3.5 years. During that period, he has served a host of multi-national clients, including but not limited to corporate financing, and banking services. Prior to joining the Company, he worked as an executive director and vice general manager in a private business group, overseeing real estate development projects, commercial and residential re-design projects, and merger and acquisition projects of that private business group.





## Biographical Details of Directors and Senior Management

### Independent non-executive Directors

**Mr. Chiu Wai Piu** (“Mr. Chiu”), aged 66, was appointed as an independent non-executive directors of the Company on 30 July 2010. Mr. Chiu is a very experienced and reputable journalist and has over 43 years of experience in journalism. He has been a reporter, an editor, a main news assignment editor, a local news assignment editor, a managing editor and an editorial writer in newspapers and a senior research officer in “One Country Two Systems Research Institute”. Mr. Chiu has been the founding treasurer and the chairman of the “Hong Kong Federation of Journalists”. In 2006, he was elected as the Vice Secretary – General and Treasurer of the “Hong Kong Federation of Journalists”; and he was also elected as the Director-General in 2009. Mr. Chiu has, for many years, devoted himself wholeheartedly in boosting cooperation among local journalists, enhancing professional conduct of journalists and developing the relationship and advocating the interchange of knowledge between journalists in Hong Kong and Mainland China. His contribution in this field is highly praised and recognized. Mr. Chiu also serves as an independent non-executive Director of Jiwa Bio-Pharm Holdings Limited (Stock code: 2327) and Lo’s Enviro-Pro Holdings Limited (Stock code: 2027), whose shares are listed on the Stock Exchange.

**Mr. Cheung Kwan Hung, Anthony** (“Mr. Cheung”), aged 61, was appointed as an independent non-executive director of the Company on 18 August 2010. Mr. Cheung is a member of the Association of Chartered Certified Accountants and the Hong Kong Institute of Certified Public Accountants. Mr. Cheung has 11 of years of experience in accounting, finance and investment banking specializing in equity/debt fund raising, mergers and acquisitions and corporate and debt restructuring. He was also an executive director of publicly listed companies undertaking corporate management, planning and strategies development functions. Currently, he is an independent non-executive director of NewOcean Energy Holdings Limited (Stock code: 342), Great Harvest Maeta Group Holdings Limited (Stock code: 3683) and PetroAsian Energy Holdings Limited (Stock code: 850), the shares of which are listed on the Stock Exchange.

**Mr. Heung Chee Hang, Eric** (“Mr. Heung”), aged 45, was appointed as an independent non-executive director of the Company on 18 August 2010. Mr. Heung is a practicing solicitor in Hong Kong with current practice in general litigation and commercial matters. He graduated with a degree of Laws from the University of Leicester, England. Mr. Heung was admitted as a solicitor of the Supreme Court of Hong Kong in 1995. He is currently a partner of Tung, Ng, Tse & Heung, Solicitors. He currently serves as an independent non-executive director of Noble Jewelry Holdings Limited (Stock code: 475), a company of which shares are listed on the Stock Exchange.



# Biographical Details of Directors and Senior Management

## SENIOR MANAGEMENT

**Mr. Wong Chun Wai** (“Mr. Wong”), aged 39, has been appointed as the chief executive officer of the Group on 17 December 2012. Mr. Wong has more than 14 years of experience in the electronic industry. He joined a newly acquired subsidiary of the Company in year 2001 and was responsible for product research and development and liaison with customers in respect of the product specifications. Mr. Wong also involved in formulating marketing strategies and handling sales operation. Moving progressive upward the hierarchy of one of the subsidiaries of the Group, Mr. Wong continued to contribute to the success of the business by achieving a thirtyfolds increase in turnover, from amount of HK\$10 million to HK\$300 million since then. Mr. Wong is currently focusing on corporate financing and maintaining both suppliers and customers’ relationships in order to further promote and launch new products to the market network of the trading of electronics parts and components business. Mr. Wong holds a bachelor degree in Art of Computing from The Hong Kong Polytechnic University and a master degree in Business Administration from The University of Northern Iowa.

**Mr. Wong Ming Wai** (“Mr. Wong”), aged 37, is the chief executive officer of MTel Limited. Mr. Wong joined the Group in November 2002. Mr. Wong is responsible for developing new business and revenue streams for the mobile data solution business. Mr. Wong has over 16 years of experience in business development and marketing in mobile and I.T. industries. Mr. Wong holds a Bachelor of Mathematics degree from the University of Waterloo, Ontario, Canada.

**Mr. Tsang Yue Shun** (“Mr. Tsang”), aged 36, is the chief operating officer of MTel Limited. Mr. Tsang joined the Group since its inception in November 2000. Mr. Tsang is responsible for overseeing the network department and the project-based business of the mobile data solution business. Mr. Tsang graduated with a bachelor degree in information technology from City University of Hong Kong in 2001 and further obtained his master degree in electronic commerce from the same university in 2007. Mr. Tsang joined the Group prior to the graduation of his first degree.

**Mr. Chau Ho Wai** (“Mr. Chau”), aged 30, is the chief technical officer of MTel Limited. Mr. Chau has been managing and developing the corporate solutions business unit since he joined the Group in 2005 and managing the IT department since early 2009. Mr. Chau has over 10 years of experience in IT industry. Mr. Chau attended the Hong Kong Polytechnic University.

**Ms. Chang Kam Lai** (“Ms. Chang”), is the company secretary of the Group. Ms. Chang joined the Group in June 2010. Ms. Chang is a member of the Hong Kong Institute of Certified Public Accountants and the Association of Chartered Certified Accountants.



# Report of the Directors

The Directors submit their report together with the audited financial statements for the year ended 31 March 2013.

## PRINCIPAL ACTIVITIES

The principal activity of the Company is investment holding. The Group is principally engaged in the development, provision and sale of mobile and internet communication telecommunications and other related services in Hong Kong and elsewhere in the Asia Pacific Region; and trading of electronic parts and components in relation to display modules and touch panel modules (since 10 September 2012).

An analysis of the Group's performance by operating segments for the year ended 31 March 2013 is set out in note 8 to the financial statements.

Particulars of the Company's subsidiaries and associates as at 31 March 2013 are set out in notes 21 and 22 respectively to the financial statements.

## RESULTS AND DIVIDENDS

The results of the Group for the year ended 31 March 2013 and the state of affairs of the Company and the Group as at that date are set out in the financial statements on pages 44 to 145.

The Directors do not recommend the payment of a dividend (2012: Nil).

## RESERVES

Details of movements in the reserves of the Group and of the Company during the year are set out in the consolidated statement of changes in equity and note 37 to the financial statements.

## DISTRIBUTION RESERVES

No distribution reserves of the Company was recorded as at 31 March 2013. Under section 34 of the Companies Law (Revised) of the Cayman Islands, the share premium is available for distribution to shareholders subject to the provisions of the Articles of Association of the Company, and no distribution may be paid to shareholders out of the Company's share premium unless the Company shall be able to pay its debts as they fall due in the ordinary course of business.



# Report of the Directors

## PROPERTY, PLANT AND EQUIPMENT

Details of the movements in property, plant and equipment and investment properties of the Group during the year are set out in notes 17 and 18 respectively to the financial statements.

## PRINCIPAL PROPERTIES

Details of the principal properties held for development and for investment purposes are set out on page 4 of the annual report.

## SHARE CAPITAL

Details of the movements in share capital of the Company during the year are set out in note 36 to the financial statements.

## CONVERTIBLE BONDS

Particulars of convertible bonds of the Group and the Company as at 31 March 2013 are set out in note 32 to the financial statements.

## WARRANTS

Particulars of warrants of the Group and the Company as at 31 March 2013 are set out in notes 29 and 37c(vi) to the financial statements.

## BORROWINGS

Details of the Group's and the Company's borrowings as at 31 March 2013 are set out in note 31 to the financial statements.

## PRE-EMPTIVE RIGHTS

There is no provision for pre-emptive rights under the Company's Articles of Association and there is no restriction against such rights under the laws of the Cayman Islands, which would oblige the Company to offer new shares on a pro-rata basis to existing shareholders.

## FIVE YEAR FINANCIAL SUMMARY

A summary of the Group's results and assets and liabilities for the last five financial years is set out on page 146 of the annual report.

## PURCHASE, SALE OR REDEMPTION OF LISTED SECURITIES OF THE COMPANY

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

# Report of the Directors

## SHARE OPTIONS

The Company has two share option schemes, the Pre-IPO share option scheme (the “Pre-IPO Share Option Scheme”) and the share option scheme (the “Share Option Scheme”).

### Pre-IPO Share Option Scheme

The Company adopted the Pre-IPO Share Option Scheme on 27 March 2003, pursuant to which certain Directors and participants have been granted options to subscribe for shares.

The Pre-IPO Share Option Scheme has expired on 27 March 2013. The unexercised options under the Pre-IPO Share Option Scheme will continue to be valid and exercisable subject to the provisions of the scheme until the end of the exercise periods.

Movements in the outstanding share options granted under the Pre-IPO Share Option Scheme during the year ended 31 March 2013 are set out below.

		Number of Share Options								
		Outstanding as at 1 April 2012	Granted during the year	Exercised during the year	Lapsed during the year	Outstanding as at 31 March 2013	Approximate percentage of issued share capital	Option period	Consi- deration for the grant of the option HK\$	Exercise price per share HK\$
Name	Date of grant									
Other Participants										
Employees in aggregate (Note)	9 February 2007	12,565	–	–	–	12,565	0.001%	9 February 2007 – 8 February 2017	1.00	0.078 (Adjusted)
	12 February 2008	25,130	–	–	–	25,130	0.002%	12 February 2008 – 11 February 2018	1.00	0.152 (Adjusted)
Business Consultant										
Young Antony, Michael	27 March 2003	376,952	–	–	–	376,952	0.027%	9 May 2003 – 8 May 2013	1.00	0.091 (Adjusted)
		414,647	–	–	–	414,647	0.030%			

*Note:* Employees working under employment contracts that are regarded as “continuous contracts” for the purpose of the Employment Ordinance (Chapter 57 of the laws of Hong Kong).

### Share Option Scheme

At an extraordinary general meeting held on 25 March 2013, the shareholders of the Company approved the adoption of a new share option scheme (the “New Share Option Scheme”) and the termination of the share option scheme adopted on 27 March 2003 (the “Old Share Option Scheme”).

# Report of the Directors

## SHARE OPTIONS (Continued)

### Share Option Scheme (Continued)

#### (i) Old Share Option Scheme

The unexercised options under the Old Share Option Scheme will continue to be valid and exercisable subject to the provisions of the scheme until the end of the exercise periods.

Movements in the outstanding share options granted under the Old Share Option Scheme during the year ended 31 March 2013 are set out below.

Name	Date of grant	Number of Share Options				Outstanding as at 31 March 2013	Approximate percentage of issued share capital	Option period	Consi-deration for the grant of the option HK\$	Exer-cise price per share HK\$
		Outstanding as at 1 April 2012	Granted during the year	Exercised during the year	Lapsed during the year					
Executive Directors										
Dr. Chan Chung (deceased) (Note 1)	29 June 2011	3,000,000	–	–	–	3,000,000	0.219%	29 June 2011 – 28 June 2021	1.00	0.140
Mr. Chan Wai Kwong, Peter	29 June 2011	3,000,000	–	–	–	3,000,000	0.219%	29 June 2011 – 28 June 2021	1.00	0.140
Mr. Siu King Nin, Peter	29 June 2011	3,000,000	–	–	–	3,000,000	0.219%	29 June 2011 – 28 June 2021	1.00	0.140
Mr. Choi Ho Yan	29 June 2011	3,000,000	–	–	–	3,000,000	0.219%	29 June 2011 – 28 June 2021	1.00	0.140
Mr. So Haw, Herman	29 June 2011	1,000,000	–	–	–	1,000,000	0.073%	29 June 2011 – 28 June 2021	1.00	0.140
Independent Non-executive Directors										
Mr. Chiu Wai Piu	29 June 2011	500,000	–	–	–	500,000	0.036%	29 June 2011 – 28 June 2021	1.00	0.140
Mr. Cheung Kwan Hung, Anthony	29 June 2011	500,000	–	–	–	500,000	0.036%	29 June 2011 – 28 June 2021	1.00	0.140
Mr. Heung Chee Hang, Eric	29 June 2011	500,000	–	–	–	500,000	0.036%	29 June 2011 – 28 June 2021	1.00	0.140
Other Participants										
Employees in aggregate (Note 2)	17 February 2010	314,126	–	–	–	314,126	0.023%	17 February 2010 – 16 February 2020	1.00	0.107 (Adjusted)
	29 June 2011	4,000,000	–	–	–	4,000,000	0.292%	29 June 2011 – 28 June 2021	1.00	0.140
		18,814,126	–	–	–	18,814,126	1.372%			

#### Notes:

- According to the Old Share Option Scheme and following the demise of Dr. Chan Chung on 20 December 2012, the title to the relevant share options of the late Dr. Chan Chung would pass to his personal representative who is entitled to exercise the same during a period of 12 months following 20 December 2012.
- Employees working under employment contracts that are regarded as “continuous contracts” for the purpose of the Employment Ordinance (Chapter 57 of the laws of Hong Kong).

# Report of the Directors

## SHARE OPTIONS (Continued)

### Share Option Scheme (Continued)

#### (ii) New Share Option Scheme

Movements in the outstanding share options granted under the New Share Option Scheme during the year ended 31 March 2013 are set out below.

Name	Date of grant	Number of Share Options				Outstanding as at 31 March 2013	Approximate percentage of issued share capital	Option period	Consi-deration for the grant of the option HK\$	Exercise price per share HK\$
		Outstanding as at 1 April 2012	Granted during the year	Exercised during the year	Lapsed during the year					
Executive Directors										
Mr. Chan Wai Kwong, Peter	28 March 2013	-	3,000,000 (Note 2)	-	-	3,000,000	0.219%	28 March 2013 – 27 March 2023	1.00	0.150
Mr. Siu King Nin, Peter	28 March 2013	-	3,000,000 (Note 2)	-	-	3,000,000	0.219%	28 March 2013 – 27 March 2023	1.00	0.150
Mr. Choi Ho Yan	28 March 2013	-	3,000,000 (Note 2)	-	-	3,000,000	0.219%	28 March 2013 – 27 March 2023	1.00	0.150
Mr. So Haw, Herman	28 March 2013	-	3,000,000 (Note 2)	-	-	3,000,000	0.219%	28 March 2013 – 27 March 2023	1.00	0.150
Independent Non-executive Directors										
Mr. Chiu Wai Piu	28 March 2013	-	1,150,000 (Note 2)	-	-	1,150,000	0.084%	28 March 2013 – 27 March 2023	1.00	0.150
Mr. Cheung Kwan Hung, Anthony	28 March 2013	-	1,150,000 (Note 2)	-	-	1,150,000	0.084%	28 March 2013 – 27 March 2023	1.00	0.150
Mr. Heung Chee Hang, Eric	28 March 2013	-	1,150,000 (Note 2)	-	-	1,150,000	0.084%	28 March 2013 – 27 March 2023	1.00	0.150
Chief Executive										
Mr. Wong Chun Wai	28 March 2013	-	3,000,000 (Note 2)	-	-	3,000,000	0.219%	28 March 2013 – 27 March 2023	1.00	0.150
Other Participants										
Employees in aggregate (Note 1)	28 March 2013	-	45,000,000 (Note 2)	-	-	45,000,000	3.281%	28 March 2013 – 27 March 2023	1.00	0.150
Other eligible participants	28 March 2013	-	35,000,000 (Note 2)	-	-	35,000,000	2.552%	28 March 2013 – 27 March 2023	1.00	0.150
		-	98,450,000	-	-	98,450,000	7.180%			

#### Notes:

- Employees working under employment contracts that are regarded as “continuous contracts” for the purpose of the Employment Ordinance (Chapter 57 of the laws of Hong Kong).
- At 27 March 2013, the date before the options were granted, the market value per share was HK\$0.149.



# Report of the Directors

## SHARE OPTIONS *(Continued)*

### Share Option Scheme *(Continued)*

The value of the options granted during the year is HK\$9,057,400, based on the Binomial Option Pricing Model. The significant inputs to the model were as follows:

Date of grant	28 March 2013
Closing share price	HK\$0.149
Exercise price	HK\$0.150
Annual risk-free interest rate	1.12%
Expected volatility	75%
Life of the option	10 years
Expected dividend yield	Nil

The fair value calculated are inherently subjective and uncertain due to the assumptions made and the limitations of the model used. The value of an option varies with different variables of certain subjective assumptions. Any change in variables so adopted may materially affect the estimation of the fair value of an option.

The following is a summary of the principal terms of the New Share Option Scheme:

#### **(a) Purpose**

The purpose of the New Share Option Scheme is to enable the Company to grant options to the participants in order to recognise and motivate the contribution of the participants to the Company and/or its subsidiaries.

#### **(b) Participants**

The participants of the New Share Option Scheme include full time or part time employees of the Group (including any directors, whether executive or non-executive and whether independent or not, of the Company or any subsidiary) and any supplier, consultants, agents and advisers or any person who, in the sole discretion of the Board, has contributed or may contribute to the Group.





# Report of the Directors

## SHARE OPTIONS *(Continued)*

### Share Option Scheme *(Continued)*

#### **(c) *Maximum number of Shares available for issue***

The maximum number of Shares which may be issued upon exercise of all options to be granted under the New Share Option Scheme and any other share option schemes of the Company adopted by the Group must not, in aggregate, exceed 10% of the Shares in issue as at the date of the adoption of the New Share Option Scheme (the “Scheme Mandate Limit”), unless shareholders’ approval has been obtained in general meeting to refresh the Scheme Mandate Limit. Options lapsed in accordance with the terms of the New Share Option Scheme will not be counted for the purpose of calculating the Scheme Mandate Limit.

As at the date of the annual report, a total of 38,688,837 Shares which represented 2.82% of the issued share capital of the Company shall be the maximum number of Shares available for issue at the date of the annual report.

#### **(d) *Maximum entitlement of each participant***

The total number of Shares issued and to be issued upon exercise of the options granted to each participant or grantee (including exercised and outstanding options) in any twelve (12)-month period up to the date of grant shall not exceed 1% of the Shares in issue at the date of grant.

#### **(e) *Grant and acceptance of options***

An offer of the grant of an option shall be made to participants in writing (and unless so made shall be invalid) in such form as the Board may from time to time determine and shall remain open for acceptance by the participant concerned for a period of 28 days from the date upon which it is made provided that no such offer shall be open for acceptance after the earlier of the 10th anniversary of the date of the adoption of the New Share Option Scheme or the termination of the New Share Option Scheme. The amount payable on acceptance of an option is HK\$1.00.

#### **(f) *Time of exercise of options***

The period under which an option may be exercised shall be such period as the Board may in its absolute discretion determine at the time of making an offer for the grant of an option, but in any event no later than 10 years from the date of grant but subject to the early termination of the New Share Option Scheme.



# Report of the Directors

## SHARE OPTIONS *(Continued)*

### Share Option Scheme *(Continued)*

#### *(g) Price of Shares*

The exercise price for Shares under the New Share Option Scheme may be determined by the Board at its absolute discretion but in any event will not be less than the highest of: (i) the closing price of the Shares as stated in the daily quotations sheets of the Stock Exchange on the date of grant, which must be a Business Day; (ii) the average closing price of the Shares as stated in the daily quotations sheets of the Stock Exchange for the five Business Days immediately preceding the date of grant, and (iii) the nominal value of a Share.

#### *(h) Remaining life of the New Share Option Scheme*

The New Share Option Scheme shall be valid and effective for a period of 10 years ending on 24 March 2023.

## DIRECTORS

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

### Executive Directors

Dr. Chan Chung *(Chairman) (Deceased on 20 December 2012)*

Mr. Chan Wai Kwong, Peter

Mr. Siu King Nin, Peter

Mr. Choi Ho Yan

Mr. So Haw, Herman

### Independent non-executive Directors

Mr. Chiu Wai Piu

Mr. Cheung Kwan Hung, Anthony

Mr. Heung Chee Hang, Eric



# Report of the Directors

In accordance with Article 87 of the Company's Articles of Association, Mr. Choi Ho Yan, Mr. So Haw, Herman and Mr. Heung Chee Hang, Eric will retire by rotation at the forthcoming annual general meeting of the Company and, being eligible, offer themselves for re-election.

Independent non-executive Directors were appointed for an initial term of 2 years. The term of appointment of Mr. Chiu Wai Piu will expire on 29 July 2014 while Mr. Cheung Kwan Hung, Anthony and Mr. Heung Chee Hang, Eric will expire on 17 August 2014.

## **Emoluments of the Directors and the five highest paid individuals**

Details of the Directors' emoluments and of the five highest paid individuals in the Group are set out in note 12 to the financial statements.

The emoluments of the Directors are subject to review by the Remuneration Committee. Their emoluments are determined with reference to their roles and responsibilities in the Group and the prevailing market conditions.

The Company has adopted share option scheme as an incentive to Directors and eligible employees, details of the share option scheme is set out in note 38 to the financial statements.

## **DIRECTORS' SERVICE CONTRACTS**

None of the Directors who are proposed for re-election at the forthcoming annual general meeting has a service contract with the Company which is not determinable within one year without payment of compensation, other than statutory compensation.

## **DIRECTORS' INTERESTS IN CONTRACTS**

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

## **BIOGRAPHICAL DETAILS OF DIRECTORS AND SENIOR MANAGEMENT**

The biographical details of Directors and senior management (including the professional qualifications of the Company Secretary) at the date of this report are set out in the Biographical Details of Directors and Senior Management section on pages 15 to 17 of this report.

# Report of the Directors

## DIRECTORS' AND CHIEF EXECUTIVES' INTERESTS AND SHORT POSITIONS IN THE SHARES, UNDERLYING SHARES AND DEBENTURES OF THE COMPANY OR ANY ASSOCIATED CORPORATION

As at 31 March 2013, the interests and short positions of each director and chief executive of the Company in the shares, underlying shares or debentures of the Company or any of its associated corporations (within the meaning of Part XV of the Securities and Futures Ordinance (the "SFO")), which were required to be notified to the Company and the Stock Exchange pursuant to Divisions 7 and 8 of Part XV 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 required, pursuant to Rules 5.46 to 5.67 of the GEM Listing Rules relating to securities transactions by Directors, to be notified to the Company and the Stock Exchange, were as follows:

### Aggregate long positions in the shares and underlying shares of the Company

Name of Director/ chief executive	Capacity	Nature of interest	Number of shares held	Number of shares issuable under share options granted (Note 1)	Derivatives (number of underlying shares)	Total	Approximate percentage of issued share capital
<b>Directors:</b>							
Mr. Chan Wai Kwong, Peter	Beneficial owner	Personal interest	216,072	6,000,000	–	6,216,072	0.45%
Mr. Siu King Nin, Peter	Beneficial owner	Personal interest	–	6,000,000	–	6,000,000	0.44%
Mr. Choi Ho Yan	Beneficial owner	Personal interest	–	6,000,000	–	6,000,000	0.44%
Mr. So Haw, Herman	Beneficial owner	Personal interest	–	4,000,000	–	4,000,000	0.29%
Mr. Chiu Wai Piu	Beneficial owner	Personal interest	–	1,650,000	–	1,650,000	0.12%
Mr. Cheung Kwan Hung, Anthony	Beneficial owner	Personal interest	–	1,650,000	–	1,650,000	0.12%
Mr. Heung Chee Hang, Eric	Beneficial owner	Personal interest	–	1,650,000	–	1,650,000	0.12%
<b>Chief executive:</b>							
Mr. Wong Chun Wai	Beneficial owner	Personal interest	–	3,000,000	18,720,000 (Note 2)	21,720,000	1.58%



# Report of the Directors

## **DIRECTORS' AND CHIEF EXECUTIVES' INTERESTS AND SHORT POSITIONS IN THE SHARES, UNDERLYING SHARES AND DEBENTURES OF THE COMPANY OR ANY ASSOCIATED CORPORATION** *(Continued)*

### **Aggregate long positions in the shares and underlying shares of the Company** *(Continued)*

#### *Notes:*

1. Details are set out in the Share Option section above. All of the share options are physically settled equity derivatives.
2. All interests in underlying shares are interests in convertible bonds of the Company which may be converted into 9,360,000 shares at a conversion price of HK\$0.25 per conversion share during the period from 10 April 2013 to 9 October 2015 and interests in convertible bonds of the Company which may be converted into 9,360,000 shares at a conversion price of HK\$0.25 per conversion share during the period from 10 October 2013 to 9 October 2015.

Save as disclosed above, as at 31 March 2013, none of the Directors and chief executive of the Company has or was deemed to have any interests or short positions in any shares, debentures or underlying shares of the Company and its associated corporations (within the meaning of Part XV of the SFO), which were required to be notified to the Company and the Stock Exchange pursuant to Divisions 7 and 8 of Part XV of the SFO (including interests and short positions which they were taken or deemed to have under such provisions of the SFO) or which were required, pursuant to section 352 of the SFO, to be entered in the register referred to therein or which were required, pursuant to Rules 5.46 to 5.67 of the GEM Listing Rules relating to securities transactions by Directors, to be notified to the Company and the Stock Exchange.

## **SUBSTANTIAL SHAREHOLDERS' INTERESTS AND SHORT POSITIONS IN THE SHARES, DEBENTURES AND UNDERLYING SHARES OF THE COMPANY**

The register of substantial shareholders required to be kept under section 336 of Part XV of the SFO shows that as at 31 March 2013, the Company had been notified of the following substantial shareholders' interest and short positions, being 5% or more of the issued share capital of the Company.

# Report of the Directors

## SUBSTANTIAL SHAREHOLDERS' INTERESTS AND SHORT POSITIONS IN THE SHARES, DEBENTURES AND UNDERLYING SHARES OF THE COMPANY *(Continued)*

### Aggregate long positions in the shares and underlying shares of the Company

Name of substantial shareholders	Capacity	Nature of interest	Number of shares held	Number of underlying shares held under equity derivatives	Total	Approximate percentage of issued share capital
China Oil Resources Group Limited	Beneficial owner	Corporate interest	355,571,722	–	355,571,722	25.93%
PetroAsian Energy Holdings Limited	Interest in controlled corporation <i>(Note 1)</i>	Corporate interest	355,571,722	–	355,571,722	25.93%
Vodatel Information Limited	Beneficial owner	Corporate interest	155,419,392	–	155,419,392	11.33%
Vodatel Networks Holdings Limited	Interest in controlled corporation <i>(Note 2)</i>	Corporate interest	155,419,392	–	155,419,392	11.33%
Mr. Poon Sum	Beneficial owner	Personal interest	–	175,226,994 <i>(Note 3)</i>	175,226,994	12.78%
Mr. Poon Sau Tin	Beneficial owner	Personal interest	–	175,226,993 <i>(Note 3)</i>	175,226,993	12.78%
Mr. Chan Wan Kim	Beneficial owner	Personal interest	–	74,880,000 <i>(Note 4)</i>	74,880,000	5.46%

#### Notes:

1. PetroAsian Energy Holdings Limited ("PetroAsian Energy") is deemed, by virtue of the SFO, to be interested in the 355,571,722 shares held by China Oil Resources Group Limited as China Oil Resources Group Limited is a direct wholly-owned subsidiary of PetroAsian Energy. PetroAsian Energy is a company incorporated in the Cayman Islands whose shares are listed on the Main Board (Stock code: 850). Those persons or corporations who are entitled to exercise or control the exercise of one-third or more of the voting power in general meetings of PetroAsian Energy or in accordance with whose directions or instructions PetroAsian Energy or its directors are accustomed to act or who are otherwise taken to be interested in any shares in which PetroAsian Energy is interested under the SFO will be deemed to be interested in the 355,571,722 shares which PetroAsian is deemed to be interested in. The names and particulars of the shareholdings of such persons or corporations (if any) in PetroAsian Energy can be found in the information published by PetroAsian Energy from time to time and from the website of the Stock Exchange at [www.hkex.com.hk](http://www.hkex.com.hk). According to the latest interim report of PetroAsian Energy, as at 30 September 2012, no person was interested or deemed to be interested in more than one-third of the then issued share capital of PetroAsian Energy.
2. Vodatel Networks Holdings Limited ("Vodatel") is deemed, by virtue of the SFO, to be interested in the 155,419,392 shares held by Vodatel Information Limited as Vodatel Information Limited is a direct and wholly owned subsidiary of VDT Mobile Holdings Limited which is a direct and wholly owned subsidiary of Vodatel Holdings Limited, a direct and wholly owned subsidiary of Vodatel. Vodatel is a company incorporated in Bermuda whose shares are listed on GEM (Stock code: 8033). Those persons or corporations who are entitled to exercise or control the exercise of one-third or more of the voting power in general meetings of Vodatel or in accordance with whose directions or instructions Vodatel or its directors are accustomed to act or who are otherwise taken to be interested in any shares in which Vodatel is interested under the SFO will be deemed to be interested in the 155,419,392 shares which Vodatel is deemed to be interested in. The names and particulars of the shareholdings of such persons or corporations (if any) in Vodatel can be found in the information published by Vodatel from time to time and from the GEM website at [www.hkgem.com](http://www.hkgem.com). According to the latest quarterly report of Vodatel, as at 31 March 2013, Mr. Jose Manuel Dos Santos, Miss Lei Hon Kin, Eve Resources Limited, Ocean Hope Holdings Limited and HSBC International Trustee Limited were interested or deemed to be interested in more than one-third of the then issued share capital of Vodatel.



# Report of the Directors

## SUBSTANTIAL SHAREHOLDERS' INTERESTS AND SHORT POSITIONS IN THE SHARES, DEBENTURES AND UNDERLYING SHARES OF THE COMPANY *(Continued)*

### Aggregate long positions in the shares and underlying shares of the Company *(Continued)*

Notes: *(Continued)*

3. These underlying shares represent the new ordinary shares to be issued upon the conversion of convertible bonds by Mr. Poon Sum and Mr. Poon Sau Tin with aggregate principal amount of HK\$33,000,000 at adjusted conversion price of HK\$0.163 per conversion share and the exercise of warrants by Mr. Poon Sum and Mr. Poon Sau Tin with aggregate amount of HK\$22,200,000 at adjusted exercise price of HK\$0.150 per share.
4. These underlying shares represent the new ordinary shares to be issued upon the conversion of convertible bonds by Mr. Chan Wan Kim with aggregate principal amount of HK\$18,720,000 at conversion price of HK\$0.250 per conversion share.

Save as disclosed above, the Directors and the chief executive of the Company were not aware of any person (other than the Directors or chief executive of the Company the interests of which were disclosed above) who has an interest or short position in the securities of the Company that were required to be entered in the register of the Company pursuant to section 336 of the SFO as at 31 March 2013.

## MANAGEMENT CONTRACTS

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

## MAJOR SUPPLIERS AND CUSTOMERS

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

Purchases	
– the largest supplier	44.5%
– five largest suppliers in aggregate	99.6%
Sales	
– the largest customer	25.2%
– five largest customers in aggregate	48.7%

None of the Directors, their associates or any shareholder (which to the knowledge of the Directors owns more than 5% of the Company's share capital) had an interest in these major suppliers or customers.



# Report of the Directors

## CONNECTED TRANSACTIONS

A summary of the related party transactions entered into by the Group during the year ended 31 March 2013 is contained in note 43 to the financial statements.

## SUFFICIENCY OF PUBLIC FLOAT

Based on the information that is publicly available to the Company and within the knowledge of the Directors, it is confirmed that there is sufficient public float of at least 25% of the Company's issued shares at 20 June 2013.

## CORPORATE GOVERNANCE

A report on the principle corporate governance practices adopted by the Company is set out in the Corporate Governance Report on pages 32 to 41 of this report.

## DIRECTORS' INTEREST IN COMPETING BUSINESS

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

## EVENTS AFTER THE REPORTING PERIOD

Details of significant events occurring after the reporting period are set out in note 44 to the financial statements.

## AUDITORS

RSM Nelson Wheeler was first appointed as auditor of the Company on 30 April 2012 upon the resignation of Ting Ho Kwan & Chan.

The financial statements for the year ended 31 March 2013 have been audited by RSM Nelson Wheeler who retire and, being eligible, offers themselves for re-appointment. A resolution for re-appointment of RSM Nelson Wheeler as auditor of the Company is to be proposed at the forthcoming annual general meeting of the Company.

On behalf of the Board

**Choi Ho Yan**

*Executive Director*

Hong Kong, 20 June 2013





# Corporate Governance Report

## CORPORATE GOVERNANCE PRACTICES

The Company is committed to maintaining a high standard of corporate governance practices enhancing greater transparency and quality of disclosure as well as more effective internal control.

During the year ended 31 March 2013, the Company has complied with the code provisions of the Corporate Governance Code and Corporate Governance Report as set out in Appendix 15 of the GEM Listing Rules except for the deviations from code provisions A.2.1, A.4.2, A.6.7, C.1.2 and E.1.2 which are explained in the relevant sections below.

## DIRECTORS' SECURITIES TRANSACTIONS

The Company has adopted the required standard of dealings set out in Rules 5.48 to 5.67 of the GEM Listing as the code of conduct regarding Directors' securities transactions of the Company. The Company has made specific enquiry of all Directors, all Directors confirmed that they have complied with the required standard of dealings and its code of conduct regarding securities transactions by the Directors throughout the year ended 31 March 2013.

## BOARD OF DIRECTORS

The board of Directors (the "Board") of the Company currently comprises a total of seven Directors, with four executive Directors namely Mr. Chan Wai Kwong, Peter, Mr. Siu King Nin, Peter, Mr. Choi Ho Yan and Mr. So Haw, Herman and three independent non-executive Directors namely Mr. Chiu Wai Piu, Mr. Cheung Kwan Hung, Anthony and Mr. Heung Chee Hang, Eric. A list containing the names of the Directors and their roles and functions is published on the Company's website and the GEM website at [www.hkgem.com](http://www.hkgem.com). To the best knowledge of the Company, there is no financial, business, family or other material or relevant relationship between the members of the Board.

The Company complies at all times during the year under review with the minimum requirements under the Rules 5.05(1), 5.05(2) and 5.05A of the GEM Listing Rules respectively relating to the appointment of at least three independent non-executive Directors and one of which should have appropriate professional qualifications or accounting or related financial management expertise and the independent non-executive Directors represent at least one-third of the Board. Their biographies are set out in the Biographical Details of Directors and Senior Management section on pages 15 to 17 of this report.



# Corporate Governance Report

The Board is collectively responsible for formulating the strategic business development, reviewing and monitoring the business performance of the Group. Key and important decisions shall be fully discussed at the board meetings. All Directors have been fully consulted about any matters proposed for inclusion in the notice of board meeting. Matters requiring the Board's approval include review of overall policies, corporate plan of the Company, investment plans which would involve significant risks for the Company, major organisation changes, significant sales, transfers, or other dispositions of property or assets, approval of the annual report, interim report, quarterly report and approval of interim dividend and recommendation of the final dividend, other matters relating to the Company's business which in the judgment of the executive Directors are of such significance as to merit the Board's consideration.

The Company has received from each of its independent non-executive Directors an annual confirmation of his independence pursuant to Rule 5.09 of the GEM Listing Rules and the Company considers that all independent non-executive Directors meet the guidelines for assessing independence set out in Rule 5.09 of the GEM listing Rules and are independent in accordance with terms of the guidelines.

Under the code provision A.4.2, every director, including those appointed for a specific term, should be subject to retirement by rotation at least once every three years. Pursuant to the former articles of association of the Company, at each annual general meeting one-third of the Directors for the time being shall retire from office by rotation provided that notwithstanding anything herein, the chairman of the Board and/or the managing director of the Company shall not, whilst holding such office, be subject to retirement by rotation or be taken into account in determining the number of Directors to retire each year. Since the demise of the chairman of Board in December 2012, the role of chairman of the Board has been left vacant. With the adoption of the amended and restated articles of association of the Company in March 2013, the chairman of the Board and/or the managing director of the Company shall, whilst holding such office, be subject to retirement by rotation or be taken into account in determining the number of Directors to retire each year.



# Corporate Governance Report

Thirteen Board meetings and four general meetings were held during the year ended 31 March 2013. The attendance record of each Director is as follows:

Name of Director	Number of Board meetings attended/held	Number of general meetings attended/held
<i>Executive Directors</i>		
Dr. Chan Chung ( <i>ex-Chairman</i> ) ( <i>Note</i> )	5/7	0/4
Mr. Chan Wai Kwong, Peter	13/13	3/4
Mr. Siu King Nin, Peter	13/13	4/4
Mr. Choi Ho Yan	13/13	4/4
Mr. So Haw, Herman	13/13	3/4
<i>Independent non-executive Directors</i>		
Mr. Chiu Wai Piu	12/13	1/4
Mr. Cheung Kwan Hung, Anthony	13/13	0/4
Mr. Heung Chee Hang, Eric	12/13	0/4

*Note:*

Following the demise of Dr. Chan Chung on 20 December 2012, he ceased to be the chairman of the Board.

Under the code provision E.1.2 which provides that the chairman of the Board should attend the annual general meeting of the Company ("AGM") which held on 2 August 2012. The Chairman of the Board did not attend the AGM due to sick leave. Four (out of five) executive Directors and members of audit, remuneration and nomination committees and the financial controller of the Company attended the AGM. The Company considers that their presence is sufficient for (i) answering questions from and (ii) effective communication with shareholders attended the AGM.

Under the code provision A.6.7, independent non-executive Directors should attend general meetings of the Company. Two independent non-executive Directors were unable to attend the AGM held on 2 August 2012 and all independent non-executive Directors were unable to attend three extraordinary general meetings of the Company held on 30 April 2012, 10 September 2012 and 25 March 2013 due to their other business engagements.

Under the code provision C.1.2, management should provide all Directors with monthly updates giving a balanced and understandable assessment of the Company's performance, position and prospects in sufficient details to enable the Board as a whole and each Director to discharge their duties. During the first half of 2012, quarterly updates and periodic instant updates when developments arising out of the ordinary business instead of monthly updates were provided to the Directors. From November 2012 the Company has changed its practice to provide all Directors with monthly updates.

# Corporate Governance Report

## DIRECTORS' LIABILITIES INSURANCE

The Company has arranged appropriate insurance cover for the Directors' and Officers' liabilities in respect of potential legal actions against the Directors and officers of the Company. Such Directors' and Officers' liability insurance was reviewed and renewed annually. Throughout the year ended 31 March 2013, no claims under the insurance policy were made.

## DIRECTORS' CONTINUOUS PROFESSIONAL DEVELOPMENT

Development and training of Directors is an ongoing process so that they can perform their duties approximately. The company secretary of the Company regularly circulates details of training courses which may be of interest to Directors.

During the year, all Directors have received regular updates on the Company's business and written materials describing changes to the GEM Listing Rules and other relevant rules and regulations. Additionally, the Company also organised training seminar presented by qualified professional on legal and regulatory requirements for the directors. All Directors have been required to provide the Company with their training records for the year ended 31 March 2013. All Directors have participated in appropriate continuous professional development activities during the year under review. The individual training records of each Director received for the year ended 31 March 2013 is summarised below.

Name of Director	Reading materials	Attending seminars	Briefing on the amendments to the GEM Listing Rules relating to corporate governance matters and associated GEM Listing rules	
			Yes	No
Dr. Chan Chung (Deceased on 20 December 2012)	✓			✓
Mr. Chan Wai Kwong, Peter	✓	✓		✓
Mr. Siu King Nin, Peter	✓	✓		✓
Mr. Choi Ho Yan	✓	✓		✓
Mr. So Haw, Herman	✓	✓		✓
Mr. Chiu Wai Piu	✓	✓		✓
Mr. Cheung Kwan Hung, Anthony	✓	✓		✓



# Corporate Governance Report

## CHAIRMAN AND CHIEF EXECUTIVE

The chairman is responsible for management of the Board and strategic planning of the Group, ensures that the Board works effectively and discharges its responsibilities, encourages all Directors to make a full and active contribution to the Board's affairs and taking the lead to ensure that the Board acts in the best interests of the Group. The role of chief executive officer is responsible to undertake the day-to-day management of the Group's business.

Under the code provision A.2.1, the roles of chairman and chief executive should be separated and should not be performed by the same individual.

The Company appointed a chief executive officer of the Company in December 2012 and since the demise of the chairman of Board in December 2012, the role of chairman of the Board has been left vacant.

The Company will continue to review the effectiveness of the Group's corporate governance structure and consider the appointment of a chairman of the Board if candidates with suitable leadership, knowledge, skills and experience can be identified within or outside the Group.

## BOARD COMMITTEES

The Board has established the following committees with defined terms of reference.

### Nomination Committee

The Nomination Committee was established on 30 March 2012. It currently consists of three independent non-executive Directors namely Mr. Chiu Wai Piu (as Chairman), Mr. Cheung Kwan Hung, Anthony and Mr. Heung Chee Hang, Eric and one executive Director namely Mr. So Haw, Herman.

The Nomination Committee is mainly responsible for reviewing the structure, the size and composition of the Board and making recommendations to the Board regarding any proposed changes; identifying individuals suitably qualified to become Board members and make recommendations to the Board in this regard; and assessing the independence of independent non-executive Directors.



# Corporate Governance Report

During the year ended 31 March 2013, one Nomination Committee meeting was held to assess the annual confirmation of independence received from each of the independent non-executive Directors, every Nomination Committee member has abstained from assessing his own independence. The attendance of members at the Nomination Committee meeting is set out below:

Name of Nomination Committee member	Number of meetings attended/held
Mr. Chiu Wai Piu ( <i>Chairman</i> ) ( <i>Note 1</i> )	1/1
Mr. Cheung Kwan Hung, Anthony	1/1
Mr. Heung Chee Hang, Eric	1/1
Dr. Chan Chung ( <i>ex-Chairman</i> ) ( <i>Note 2</i> )	1/1
Mr. So Haw, Herman ( <i>appointed on 28 December 2012</i> )	0/1

*Note:*

- (1) Mr. Chiu Wai Piu was appointed as the chairman of the Nomination Committee effective 28 December 2012.
- (2) Following the demise of Dr. Chan Chung on 20 December 2012, he ceased to be the chairman and member of the Nomination Committee.

## Remuneration Committee

The Remuneration Committee was established in May 2005. It currently consists of three independent non-executive Directors namely Mr. Cheung Kwan Hung, Anthony (as Chairman), Mr. Chiu Wai Piu and Mr. Heung Chee Hang, Eric.

The Remuneration Committee is mainly responsible for reviewing the management's remuneration proposal, and making recommendations to the Board on remuneration policy of the Company and remuneration packages of Directors and senior management.



# Corporate Governance Report

During the year ended 31 March 2013, two Remuneration Committee meetings were held. The attendance of members at the Remuneration Committee meetings is set out below:

Name of Remuneration Committee member	Number of meetings attended/held
Mr. Cheung Kwan Hung, Anthony ( <i>Chairman</i> )	2/2
Mr. Chiu Wai Piu	2/2
Mr. Heung Chee Hang, Eric	2/2
Dr. Chan Chung ( <i>Note</i> )	0/2

*Note:*

Following the demise of Dr. Chan Chung on 20 December 2012, he ceased to be the member of the Remuneration Committee.

The Remuneration Committee has adopted the model that it will review the proposals made by the management on the remuneration package of individual executive Directors and senior management and make recommendations to the Board.

During the year under review, work performed by the Remuneration Committee included (i) reviewing and approving the remuneration packages of the Directors and senior management and (ii) reviewing on the policy and structure of the remuneration package of the Directors and senior management.

Details of the remuneration of each of the Directors for the year under review are set out in note 12 to the financial statements.

## Audit Committee

The Audit Committee was established on 9 August 2002. It currently consists of three independent non-executive Directors namely Mr. Cheung Kwan Hung, Anthony (as Chairman), Mr. Chiu Wai Piu and Mr. Heung Chee Hang, Eric.

The Audit Committee is mainly responsible for making recommendations to the Board on the appointment, reappointment and removal of the external auditor and to approve the remuneration and terms of engagement of the external auditor, and any questions of resignation or dismissal of such auditor; reviewing and monitoring the external auditors' independence; reviewing the quarterly reports, interim report, annual report and accounts of the Group; and overseeing the Company's financial reporting system and internal control procedures.



# Corporate Governance Report

During the year ended 31 March 2013, four Audit Committee meetings were held, two of which were held with the external auditor. The attendance of members at the Audit Committee meetings is set out below:

Name of Audit Committee member	Number of meetings attended/held
Mr. Cheung Kwan Hung, Anthony ( <i>Chairman</i> )	4/4
Mr. Chiu Wai Piu	4/4
Mr. Heung Chee Hang, Eric	4/4

The following is a summary of work performed by the Audit Committee during the year ended 31 March 2013:

- (i) review of the annual report and the annual results announcement for the year ended 31 March 2012, with a recommendation to the Board for approval;
- (ii) review and approval of RSM Nelson Wheeler's confirmation of independence, its report and the management letter for the year ended 31 March 2012, with a recommendation to the Board for the re-appointment of RSM Nelson Wheeler at the 2012 annual general meeting;
- (iii) review of the internal control report and consideration of the internal audit workplan;
- (iv) review of the quarterly report and the quarterly results announcement for the three months ended 30 June 2012, with a recommendation to the Board for approval;
- (v) review of the interim report and the interim results announcement for the six months ended 30 September 2012, with a recommendation to the Board for approval;
- (vi) review of the quarterly report and the quarterly results announcement for the nine months ended 31 December 2012, with a recommendation to the Board for approval; and
- (vii) discuss with the external auditor the audit planning work (including the nature and scope of the audit and reporting obligations) in respect of the audit of the 2013 annual results of the Group, and approval of its audit fees.

Prior to the commencement of the audit of the Group's 2013 financial statements, the Audit Committee received written confirmation from the external auditor of its independence.





# Corporate Governance Report

## AUDITOR'S REMUNERATION

The analysis of the auditor's remuneration for the year ended 31 March 2013 is presented as follows:

	<b>Fees paid/payable</b> <i>HK\$</i>
Statutory audit services	788,000
Non-statutory audit services	575,000

The non-statutory audit services included the tax services and the special audit on the acquisition of subsidiaries during the year.

## ACCOUNTABILITY AND AUDIT

The Board acknowledged its responsibility for preparing the financial statements of the Group. The Directors ensured in preparing of the financial statements of the Group are in accordance with statutory requirements and applicable accounting standards.

The statement by the auditors of the Company about their reporting responsibilities on the financial statements of the Group is set out in the Independent Auditor's Report.

## INTERNAL CONTROL

During the year ended 31 March 2013, the internal auditor conducted selective reviews of the adequacy and effectiveness of the Group's system of internal controls over financial, operational, compliance controls and risk management functions. The results were assessed by the internal auditor and reported to the Audit Committee, which then reviewed and reported the same to the Board.

## COMPANY SECRETARY

The Company Secretary is Ms. Chang Kam Lai, who was appointed by the Board on 12 August 2011.

During the year ended 31 March 2013, Ms. Chang Kam Lai undertook over 15 hours of professional training to update her skills and knowledge.



# Corporate Governance Report

## SHAREHOLDERS' RIGHTS

### Procedures to convene an extraordinary general meeting

Shareholders holding at the date of deposit of the requisition not less than one-tenth of the paid up capital of the Company carrying the right of voting at general meetings of the Company may request the Board to convene an extraordinary general meeting pursuant to the article 58 of the articles of association of the Company. The requisition must state the purposes of the meeting, and must be signed by the requisitionist(s) and deposited at the registered office of the Company for the attention of the Company Secretary.

If within twenty-one days of such deposit the Board fails to proceed to convene such meeting the requisitionist(s) himself (themselves) may convene a meeting, but such meeting shall be held within two months after the deposit of requisition.

### Procedures by which enquiries may be put to the Board

Shareholders should direct their enquiries about their shareholdings to the Company's branch share registrar and transfer office in Hong Kong, Computershare Hong Kong Investor Services Limited at 17M, Hopewell Centre, 183 Queen's Road East, Hong Kong.

Other shareholders' enquiries can be directed in writing with contact details (including name, address, telephone number and email address) to the Company's principal place of business in Hong Kong.

### Procedures for putting forward proposals at a general meeting

Proposals shall be directed in writing with contact details (including name, address, telephone number and email address) to the Company's principal place of business in Hong Kong.

The Board will verify the requisition and upon confirming that the requisition is proper and in order, the Board will proceed with the necessary procedures.

## INVESTORS RELATIONS

The Company's website offers communication channel between the Company and its shareholders and investors. Apart from disclosure of all necessary information to the shareholders in compliance with the GEM Listing Rules, news update of Company's business development and operation are available on the Company's website.

At an extraordinary general meeting held on 25 March 2013, the shareholders of the Company approved the amendments to the articles of associations of the Company, the updated consolidated version of the memorandum and articles of associations of the Company is available on the Company's website and the GEM website at [www.hkgem.com](http://www.hkgem.com).



# Independent Auditor's Report



29th Floor  
Caroline Centre  
Lee Gardens Two  
28 Yun Ping Road  
Hong Kong

## TO THE SHAREHOLDERS OF MOBILE TELECOM NETWORK (HOLDINGS) LIMITED

*(Incorporated in the Cayman Islands with limited liability)*

We have audited the consolidated financial statements of Mobile Telecom Network (Holdings) Limited (the “Company”) and its subsidiaries (collectively referred to as the “Group”) set out on pages 44 to 145, which comprise the consolidated and Company statements of financial position as at 31 March 2013, and the consolidated income statement, consolidated statement of comprehensive income, consolidated statement of changes in equity and consolidated statement of cash flows for the year then ended, and a summary of significant accounting policies and other explanatory information.

## DIRECTORS' RESPONSIBILITY FOR THE CONSOLIDATED FINANCIAL STATEMENTS

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

## AUDITOR'S RESPONSIBILITY

Our responsibility is to express an opinion on these consolidated financial statements based on our audit and to report our opinion solely to you, as a body, 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.



## 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 affairs of the Company and of the Group as at 31 March 2013, and of the Group's results 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.

**RSM Nelson Wheeler**

*Certified Public Accountants*

Hong Kong, 20 June 2013

# Consolidated Income Statement

For the year ended 31 March 2013

	Note	2013 HK\$'000	2012 HK\$'000
<b>Turnover</b>	6	531,611	31,602
Changes in inventories of finished goods		(471,690)	–
Other income	7	7,547	3,224
Telecom operators and content providers costs		(9,599)	(9,465)
Employment costs		(30,763)	(23,183)
Research and development expenses		(11,348)	(1,633)
Depreciation and amortisation		(1,219)	(544)
Transportation expenses		(2,325)	–
Other operating expenses		(43,089)	(14,237)
<b>Loss from operations</b>		(30,875)	(14,236)
Finance costs	9	(6,028)	(1,860)
Impairment losses on investments in associates and amounts due from associates		(27,671)	(5,556)
Share of losses of associates		(4,168)	(5,210)
<b>Loss before tax</b>		(68,742)	(26,862)
Income tax expense	10	(1,434)	–
<b>Loss for the year</b>	11	(70,176)	(26,862)
<b>Loss for the year attributable to:</b>			
Owners of the Company		(71,503)	(26,662)
Non-controlling interests		1,327	(200)
		(70,176)	(26,862)
<b>Loss per share (HK cents)</b>	15		
Basic		(5.63)	(2.50)
Diluted		N/A	N/A

# Consolidated Statement of Comprehensive Income

For the year ended 31 March 2013

	Note	2013 HK\$'000	2012 HK\$'000
<b>Loss for the year</b>	11	(70,176)	(26,862)
<b>Other comprehensive income, net of tax</b>			
Exchange differences on translating foreign operations		126	518
Reclassification adjustments relating to deregistration of foreign operations		—	34
	16	126	552
<b>Total comprehensive income for the year</b>		(70,050)	(26,310)
<b>Total comprehensive income for the year attributable to:</b>			
Owners of the Company		(71,433)	(26,112)
Non-controlling interests		1,383	(198)
		(70,050)	(26,310)

# Consolidated Statement of Financial Position

As at 31 March 2013

	Note	2013 HK\$'000	2012 HK\$'000
<b>Non-current assets</b>			
Property, plant and equipment	17	7,833	2,080
Investment properties	18	41,000	30,000
Goodwill	19	24,911	–
Intangible assets	20	128	194
Investments in associates	22	20,519	45,749
Prepayments for property, plant and equipment		3,941	–
		<b>98,332</b>	<b>78,023</b>
<b>Current assets</b>			
Inventories	23	63,518	–
Trade, bills and other receivables, deposits and prepayments	24	144,985	8,569
Due from associates	22	–	2,204
Properties under development	25	60,320	59,986
Derivative financial assets	26	13,350	1,210
Put Options of convertible bonds	32	3,235	12,032
Mandatory conversion options of convertible bonds	32	378	–
Pledged bank deposits	27	16,636	–
Bank and cash balances	27	15,821	8,797
		<b>318,243</b>	<b>92,798</b>
<b>Current liabilities</b>			
Trade and other payables and receipt in advance	28	128,154	11,541
Due to an associate	22	7,415	4,297
Call Option of convertible bonds	32	569	466
Bank and other loans	31	125,894	–
Promissory notes	30	5,200	–
Liability component of convertible bonds	32	30,493	28,494
Finance lease payables	33	756	269
Warrant	29	7,812	–
Current tax liabilities		1,380	13
		<b>307,673</b>	<b>45,080</b>
<b>Net current assets</b>		<b>10,570</b>	<b>47,718</b>
<b>Total assets less current liabilities</b>		<b>108,902</b>	<b>125,741</b>

# Consolidated Statement of Financial Position

As at 31 March 2013

	Note	2013 HK\$'000	2012 HK\$'000
<b>Non-current liabilities</b>			
Liability component of convertible bonds	32	18,294	8,090
Finance lease payables	33	–	756
Deferred tax liabilities	34	182	–
		18,476	8,846
<b>NET ASSETS</b>		90,426	116,895
<b>Capital and reserves</b>			
Share capital	36	107,019	91,946
Reserves	37(a)	(38,008)	6,643
<b>Equity attributable to owners of the Company</b>		69,011	98,589
Non-controlling interests		21,415	18,306
<b>TOTAL EQUITY</b>		90,426	116,895

Approved by the Board of Directors on 20 June 2013.

**Chan Wai Kwong, Peter**  
Director

**Choi Ho Yan**  
Director



# Statement of Financial Position

As at 31 March 2013

	Note	2013 HK\$'000	2012 HK\$'000
<b>Non-current assets</b>			
Investments in subsidiaries	21	95,271	93,391
Prepayments for property, plant and equipment		3,080	–
		<b>98,351</b>	93,391
<b>Current assets</b>			
Due from subsidiaries	21	47,541	40,682
Prepayments and other receivables	24	4,362	247
Put Options of convertible bonds	32	3,235	12,032
Mandatory Conversion Options of convertible bonds	32	378	–
Derivative financial assets	26	13,350	–
Bank and cash balances	27	19	17
		<b>68,885</b>	52,978
<b>Current liabilities</b>			
Due to subsidiaries	21	1,574	6
Other payables	28	3,432	1,281
Call Option of convertibles bonds	32	569	466
Bank and other loans	31	11,000	–
Promissory notes	30	5,200	–
Liability component of convertible bonds	32	30,493	28,494
Warrant	29	7,812	–
		<b>60,080</b>	30,247
<b>Net current assets</b>		<b>8,805</b>	22,731
<b>Total assets less current liabilities</b>		<b>107,156</b>	116,122
<b>Non-current liabilities</b>			
Liability component of convertible bonds	32	18,294	8,090
<b>NET ASSETS</b>		<b>88,862</b>	108,032
<b>Capital and reserves</b>			
Share capital	36	107,019	91,946
Reserves	37(b)	(18,157)	16,086
<b>TOTAL EQUITY</b>		<b>88,862</b>	108,032

Approved by the Board of Directors on 20 June 2013.

**Chan Wai Kwong, Peter**  
Director

**Choi Ho Yan**  
Director

# Consolidated Statement of Changes in Equity

For the year ended 31 March 2013

	Attributable to owners of the Company											
	Share capital HK\$'000	Share premium account HK\$'000	Contributed surplus HK\$'000	Capital redemption reserve HK\$'000	Foreign currency translation reserve HK\$'000	Share-based payments reserve HK\$'000	Warrant reserve HK\$'000	Convertible bonds reserve HK\$'000	Accumulated losses HK\$'000	Total HK\$'000	Non-controlling interests HK\$'000	Total equity HK\$'000
At 1 April 2011	45,959	47,759	16,375	2,943	581	11	–	–	(71,312)	42,316	38	42,354
Total comprehensive income for the year	–	–	–	–	550	–	–	–	(26,662)	(26,112)	(198)	(26,310)
Issue of warrants on acquisition of subsidiaries	–	–	–	–	–	–	7,400	–	–	7,400	–	7,400
Issue of convertible bonds on acquisition of subsidiaries and associates	–	–	–	–	–	–	–	17,056	–	17,056	–	17,056
Shares issued upon open offer	45,909	12,948	–	–	–	–	–	–	–	58,857	–	58,857
Shares issued upon exercise of share options	78	62	–	–	–	–	–	–	–	140	–	140
Transactions costs attributable to issue of new shares	–	(2,335)	–	–	–	–	–	–	–	(2,335)	–	(2,335)
Acquisition of subsidiaries	–	–	–	–	–	–	–	–	–	–	17,976	17,976
Capital contribution from non-controlling interests	–	–	–	–	–	–	–	–	–	–	490	490
Recognition of share option benefits at fair value	–	–	–	–	–	1,267	–	–	–	1,267	–	1,267
Transfer to share premium upon exercise of share options	–	65	–	–	–	(65)	–	–	–	–	–	–
Changes in equity for the year	45,987	10,740	–	–	550	1,202	7,400	17,056	(26,662)	56,273	18,268	74,541
At 31 March 2012	91,946	58,499	16,375	2,943	1,131	1,213	7,400	17,056	(97,974)	98,589	18,306	116,895
At 1 April 2012	91,946	58,499	16,375	2,943	1,131	1,213	7,400	17,056	(97,974)	98,589	18,306	116,895
Total comprehensive income for the year	–	–	–	–	70	–	–	–	(71,503)	(71,433)	1,383	(70,050)
Issue of convertible bonds on acquisition of a subsidiary	–	–	–	–	–	–	–	7,636	–	7,636	–	7,636
Transactions costs attributable to issue of new shares	–	(327)	–	–	–	–	–	–	–	(327)	–	(327)
Acquisition of a subsidiary	–	–	–	–	–	–	–	–	–	–	1,726	1,726
Shares issued upon conversion of convertible bonds	5,379	10,570	–	–	–	–	–	(7,700)	–	8,249	–	8,249
Recognition of share option benefits at fair value	–	–	–	–	–	7,033	–	–	–	7,033	–	7,033
Shares issued upon placement	9,694	9,570	–	–	–	–	–	–	–	19,264	–	19,264
Changes in equity for the year	15,073	19,813	–	–	70	7,033	–	(64)	(71,503)	(29,578)	3,109	(26,469)
At 31 March 2013	107,019	78,312	16,375	2,943	1,201	8,246	7,400	16,992	(169,477)	69,011	21,415	90,426

# Consolidated Statement of Cash Flows

For the year ended 31 March 2013

	2013 HK\$'000	2012 HK\$'000
<b>CASH FLOWS FROM OPERATING ACTIVITIES</b>		
Loss before tax	(68,742)	(26,862)
Adjustments for:		
Allowance for impairment of bad and doubtful debts	1,403	250
Amortisation of intangible assets	66	6
Depreciation of property, plant and equipment	1,153	538
Fair value (gain)/loss on investment properties	(2,171)	143
Fair value losses/(gains) on Put Option, Call Option and Mandatory Conversion Options of convertible bonds	6,887	(2,839)
Fair value (gain)/losses on derivative financial assets	(3,860)	300
Derivative financial assets written off	1,210	–
Fair value loss on warrant	6,612	–
Finance costs	6,028	1,860
Impairment losses on investments in associates and amounts due from associates	27,671	5,556
Interest income	(233)	(56)
Loss on deregistration of a subsidiary	–	34
Fair value loss on conversion of convertible bonds	2,733	–
Property, plant and equipment written off	30	8
Inventories written off	5	–
Reversal of allowance for impairment of bad and doubtful debts	(731)	(316)
Share-based payments	7,033	1,267
Share of losses of associates	4,168	5,210
Operating loss before working capital changes	(10,738)	(14,901)
Increase in inventories	(42,672)	–
Increase in trade, bills and other receivables, deposits and prepayment	(48,836)	(2,411)
Increase in properties under development	(284)	–
Increase in trade and other payables and receipt in advance	74,649	1,628
Cash used in operations	(27,881)	(15,684)
Income taxes paid	(436)	–
<b>Net cash used in operating activities</b>	<b>(28,317)</b>	<b>(15,684)</b>
<b>CASH FLOWS FROM INVESTING ACTIVITIES</b>		
Net increase in amounts with associates	583	4,951
Purchases of property, plant and equipment	(1,622)	(758)
Purchases of investment property	(4,579)	(30,143)
Purchases of intangible assets	–	(200)
Payment of deposits for properties, plant and equipment	(3,941)	–
Acquisition of subsidiaries and associates	(5,157)	(30,410)
Loan granted to an associate	(1,500)	(1,071)
Loan repaid by an associate	–	250
Increase in pledged bank deposits	(1,642)	–
Interest received	83	15
<b>Net cash used in investing activities</b>	<b>(17,775)</b>	<b>(57,366)</b>

# Consolidated Statement of Cash Flows

For the year ended 31 March 2013

	2013 HK\$'000	2012 HK\$'000
<b>CASH FLOWS FROM FINANCING ACTIVITIES</b>		
Capital contribution from non-controlling interests	–	490
Net proceeds from issue of shares	18,987	56,662
Net proceeds from issue of warrants	1,150	–
Repayment of bank loans	(7,389)	–
Bank and other loans raised	43,800	–
Repayment of finance lease payables	(269)	(88)
Interest paid	(2,993)	–
Finance lease charge paid	(25)	(9)
<b>Net cash generated from financing activities</b>	<b>53,261</b>	<b>57,055</b>
<b>NET INCREASE/(DECREASE) IN CASH AND CASH EQUIVALENTS</b>	<b>7,169</b>	<b>(15,995)</b>
Effect of foreign exchange rate changes	(145)	(91)
<b>CASH AND CASH EQUIVALENTS AT BEGINNING OF YEAR</b>	<b>8,797</b>	<b>24,883</b>
<b>CASH AND CASH EQUIVALENTS AT END OF YEAR</b>	<b>15,821</b>	<b>8,797</b>
<b>ANALYSIS OF CASH AND CASH EQUIVALENTS</b>		
Bank and cash balances	15,821	8,797



# Notes to the Financial Statements

*For the year ended 31 March 2013*

## **1. GENERAL INFORMATION**

The Company was incorporated in the Cayman Islands with limited liability. The address of its registered office is Cricket Square, Hutchins Drive, P.O. Box 2681, Grand Cayman KY1-1111, Cayman Islands. The address of its principal place of business is Suite 1006, 10th Floor, Ocean Centre, Harbour City, Tsim Sha Tsui, Kowloon, Hong Kong. The Company's shares are listed on the Growth Enterprise Market of The Stock Exchange of Hong Kong Limited (the "Stock Exchange").

The Company is an investment holding company. The principal activities of its subsidiaries are set out in note 21 to the financial statements.

## **2. ADOPTION OF NEW AND REVISED HONG KONG FINANCIAL REPORTING STANDARDS**

In the current year, the Group has adopted all the new and revised Hong Kong Financial Reporting Standards ("HKFRSs") issued by the Hong Kong Institute of Certified Public Accountants (the "HKICPA") that are relevant to its operations and effective for its accounting year beginning on 1 April 2012. HKFRSs comprise Hong Kong Financial Reporting Standards; Hong Kong Accounting Standards ("HKAS"); and Interpretations. The adoption of these new and revised HKFRSs did not result in significant changes to the Group's accounting policies and amounts reported for the current year and prior years.

The Group has not applied the new HKFRSs that have been issued but are not yet effective. The Group has already commenced an assessment of the impact of these new HKFRSs but is not yet in a position to state whether these new HKFRSs would have a material impact on its results of operations and financial position.

## **3. SIGNIFICANT ACCOUNTING POLICIES**

These financial statements have been prepared in accordance with HKFRSs issued by the HKICPA, accounting principles generally accepted in Hong Kong and the applicable disclosures required by the Rules Governing the Listing of Securities on the Growth Enterprise Market of The Stock Exchange and the Hong Kong Companies Ordinance.

These financial statements have been prepared under the historical cost convention, as modified by the revaluation of investment properties and derivative financial instruments which are carried at their fair values.



# Notes to the Financial Statements

For the year ended 31 March 2013

## 3. SIGNIFICANT ACCOUNTING POLICIES *(Continued)*

The preparation of financial statements in conformity with HKFRSs requires the use of certain key assumptions and estimates. It also requires the directors to exercise their judgements in the process of applying the accounting policies. The areas involving critical judgements and areas where assumptions and estimates are significant to these financial statements, are disclosed in note 4 to the financial statements.

The significant accounting policies applied in the preparation of these financial statements are set out below.

### (a) Consolidation

The consolidated financial statements include the financial statements of the Company and its subsidiaries made up to 31 March. Subsidiaries are entities over which the Group has control. Control is the power to govern the financial and operating policies of an entity so as to obtain benefits from its activities. The existence and effect of potential voting rights that are currently exercisable or convertible are considered when assessing whether the Group has control.

Subsidiaries are consolidated from the date on which control is transferred to the Group. They are de-consolidated from the date the control ceases.

The gain or loss on the disposal of a subsidiary that results in a loss of control represents the difference between (i) the fair value of the consideration of the sale plus the fair value of any investment retained in that subsidiary and (ii) the Company's share of the net assets of that subsidiary plus any remaining goodwill relating to that subsidiary and any related accumulated foreign currency translation reserve.

Intragroup transactions, balances and unrealised profits are eliminated. Unrealised losses are also eliminated unless the transaction provides evidence of an impairment of the asset transferred. Accounting policies of subsidiaries have been changed where necessary to ensure consistency with the policies adopted by the Group.

Non-controlling interests represent the equity in subsidiaries not attributable, directly or indirectly, to the Company. Non-controlling interests are presented in the consolidated statement of financial position and consolidated statement of changes in equity within equity. Non-controlling interests are presented in the consolidated income statement and consolidated statement of comprehensive income as an allocation of profit or loss and total comprehensive income for the year between the non-controlling shareholders and owners of the Company.



# Notes to the Financial Statements

For the year ended 31 March 2013

## 3. SIGNIFICANT ACCOUNTING POLICIES *(Continued)*

### (a) Consolidation *(Continued)*

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

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

In the Company's statement of financial position the investments in subsidiaries are stated at cost less allowance for impairment losses. The results of subsidiaries are accounted for by the Company on the basis of dividends received and receivable.

### (b) Business combination and goodwill

The acquisition method is used to account for the acquisition of a subsidiary in a business combination. The cost of acquisition is measured at the acquisition-date fair value of the assets given, equity instruments issued, liabilities incurred and contingent consideration. Acquisition-related costs are recognised as expenses in the periods in which the costs are incurred and the services are received. Identifiable assets and liabilities of the subsidiary in the acquisition are measured at their acquisition-date fair values.

The excess of the cost of acquisition over the Company's share of the net fair value of the subsidiary's identifiable assets and liabilities is recorded as goodwill. Any excess of the Company's share of the net fair value of the identifiable assets and liabilities over the cost of acquisition is recognised in consolidated profit or loss as a gain on bargain purchase which is attributed to the Company.

Goodwill is tested annually for impairment or more frequently if events or changes in circumstances indicate that it might be impaired. Goodwill is measured at cost less accumulated impairment losses. The method of measuring impairment losses of goodwill is the same as that of other assets as stated in the accounting policy (bb) below. Impairment losses of goodwill are recognised in consolidated profit or loss and are not subsequently reversed. Goodwill is allocated to cash-generating units that are expected to benefit from the synergies of the acquisition for the purpose of impairment testing.



# Notes to the Financial Statements

For the year ended 31 March 2013

## 3. SIGNIFICANT ACCOUNTING POLICIES *(Continued)*

### (b) Business combination and goodwill *(Continued)*

The non-controlling interests in the subsidiary are initially, measured at the non-controlling shareholders' proportionate share of the net fair value of the subsidiary's identifiable assets and liabilities at the acquisition date.

### (c) Associates

Associates are entities over which the Group has significant influence. Significant influence is the power to participate in the financial and operating policies of an entity but is not control or joint control over those policies. The existence and effect of potential voting rights that are currently exercisable or convertible are considered when assessing whether the Group has significant influence.

Investment in an associate is accounted for in the consolidated financial statements by the equity method and is initially recognised at cost. Identifiable assets and liabilities of the associate in an acquisition are measured at their fair values at the acquisition date. The excess of the cost of acquisition over the Group's share of the net fair value of the associate's identifiable assets and liabilities is recorded as goodwill. The goodwill is included in the carrying amount of the investment and is tested for impairment together with the investment at the end of each reporting period when there is objective evidence that the investment is impaired. Any excess of the Group's share of the net fair value of the identifiable assets and liabilities over the cost of acquisition is recognised in consolidated profit or loss.

The Group's share of an associate's post-acquisition profits or losses is recognised in consolidated profit or loss, and its share of the post-acquisition movements in reserves is recognised in the consolidated reserves. The cumulative post-acquisition movements are adjusted against the carrying amount of the investment. When the Group's share of losses in an associate equals or exceeds its interest in the associate, including any other unsecured receivables, the Group does not recognise further losses, unless it has incurred obligations or made payments on behalf of the associate. If the associate subsequently reports profits, the Group resumes recognising its share of those profits only after its share of the profits equals the share of losses not recognised.

The gain or loss on the disposal of an associate that results in a loss of significant influence represents the difference between (i) the fair value of the consideration of the sale plus the fair value of any investment retained in that associate and (ii) the Group's share of the net assets of that associate plus any remaining goodwill relating to that associate and any related accumulated foreign currency translation reserve.





# Notes to the Financial Statements

For the year ended 31 March 2013

## 3. SIGNIFICANT ACCOUNTING POLICIES *(Continued)*

### (c) Associates *(Continued)*

Unrealised profits on transactions between the Group and its associates are eliminated to the extent of the Group's interests in the associates. Unrealised losses are also eliminated unless the transaction provides evidence of an impairment of the asset transferred. Accounting policies of associates have been changed where necessary to ensure consistency with the policies adopted by the Group.

### (d) Foreign currency translation

#### (i) *Functional and presentation currency*

Items included in the financial statements of each of the Group's entities are measured using the currency of the primary economic environment in which the entity operates (the "functional currency"). The consolidated financial statements are presented in Hong Kong dollars, which is the Company's functional and presentation currency.

#### (ii) *Transactions and balances in each entity's financial statements*

Transactions in foreign currencies are translated into the functional currency on initial recognition using the exchange rates prevailing on the transaction dates. Monetary assets and liabilities in foreign currencies are translated at the exchange rates at the end of each reporting period. Gains and losses resulting from this translation policy are recognised in profit or loss.

Non-monetary items that are measured at fair values in foreign currencies are translated using the exchange rates at the dates when the fair values are determined.

When a gain or loss on a non-monetary item is recognised in other comprehensive income, any exchange component of that gain or loss is recognised in other comprehensive income. When a gain or loss on a non-monetary item is recognised in profit or loss, any exchange component of that gain or loss is recognised in profit or loss.

# Notes to the Financial Statements

For the year ended 31 March 2013

## 3. SIGNIFICANT ACCOUNTING POLICIES *(Continued)*

### (d) Foreign currency translation *(Continued)*

#### (iii) Translation on consolidation

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

- Assets and liabilities for each statement of financial position presented are translated at the closing rate at the date of that statement of financial position;
- Income and expenses are translated at average exchange rates (unless this average is not a reasonable approximation of the cumulative effect of the rates prevailing on the transaction dates, in which case income and expenses are translated at the exchange rates on the transaction dates); and
- All resulting exchange differences are recognised in the foreign currency translation reserve.

On consolidation, exchange differences arising from the translation of the net investment in foreign entities and of borrowings are recognised in the foreign currency translation reserve. When a foreign operation is sold, such exchange differences are recognised in consolidated profit or loss as part of the gain or loss on disposal.

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

### (e) Property, plant and equipment

Property, plant and equipment are stated at cost less accumulated depreciation and impairment losses.

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. All other repairs and maintenance are recognised in profit or loss during the period in which they are incurred.



# Notes to the Financial Statements

For the year ended 31 March 2013

## 3. SIGNIFICANT ACCOUNTING POLICIES *(Continued)*

### (e) Property, plant and equipment *(Continued)*

Depreciation of property, plant and equipment is calculated at rates sufficient to write off their cost less their residual values over the estimated useful lives on a straight-line basis. The principal useful lives are as follows:

Leasehold properties	50 years
Computer hardware and software	3-5 years
Furniture and fixtures	5 years
Leasehold improvements	Over the lease term
Office equipment	5 years
Motor vehicles	3-4 years

The residual values, useful lives and depreciation method are reviewed and adjusted, if appropriate, at the end of each reporting period.

The gain or loss on disposal of property, plant and equipment is the difference between the net sales proceeds and the carrying amount of the relevant asset, and is recognised in profit or loss.

### (f) Investment properties

Investment properties are land and/or buildings held to earn rentals and/or for capital appreciation. An investment property is measured initially at its cost including all direct costs attributable to the property.

After initial recognition, the investment property is stated at its fair value based on valuation by an external independent valuer. Gains or losses arising from changes in fair value of the investment properties are recognised in profit or loss for the period in which they arise.

The gain or loss on disposal of an investment property is the difference between the net sales proceeds and the carrying amount of the property, and is recognised in profit or loss.



# Notes to the Financial Statements

For the year ended 31 March 2013

## 3. SIGNIFICANT ACCOUNTING POLICIES *(Continued)*

### (g) Leases

#### *The Group as lessee*

##### *(i) Operating leases*

Leases that do not substantially transfer to the Group all the risks and rewards of ownership of assets are accounted for as operating leases. Lease payments (net of any incentives received from the lessor) are recognised as an expense on a straight-line basis over the lease term.

##### *(ii) Finance leases*

Leases that substantially transfer to the Group all the risks and rewards of ownership of assets are accounted for as finance leases. At the commencement of the lease term, a finance lease is capitalised at the lower of the fair value of the leased asset and the present value of the minimum lease payments, each determined at the inception of the lease.

The corresponding liability to the lessor is included in the statement of financial position as finance lease payable. Lease payments are apportioned between the finance charge and the reduction of the outstanding liability. The finance charge is allocated to each period during the lease term so as to produce a constant periodic rate of interest on the remaining balance of the liability.

Assets under finance leases are depreciated the same as owned assets over the shorter of the lease term and their estimated useful lives.

#### *The Group as lessor*

##### *(i) Operating leases*

Leases that do not substantially transfer to the lessees all the risks and rewards of ownership of assets are accounted for as operating leases. Rental income from operating lease is recognised on a straight-line basis over the term of relevant lease.



# Notes to the Financial Statements

For the year ended 31 March 2013

## 3. SIGNIFICANT ACCOUNTING POLICIES *(Continued)*

### (h) Research and development expenditure

Expenditure on research activities is recognised as an expense in the period in which it is incurred.

### (i) Intangible assets – website

Website is stated at cost less accumulated amortisation and impairment losses. Amortisation is calculated on a straight-line basis over its estimated useful life of three years.

### (j) Properties under development

Properties under development are stated at the lower of cost and net realisable value. Costs include acquisition costs, prepaid land lease payments, construction costs, borrowing costs capitalised and other direct costs attributable to such properties. Net realisable value is determined by reference to sale proceeds received after the reporting period less selling expenses, or by estimates based on prevailing market condition. On completion, the properties are reclassified to properties held for sale at the then carrying amount.

### (k) Inventories

Inventories are stated at the lower of cost and net realisable value. Cost is determined using the first-in, first-out basis. All cost of purchase, cost of conversion and other costs incurred in bringing the inventories to their present location and condition. Net realisable value is the estimated selling price in the ordinary course of business, less the estimated costs of completion and the estimated costs necessary to make the sale.



# Notes to the Financial Statements

For the year ended 31 March 2013

## 3. SIGNIFICANT ACCOUNTING POLICIES *(Continued)*

### (l) Recognition and derecognition of financial instruments

Financial assets and financial liabilities are recognised in the statement of financial position when the Group becomes a party to the contractual provisions of the instruments.

Financial assets are derecognised when the contractual rights to receive cash flows from the assets expire; the Group transfers substantially all the risks and rewards of ownership of the assets; or the Group neither transfers nor retains substantially all the risks and rewards of ownership of the assets but has not retained control on the assets. On derecognition of a financial asset, the difference between the asset's carrying amount and the sum of the consideration received and the cumulative gain or loss that had been recognised in other comprehensive income is recognised in profit or loss.

Financial liabilities are derecognised when the obligation specified in the relevant contract is discharged, cancelled or expires. The difference between the carrying amount of the financial liability derecognised and the consideration paid is recognised in profit or loss.

### (m) Derivative financial instruments

Derivatives are initially recognised and subsequently measured at fair value.

Changes in the fair value of derivatives are recognised in profit or loss as they arise.

### (n) Trade and other receivables

Trade and other receivables are non-derivative financial assets with fixed or determinable payments that are not quoted in an active market and are recognised initially at fair value and subsequently measured at amortised cost using the effective interest method, less allowance for impairment. An allowance for impairment of trade and other receivables is established when there is objective evidence that the Group will not be able to collect all amounts due according to the original terms of receivables. The amount of the allowance is the difference between the receivables' carrying amount and the present value of estimated future cash flows, discounted at the effective interest rate computed at initial recognition. The amount of the allowance is recognised in profit or loss.



# Notes to the Financial Statements

For the year ended 31 March 2013

## 3. SIGNIFICANT ACCOUNTING POLICIES *(Continued)*

### (n) Trade and other receivables *(Continued)*

Impairment losses are reversed in subsequent periods and recognised in profit or loss when an increase in the receivables' recoverable amount can be related objectively to an event occurring after the impairment was recognised, subject to the restriction that the carrying amount of the receivables at the date the impairment is reversed shall not exceed what the amortised cost would have been had the impairment not been recognised.

### (o) Cash and cash equivalents

For the purpose of the statement of cash flows, cash and cash equivalents represent cash at bank and on hand, demand deposits with banks and other financial institutions, and short-term highly liquid investments which are readily convertible into known amounts of cash and subject to an insignificant risk of change in value. Bank overdrafts which are repayable on demand and form an integral part of the Group's cash management are also included as a component of cash and cash equivalents.

### (p) Financial liabilities and equity instruments

Financial liabilities and equity instruments are classified according to the substance of the contractual arrangements entered into and the definitions of a financial liability and equity instruments under HKFRSs. An equity instrument is any contract that evidences a residual interest in the assets of the Group after deducting all of its liabilities. The accounting policies adopted for specific financial liabilities and equity instruments are set out in accounting policies (q) to (t) below.

### (q) Borrowings

Borrowings are recognised initially at fair value, net of transaction costs incurred, and subsequently measured at amortised cost using the effective interest method.

Borrowings are classified as current liabilities unless the Group has an unconditional right to defer settlement of the liability for at least 12 months after the reporting period.



# Notes to the Financial Statements

For the year ended 31 March 2013

## 3. SIGNIFICANT ACCOUNTING POLICIES *(Continued)*

### (r) Convertible bonds

Convertible bonds which entitle the holder to convert the bonds into a fixed number of equity instruments at a fixed conversion price are regarded as compound instruments consist of a liability and an equity component. At the date of issue, the fair value of the liability component is estimated using the prevailing market interest rate for similar non-convertible debt. The difference between the proceeds of issue of the convertible bonds and the fair value assigned to the liability component, representing the embedded option for the holder to convert the bonds into equity of the Group, is included in equity as capital reserve. The liability component is carried as a liability at amortised cost using the effective interest method until extinguished on conversion or redemption.

Transaction costs are apportioned between the liability and equity components of the convertible bonds based on their relative carrying amounts at the date of issue. The portion relating to the equity component is charged directly to equity.

### (s) Trade and other payables

Trade and other payables are stated initially at their fair value and subsequently measured at amortised cost using the effective interest method unless the effect of discounting would be immaterial, in which case they are stated at cost.

### (t) Equity instruments

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

### (u) Financial guarantee contract liabilities

Financial guarantee contract liabilities are measured initially at their fair values and are subsequently measured at the higher of:

- the amount of the obligations under the contracts, as determined in accordance with HKAS 37 “Provisions, Contingent Liabilities and Contingent Assets”; and
- the amount initially recognised less cumulative amortisation recognised in profit or loss on a straight-line basis over the terms of the guarantee contracts.





# Notes to the Financial Statements

For the year ended 31 March 2013

## 3. SIGNIFICANT ACCOUNTING POLICIES *(Continued)*

### (v) Revenue recognition

Revenue is measured at the fair value of the consideration received or receivable and is recognised when it is probable that the economic benefits will flow to the Group and the amount of revenue can be measured reliably.

Revenue from sales of goods is recognised on the transfer of significant risks and rewards of ownership, which generally coincides with the time when the goods are delivered and the title has passed to the customers.

Services fees from provision of mobile data solutions and related services are recognised when the services are rendered.

Rental income is recognised on a straight-line basis over the lease term.

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

### (w) Employee benefits

#### (i) *Employee leave entitlements*

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

Employee entitlements to sick leave and maternity leave are not recognised until the time of leave.



# Notes to the Financial Statements

For the year ended 31 March 2013

## 3. SIGNIFICANT ACCOUNTING POLICIES *(Continued)*

### (w) Employee benefits *(Continued)*

#### (ii) Pension obligations

The Group contributes to defined contribution retirement schemes which are available to employees in Hong Kong. Contributions to the schemes by the Group and employees are calculated as a percentage of employees' basic salaries. The retirement benefit scheme cost charged to profit or loss represents contributions payable by the Group to the funds.

Subsidiaries incorporated in the People's Republic of China ("PRC") participate in the retirement schemes operated by the local authorities for the Group's employees in the PRC. Contributions to these schemes are charged to profit or loss when incurred.

#### (iii) Termination benefits

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

### (x) Share-based payments

The Group issues equity-settled share-based payments to certain directors, employees and consultants.

Equity-settled share-based payments to directors and employees are measured at the fair value (excluding the effect of non market-based vesting conditions) of the equity instruments at the date of grant. The fair value determined at the grant date of the equity-settled share-based payments is expensed on a straight-line basis over the vesting period, based on the Group's estimate of shares that will eventually vest and adjusted for the effect of non market-based vesting conditions.

Equity-settled share-based payments to consultants are measured at the fair value of the services rendered or if the fair value of the services rendered cannot be reliably measured, at the fair value of the equity instruments granted. The fair value is measured at the date the Group receives the services and is recognised as an expense.



# Notes to the Financial Statements

For the year ended 31 March 2013

## 3. SIGNIFICANT ACCOUNTING POLICIES *(Continued)*

### (y) Borrowing costs

Borrowing costs directly attributable to the acquisition, construction or production of qualifying assets, which are assets that necessarily take a substantial period of time to get ready for their intended use or sale, are capitalised as part of the cost of those assets, until such time as the assets are substantially ready for their intended use or sale. Investment income earned on the temporary investment of specific borrowings pending their expenditure on qualifying assets is deducted from the borrowing costs eligible for capitalisation.

To the extent that funds are borrowed generally and used for the purpose of obtaining a qualifying asset, the amount of borrowing costs eligible for capitalisation is determined by applying a capitalisation rate to the expenditures on that asset. The capitalisation rate is the weighted average of the borrowing costs applicable to the borrowings of the Group that are outstanding during the period, other than borrowings made specifically for the purpose of obtaining a qualifying asset.

All other borrowing costs are recognised in profit or loss in the period in which they are incurred.

### (z) Taxation

Income tax represents the sum of the current tax and deferred tax.

The tax currently payable is based on taxable profit for the year. Taxable profit differs from profit recognised in profit or loss because it excludes items of income or expense that are taxable or deductible in other years and it further excludes items that are never taxable or deductible. The Group's liability for current tax is calculated using tax rates that have been enacted or substantively enacted by the end of the reporting period.

Deferred tax is recognised on differences between the carrying amounts of assets and liabilities in the financial statements and the corresponding tax bases used in the computation of taxable profit. Deferred tax liabilities are generally recognised for all taxable temporary differences and deferred tax assets are recognised to the extent that it is probable that taxable profits will be available against which deductible temporary differences, unused tax losses or unused tax credits can be utilised. Such assets and liabilities are not recognised if the temporary difference arises from goodwill or from the initial recognition (other than in a business combination) of other assets and liabilities in a transaction that affects neither the taxable profit nor the accounting profit.



# Notes to the Financial Statements

For the year ended 31 March 2013

## 3. SIGNIFICANT ACCOUNTING POLICIES *(Continued)*

### (z) Taxation *(Continued)*

Deferred tax liabilities are recognised for taxable temporary differences arising on investments in subsidiaries and associates, 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.

The carrying amount of deferred tax assets is reviewed at the end of each reporting period and reduced to the extent that it is no longer probable that sufficient taxable profits will be available to allow all or part of the asset to be recovered.

Deferred tax is calculated at the tax rates that are 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 by the end of the reporting period. Deferred tax is recognised in profit or loss, except when it relates to items recognised in other comprehensive income or directly in equity, in which case the deferred tax is also recognised in other comprehensive income or directly in equity.

The measurement of deferred tax assets and liabilities reflects the tax consequences that would follow from the manner in which the Group expects, at the end of the reporting period, to recover or settle the carrying amount of its assets and liabilities.

For the purposes of measuring deferred tax for investment properties that are measured using the fair value model, the carrying amounts of such properties are presumed to be recovered through sale, unless the presumption is rebutted. The presumption is rebutted when the investment property is depreciable and is held within a business model of the Group whose business objective is to consume substantially all of the economic benefits embodied in the investment property over time, rather than through sale. If the presumption is rebutted, deferred tax for such investment properties are measured based on the expected manner as to how the properties will be recovered.

Deferred tax assets and liabilities are offset when there is a legally enforceable right to set off current tax assets against current tax liabilities and when they relate to income taxes levied by the same taxation authority and the Group intends to settle its current tax assets and liabilities on a net basis.



# Notes to the Financial Statements

For the year ended 31 March 2013

## 3. SIGNIFICANT ACCOUNTING POLICIES *(Continued)*

### (aa) Related parties

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

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

# Notes to the Financial Statements

For the year ended 31 March 2013

## 3. SIGNIFICANT ACCOUNTING POLICIES *(Continued)*

### (bb) Impairment of assets

At the end of each reporting period, the Group reviews the carrying amounts of its tangible and intangible assets except goodwill, investment properties, derivatives, inventories and receivables to determine whether there is any indication that those assets have suffered an impairment loss. If any such indication exists, the recoverable amount of the asset is estimated in order to determine the extent of any impairment loss. Where it is not possible to estimate the recoverable amount of an individual asset, the Group estimates the recoverable amount of the cash-generating unit to which the asset belongs.

Recoverable amount is the higher of fair value less costs to sell and value in use. In assessing value in use, the estimated future cash flows are discounted to their present value using a pre-tax discount rate that reflects current market assessments of the time value of money and the risks specific to the asset.

If the recoverable amount of an asset or cash-generating unit is estimated to be less than its carrying amount, the carrying amount of the asset or cash-generating unit is reduced to its recoverable amount. An impairment loss is recognised immediately in profit or loss, unless the relevant asset is carried at a revalued amount, in which case the impairment loss is treated as a revaluation decrease.

Where an impairment loss subsequently reverses, the carrying amount of the asset or cash-generating unit is increased to the revised estimate of its recoverable amount, but so that the increased carrying amount does not exceed the carrying amount that would have been determined (net of amortisation or depreciation) had no impairment loss been recognised for the asset or cash-generating unit in prior years. A reversal of an impairment loss is recognised immediately in profit or loss, unless the relevant asset is carried at a revalued amount, in which case the reversal of the impairment loss is treated as a revaluation increase.



# Notes to the Financial Statements

For the year ended 31 March 2013

## 3. SIGNIFICANT ACCOUNTING POLICIES *(Continued)*

### (cc) Provisions and contingent liabilities

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

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

### (dd) Events after the reporting period

Events after the reporting period that provide additional information about the Group's position at the end of the reporting period or those that indicate the going concern assumption is not appropriate are adjusting events and are reflected in the financial statements. Events after the reporting period that are not adjusting events are disclosed in the notes to the financial statements when material.

## 4. CRITICAL JUDGEMENTS AND KEY ESTIMATES

### Key sources of estimation uncertainty

The key assumptions concerning the future, and other key sources of estimation uncertainty at the end of the reporting period, that have a significant risk of causing a material adjustment to the carrying amounts of assets and liabilities within the next financial year, are discussed below.

### (a) *Property, plant and equipment and depreciation*

The Group determines the estimated useful lives, residual values and related depreciation charges for the Group's property, plant and equipment. This estimate is based on the historical experience of the actual useful lives and residual values of property, plant and equipment of similar nature and functions. The Group will revise the depreciation charge where useful lives and residual values are different to those previously estimated, 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

For the year ended 31 March 2013

## 4. CRITICAL JUDGEMENTS AND KEY ESTIMATES *(Continued)*

### Key sources of estimation uncertainty *(Continued)*

#### *(b) Income taxes and deferred tax*

The Group is subject to income taxes in several jurisdictions. Significant estimates are required in determining the provision for income taxes. 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 period in which such determination is made.

Deferred tax assets recognised to the extent that it is probable that future taxable profit will be available against the temporary differences or tax losses can be utilised. In the current year, deferred tax assets relating to certain temporary differences and tax losses are not recognised in the financial statements.

#### *(c) Impairment for bad and doubtful debts*

The Group makes impairment for bad and doubtful debts based on assessments of the recoverability of the trade and other receivables, including the current creditworthiness and the past collection history of each debtor. Impairments arise where events or changes in circumstances indicate that the balances may not be collectible. The identification of bad and doubtful debts requires the use of judgement and estimates. Where the actual result is different from the original estimate, such difference will impact the carrying value of the trade and other receivables and doubtful debt expenses in the year in which such estimate has been changed.

#### *(d) Impairment of investments in associates and amounts due from associates*

Management determines whether investments in associates and amounts due from associates have suffered any impairment whenever events or changes in circumstances indicate that the carrying amounts may not be recoverable, according to their recoverable amounts determined by the cash-generating units based on value in use calculations. The determination of impairment indication requires significant judgement, and the calculations require the use of estimates which are subject to change of economic environment in future.





# Notes to the Financial Statements

For the year ended 31 March 2013

## 4. CRITICAL JUDGEMENTS AND KEY ESTIMATES *(Continued)*

### Key sources of estimation uncertainty *(Continued)*

#### *(e) Fair value of investment properties*

The Group appointed an independent professional valuer to assess the fair values of the investment properties. In determining the fair values, the valuer has utilised a method of valuation which involves certain estimates. The directors have exercised their judgement and are satisfied that the method of valuation is reflective of the current market conditions.

#### *(f) Fair value of derivative financial instruments*

As disclosed in notes 26, 29 and 32 to the financial statements, the fair values of the derivative financial instruments at the date of issue and the end of the reporting period were determined using option pricing models. Application of option pricing models requires the Group to estimate the prominent factors affecting the fair value, including but not limited to, the expected life of the derivative financial instruments, the expected volatility of the share prices of the Company and the potential dilution in the share prices of the Company. Where the estimation on these factors is different from those previously estimated, such differences will impact the fair value gain or loss of the derivative financial instruments in the period in which such determination is made.

#### *(g) Impairment of goodwill*

Determining whether goodwill is impaired requires an estimation of the value in use of the cash-generating unit to which goodwill has been allocated. The value in use calculation requires the Group to estimate the future cash flows expected to arise from the cash-generating unit and a suitable discount rate in order to calculate the present value. The carrying amount of goodwill at the end of the reporting period was HK\$24,911,000.



# Notes to the Financial Statements

For the year ended 31 March 2013

## 4. CRITICAL JUDGEMENTS AND KEY ESTIMATES *(Continued)*

### Key sources of estimation uncertainty *(Continued)*

#### *(h) Allowance for slow-moving inventories and net realisable value of inventories*

Allowance for slow-moving inventories is made based on the ageing and estimated net realisable value of inventories. The assessment of the allowance amount involves judgement and estimates. Where the actual outcome in future is different from the original estimate, such difference will impact the carrying value of inventories and allowance charge/write-back in the period in which such estimate has been changed.

Net realisable value of inventories is the estimated selling price in the ordinary course of business, less estimated costs of completion and selling expense. These estimates are based on the current market condition and the historical experience of manufacturing and selling products of similar nature. It could change significantly as a result of changes in customer taste and competitor actions in response to serve industry cycles. The Group will reassess the estimates by the end of each reporting period.

#### *(i) Net realisable value of properties under development*

The Group writes down properties under development to net realisable value based on assessment of the realisability of properties under development which takes into account cost to completion based on past experience and net sales value based on prevailing market conditions. If there is an increase in cost to completion or a decrease in net sales value, the net realisable value will decrease which may result in writing down properties under development to net realisable value. Write-downs are recorded where events or changes in circumstances indicate that the balances may not be realised. The identification of write-downs requires the use of judgement and estimates. Where the expectation is different from the original estimate, the carrying value of properties under development is adjusted in the period in which such estimate is changed.

#### *(j) Fair value of identifiable assets and liabilities acquired through business combinations*

The Group applies the acquisition method to account for business combinations, which requires the Group to record assets acquired and liabilities assumed at their fair values on the date of acquisition. Significant judgment is used to estimate the fair values of the assets and liabilities acquired, including estimating future cash flows from the acquired business, determining appropriate discount rates, asset lives and other assumptions.

# Notes to the Financial Statements

For the year ended 31 March 2013

## 5. FINANCIAL RISK MANAGEMENT

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

### (a) Foreign currency risk

The Group has certain exposure to foreign currency risk as most of its business transactions, assets and liabilities are principally denominated in Hong Kong dollars ("HK\$"), Renminbi ("RMB"), United States dollars ("USD") and Euro ("EUR"). The Group currently does not have a foreign currency hedging policy in respect of foreign currency transactions, assets and liabilities. The Group will monitor its foreign currency exposure closely and will consider hedging significant foreign currency exposure should the need arise.

#### *Sensitivity analysis*

The Group's bank balances, pledged bank deposits, trade, bills and other receivables, bank loans, trade and other payables are exposed to fluctuation in a currency other than functional currency of the Group which they relate.

The following table indicates that the instantaneous change in the Group's loss after tax (and accumulated losses) that would arise if the foreign exchange rates to which the Group has significant exposure at the end of the reporting period had changed at that date, assuming all other risk variables remained constant. Other components of equity would not be affected by changes in foreign exchange rates. For presentation purposes, the amounts are shown in HK\$, translated using the spot rate at the end of the reporting period.

	2013		2012	
	Increase/ (decrease) in foreign exchange rates	Effect on loss after tax and accumulated losses HK\$'000	Increase/ (decrease) in foreign exchange rates	Effect on loss after tax and accumulated losses HK\$'000
HK\$/USD	10% (10%)	(653) 653	10% (10%)	(46) 46
HK\$/RMB	10% (10%)	(1,361) 1,361	10% (10%)	(880) 880
HK\$/EUR	10% (10%)	– –	10% (10%)	(14) 14



# Notes to the Financial Statements

For the year ended 31 March 2013

## 5. FINANCIAL RISK MANAGEMENT (Continued)

### (a) Foreign currency risk (Continued)

#### *Sensitivity analysis (Continued)*

HK\$ is currently pegged with USD, the directors consider that the Group's and the Company's exposure to fluctuation in USD and HK\$ is limited. The Group is therefore mainly exposed to the currency fluctuation of RMB.

The sensitivity analysis assumes that the change in foreign exchange rates had been applied to re-measure those financial instruments held by the Group which expose the Group to foreign currency risk at the end of the reporting period.

### (b) Price risk

The Group's derivative financial instruments are measured at fair value at the end of each reporting period. Therefore, the Group is exposed to equity security price risk.

As at 31 March 2013, if the expected volatility had increased by 1% with all other variables held constant, the consolidated loss after tax for the year would decrease by approximately HK\$19,000 (2012: HK\$183,000) arising from changes in fair value of the derivative financial instruments.

If the expected volatility had decreased by 1% with all other variables held constant, the consolidated loss after tax for the year would increase by approximately HK\$30,000 (2012: HK\$183,000), arising from changes in fair value of the derivative financial instruments.

### (c) Credit risk

The carrying amounts of the pledged bank deposits, bank and cash balances, trade, bills and other receivables included in the consolidated statement of financial position represent the Group's maximum exposure to credit risk in relation to the Group's financial assets.

The Group has certain concentration of credit risk as the Group's largest five debtors accounts for 78% of trade receivables as at 31 March 2013 (2012: 41%).

The Group has policies in place to ensure that services are provided to customers with an appropriate credit history.



# Notes to the Financial Statements

For the year ended 31 March 2013

## 5. FINANCIAL RISK MANAGEMENT *(Continued)*

### (c) Credit risk *(Continued)*

The credit risk on pledged bank deposits, bank and cash balances is limited because the counterparties are banks with high credit ratings assigned by international credit-rating agencies.

The Group's maximum exposure to credit risk in the event that counterparties fail to perform their obligations as at 31 March 2013 in relation to each class of recognised financial assets is the carrying amounts of those assets as stated in the consolidated statement of financial position. The Group's credit risk is primarily attributable to its trade receivables. In order to minimise credit risk, the directors have delegated a team to be responsible for the determination of credit limits, credit approvals and other monitoring procedures. In addition, the directors review the recoverable amount of each individual trade debt regularly to ensure that adequate impairment losses are recognised for irrecoverable debts. In this regard, the directors consider that the Group's credit risk is significantly reduced.

### (d) Liquidity risk

The Group's policy is to regularly monitor current and expected liquidity requirements to ensure that it maintains sufficient reserves of cash to meet its liquidity requirements in the short and longer term.

# Notes to the Financial Statements

For the year ended 31 March 2013

## 5. FINANCIAL RISK MANAGEMENT (Continued)

### (d) Liquidity risk (Continued)

The maturity analysis of the Group's financial liabilities is as follows:

	Less than 1 year and on demand <i>HK\$'000</i>	Between 1 and 2 years <i>HK\$'000</i>	Between 2 and 5 years <i>HK\$'000</i>	Over 5 years <i>HK\$'000</i>
<b>At 31 March 2013</b>				
Trade and other payables	123,557	—	—	—
Due to an associate	7,415	—	—	—
Finance lease payable	784	—	—	—
Call Option of convertible bonds	569	—	—	—
Liability component of convertible bonds	33,000	—	23,400	—
Bank and other loans	125,894	—	—	—
Promissory notes	5,200	—	—	—
Financial guarantee issued	2,762	—	—	—
<b>At 31 March 2012</b>				
Trade and other payables	10,228	—	—	—
Due to an associate	4,297	—	—	—
Finance lease payable	1,079	—	—	—
Liability component of convertible bonds	16,500	16,500	10,000	—

# Notes to the Financial Statements

For the year ended 31 March 2013

## 5. FINANCIAL RISK MANAGEMENT (Continued)

### (d) Liquidity risk (Continued)

The following table summarises the maturity analysis of bank and other loans and finance leases payable with a repayment on demand clause based on agreed scheduled repayments set out in the loan agreements. The amounts include interest payments computed using contractual rates. As a result, these amounts were greater than the amounts disclosed in the “on demand” time band in the maturity analysis contained above. Taking into account the Company’s financial position, the directors do not consider that it is probable that the bank will exercise its discretion to demand immediate repayment. The directors believe that such bank and other loans will be repaid in accordance with the scheduled repayment dates set out in the loan agreements.

The maturity analysis of the Group’s financial liabilities that bank and other loans and finance leases payable subject to a repayment on demand clause based on schedule repayments:

	Less than 1 year and on demand <i>HK\$'000</i>	Between 1 and 2 years <i>HK\$'000</i>	Between 2 and 5 years <i>HK\$'000</i>	Over 5 years <i>HK\$'000</i>
<b>At 31 March 2013</b>				
Finance lease payable	294	294	196	–
Bank and other loans	96,704	15,864	3,130	19,909
<b>At 31 March 2012</b>				
Finance lease payable	294	294	491	–

# Notes to the Financial Statements

For the year ended 31 March 2013

## 5. FINANCIAL RISK MANAGEMENT (Continued)

### (e) Interest rate risk

The Group's exposure to interest-rate risk arises from its bank and other loans. These bank and other loans bear interests at variable rates varied with the prevailing market condition and expose the Group to cash flow interest rate risk.

At 31 March 2013, if the interest rate had been 100 basis points lower, with all other variables held constant, the impact on consolidated loss after tax is summarised in the following table. The sensitivity analysis includes bank and other loans and adjusts the respective interest rates at the year end of 100 basis points. A positive number indicates a decrease in loss. If the interest rate had been 100 basis points higher, with all other variables held constant, there would be an equal and opposite impact on loss after tax, and the balances below would be negative.

	At 31 March	
	2013 HK\$'000	2012 HK\$'000
Loss after tax ( <i>note</i> )	959	–

*note:* This is mainly a result of the decrease in interest expenses on bank and other loans at year end.



# Notes to the Financial Statements

For the year ended 31 March 2013

## 5. FINANCIAL RISK MANAGEMENT (Continued)

### (f) Categories of financial instruments as at 31 March

	2013 HK\$'000	2012 HK\$'000
<b>Financial assets:</b>		
Financial assets at fair value through profit or loss:		
Held-for-trading	16,963	13,242
Loans and receivables (including cash and cash equivalents)	149,605	19,406
<b>Financial liabilities:</b>		
Financial liabilities at fair value through profit or loss:		
Held-for-trading	8,381	—
Financial liabilities at amortised cost	310,852	51,042

### (g) Fair values

The carrying amounts of the Group's financial assets and financial liabilities as reflected in the consolidated statement of financial position approximate their respective fair values.

The following disclosures of fair value measurements use a fair value hierarchy which has 3 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).

Level 3: inputs for the asset or liability that are not based on observable market data (unobservable inputs).

# Notes to the Financial Statements

For the year ended 31 March 2013

## 5. FINANCIAL RISK MANAGEMENT (Continued)

### (g) Fair values (Continued)

Disclosures of level in fair value hierarchy at 31 March 2013:

Description	Fair value measurement using:			2013 HK\$'000
	Level 1 HK\$'000	Level 2 HK\$'000	Level 3 HK\$'000	
<b>Assets</b>				
Financial assets at fair value through profit or loss				
Derivative financial assets	–	–	13,350	13,350
Put Options of convertible bonds	–	3,235	–	3,235
Mandatory Conversion Options of convertible bonds	–	378	–	378
<b>Total</b>	<b>–</b>	<b>3,613</b>	<b>13,350</b>	<b>16,963</b>
<b>Liabilities</b>				
Financial liabilities at fair value through profit or loss				
Call Option of convertible bonds	–	569	–	569
Warrant	–	7,812	–	7,812
<b>Total</b>	<b>–</b>	<b>8,381</b>	<b>–</b>	<b>8,381</b>

# Notes to the Financial Statements

For the year ended 31 March 2013

## 5. FINANCIAL RISK MANAGEMENT (Continued)

### (g) Fair values (Continued)

#### Reconciliation of assets measured at fair value based on level 3:

Description	Financial assets at fair value through profit or loss
	Derivative financial assets HK\$'000
<b>Assets</b>	
At beginning	1,210
Written off	(1,210)
Total gain recognised in profit or loss <sup>(#)</sup>	3,860
Addition	9,490
At end of year	13,350
<sup>(#)</sup> Include gain for assets held at end of reporting period	3,860

During the year, derivatives amounted to HK\$1,210,000 were written off due to lapse of Call Option.

The total gain recognised in profit or loss including those for assets held at the end of the reporting period are presented as other income in the consolidated income statement.

# Notes to the Financial Statements

For the year ended 31 March 2013

## 5. FINANCIAL RISK MANAGEMENT (Continued)

### (g) Fair values (Continued)

Disclosures of level in fair value hierarchy at 31 March 2012:

Description	Fair value measurement using:			
	Level 1	Level 2	Level 3	2012
	HK\$'000	HK\$'000	HK\$'000	HK\$'000
<b>Assets</b>				
Financial assets				
at fair value through profit or loss				
Derivative financial assets	–	–	1,210	1,210
Put Options of convertible bonds	–	12,032	–	12,032
Total	–	12,032	1,210	13,242
<b>Liabilities</b>				
Financial liabilities				
at fair value through profit or loss				
Call Option of convertible bonds	–	466	–	466

# Notes to the Financial Statements

For the year ended 31 March 2013

## 5. FINANCIAL RISK MANAGEMENT (Continued)

### (g) Fair values (Continued)

Reconciliation of assets measured at fair value based on level 3:

Description	Financial assets at fair value through profit or loss
	Derivative financial assets HK\$'000
<b>Assets</b>	
Addition	1,510
Total losses recognised in profit or loss <sup>(#)</sup>	(300)
At end of year	1,210
<sup>(#)</sup> Include losses for assets held at end of reporting period	(300)

The total losses recognised in profit or loss including those for assets held at the end of the reporting period are presented as other operating expenses in the consolidated income statement.

## 6. TURNOVER

The Group's turnover represents the net invoiced value of goods sold, after allowances for returns and trade discounts and the amounts received and receivable for services provided to customers during the year.

	2013 HK\$'000	2012 HK\$'000
Sale of electronic parts and components	494,595	–
Service fee from provision of mobile data solutions and related services	36,872	31,602
Rental income	144	–
	531,611	31,602

# Notes to the Financial Statements

For the year ended 31 March 2013

## 7. OTHER INCOME

	2013 HK\$'000	2012 HK\$'000
Interest income	233	56
Net foreign exchange gains	85	–
Fair value gains on Put Options and Call Option of convertible bonds	–	2,839
Fair value gains on investment properties	2,171	–
Fair value gains on derivative financial assets	3,860	–
Reversal of allowance for impairment of bad and doubtful debts	731	316
Sundry income	467	13
	<b>7,547</b>	<b>3,224</b>

## 8. SEGMENT INFORMATION

The Group has four (2012: three) reportable segments as follows:

Trading of electronic parts and components	–	trading of electronic parts and components and provision of professional solution with engineering services
Mobile data solution business	–	provision of mobile data solution and related services
Property development	–	sale of developed properties
Property investment	–	rental income

The Group's reportable segments are strategic business units that offer different products and services. They are managed separately because each business requires different technology and marketing strategies.

The accounting policies of the operating segments are the same as those described in note 3 to the financial statements. Segment profit or loss does not include unallocated corporate results.

# Notes to the Financial Statements

For the year ended 31 March 2013

## 8. SEGMENT INFORMATION (Continued)

Information about reportable segment profit or loss:

	Trading of electronic parts and components <i>HK\$'000</i>	Mobile data solution business <i>HK\$'000</i>	Property development <i>HK\$'000</i>	Property investment <i>HK\$'000</i>	Total <i>HK\$'000</i>
<b>Year ended 31 March 2013</b>					
Revenue from external customers	494,595	36,872	–	144	531,611
Segment profit/(loss)	6,685	(6,386)	(7,692)	1,879	(5,514)
Depreciation and amortisation	206	633	318	–	1,157
<b>Year ended 31 March 2012</b>					
Revenue from external customers	–	31,602	–	–	31,602
Segment loss	–	(5,685)	(6,775)	(261)	(12,721)
Depreciation and amortisation	–	368	103	–	471

Reconciliations of reportable segment revenue, profit or loss:

	2013 <i>HK\$'000</i>	2012 <i>HK\$'000</i>
<b>Revenue</b>		
Total revenue of reportable segments	531,611	31,602
<b>Profit or loss</b>		
Total loss of reportable segments	(5,514)	(12,721)
Unallocated corporate results	(64,662)	(14,141)
Consolidated loss for the year	(70,176)	(26,862)
<b>Other material items – depreciation</b>		
Total depreciation and amortisation of reportable segments	1,157	471
Unallocated amounts:		
Depreciation of property, plant and equipment for corporate use	62	73
Consolidated depreciation and amortisation	1,219	544

# Notes to the Financial Statements

For the year ended 31 March 2013

## 8. SEGMENT INFORMATION (Continued)

### Geographical information

Over 90% of the Group's segment non-current assets are located in Hong Kong. Accordingly, no geographical analysis is presented based on the location of assets.

Majority of the revenue generated by the Group for the year ended 31 March 2013 were attributable to customers based in the PRC (2012: Hong Kong).

### Turnover from major customers

	2013 HK\$'000	2012 HK\$'000
Customer a	–	7,200
Customer b	–	1,000
Customer c	–	700
Customer d	134,486	–

## 9. FINANCE COSTS

	2013 HK\$'000	2012 HK\$'000
Effective interest expenses on liability component of convertible bonds	3,010	1,851
Interest on bank loans	1,928	–
Interest on other loan	1,065	–
Finance leases charges	25	9
	6,028	1,860



# Notes to the Financial Statements

For the year ended 31 March 2013

## 10. INCOME TAX EXPENSE

	2013 HK\$'000	2012 HK\$'000
Current tax – Hong Kong Profits Tax		
Provision for the year	1,495	–
Over-provision in prior years	(59)	–
Deferred tax ( <i>note 34</i> )	(2)	–
Income tax expense	1,434	–

Hong Kong Profits Tax is provided at 16.5% (2012: 16.5%) based on the assessable profit for the year.

Tax charge on profits assessable elsewhere have been calculated at the rates of tax prevailing in the countries in which the Group operates, based on existing legislation, interpretation and practices in respect thereof.

The reconciliation between the income tax expense and the product of loss before tax multiplied by the Hong Kong profits tax rate is as follows:

	2013 HK\$'000	2012 HK\$'000
Loss before tax	(68,742)	(26,862)
Tax at the domestic income tax rate of 16.5% (2012: 16.5%)	(11,342)	(4,432)
Tax effect of income that is not taxable	(383)	(525)
Tax effect of expenses that are not deductible	13,233	5,406
Tax effect of temporary differences not recognised	39	(36)
Tax effect of tax losses not recognised	1,133	529
Over-provision in prior years	(59)	–
Tax effect of utilisation of tax losses not previously recognised	(283)	(211)
Effect of different tax rates of subsidiaries	(904)	(731)
Income tax expense	1,434	–

# Notes to the Financial Statements

For the year ended 31 March 2013

## 11. LOSS FOR THE YEAR

The Group's loss for the year is stated after charging/(crediting) the following:

	2013 HK\$'000	2012 HK\$'000
Acquisition-related costs (included in other operating expenses)	1,518	2,880
Amortisation of intangible assets	66	6
Auditor's remuneration		
Current	788	498
Under-provision in prior year	154	82
	942	580
Cost of inventories sold	471,690	–
Property, plant and equipment written off	30	8
Depreciation of property, plant and equipment	1,153	538
Directors' emoluments		
– As directors	678	459
– For management	6,339	5,605
	7,017	6,064
Fair value (gain)/loss on investment properties	(2,171)	143
Direct operating expense of investment properties that generate rental income	15	–
Direct operating expenses of investment properties that did not generate rental income	100	–
Fair value loss on warrant	6,612	–
Fair value (gain)/losses on derivative financial assets		
– Call options	(3,860)	170
– Profit guarantee	–	130
Derivative financial assets written off	1,210	–
Loss on deregistration of a subsidiary	–	34
Fair value losses/(gain) on Put Option, Call Option and Mandatory Conversion Option of convertible bonds	6,887	(2,839)
Fair value loss on conversion of convertible bond	2,733	–
Operating lease charges of premises and facilities	3,834	2,530
Research and development expenses		
– Staff costs	9,897	1,633
– Other expenses	1,451	–
	11,348	1,633
Inventories written off	5	–
Allowance for impairment of bad and doubtful debts	1,393	250
Bad debt written off	10	–
Impairment losses on investments in associates and amounts due from associates	27,671	5,556
Staff costs including directors' emoluments and amount classified as research and development expenses		
Salaries and allowances	32,575	22,726
Share-based payments	7,033	1,267
Retirement benefit scheme contributions	1,119	756
Termination benefits	(67)	67
	40,660	24,816

# Notes to the Financial Statements

For the year ended 31 March 2013

## 12. DIRECTORS' AND EMPLOYEES' EMOLUMENTS

The emoluments of each director were as follows:

For the year ended 31 March 2013

Name of director	Directors' fees HK\$'000	Salaries and allowances HK\$'000	Discretionary bonus HK\$'000	Share-based payments HK\$'000	Retirement benefit scheme contributions HK\$'000	Total HK\$'000
<i>Executive directors</i>						
Dr. Chan Chung (Note (a))	-	1,613	-	-	13	1,626
Mr. Chan Wai Kwong, Peter	-	696	-	276	14	986
Mr. Siu King Nin, Peter	-	960	-	276	-	1,236
Mr. Choi Ho Yan	-	1,440	-	276	29	1,745
Mr. So Haw, Herman	-	456	-	276	14	746
<i>Independent non-executive directors</i>						
Mr. Chiu Wai Piu	120	-	-	106	-	226
Mr. Cheung Kwan Hung, Anthony	120	-	-	106	-	226
Mr. Heung Chee Hang, Eric	120	-	-	106	-	226
	360	5,165	-	1,422	70	7,017

Note (a): The director was demised on 20 December 2012.

# Notes to the Financial Statements

For the year ended 31 March 2013

## 12. DIRECTORS' AND EMPLOYEES' EMOLUMENTS (Continued)

For the year ended 31 March 2012

Name of director	Directors' fees HK\$'000	Salaries and allowances HK\$'000	Discretionary bonus HK\$'000	Share-based payments HK\$'000	Retirement benefit scheme contributions HK\$'000	Total HK\$'000
<i>Executive directors</i>						
Dr. Chan Chung	–	1,840	–	195	12	2,047
Mr. Chan Wai Kwong, Peter	–	695	–	195	12	902
Mr. Siu King Nin, Peter	–	960	–	195	–	1,155
Mr. Choi Ho Yan	–	840	–	195	19	1,054
Mr. So Haw, Herman	–	372	–	65	10	447
<i>Independent non-executive directors</i>						
Mr. Chiu Wai Piu	120	–	–	33	–	153
Mr. Cheung Kwan Hung, Anthony	120	–	–	33	–	153
Mr. Heung Chee Hang, Eric	120	–	–	33	–	153
	360	4,707	–	944	53	6,064

There was no arrangement under which a director waived or agreed to waive any emoluments during the year (2012: Nil).

# Notes to the Financial Statements

For the year ended 31 March 2013

## 12. DIRECTORS' AND EMPLOYEES' EMOLUMENTS (Continued)

The five highest paid individuals in the Group during the year included three (2012: four) directors whose emoluments are reflected in the analysis presented above. The emoluments of the remaining two (2012: one) individuals are set out below:

	2013 HK\$'000	2012 HK\$'000
Salaries and allowances	1,660	947
Retirement benefit scheme contributions	17	12
Share-based payments	552	–
	2,229	959

The emoluments fell within the following bands:

	Number of individuals	
	2013	2012
HK\$Nil to HK\$1,000,000	–	1
HK\$1,000,001 to HK\$1,500,000	2	–
	2	1

During the year, no emoluments were paid by the Group to any of the directors or the highest paid individuals as an inducement to join or upon joining the Group or as compensation for loss of office.

## 13. LOSS FOR THE YEAR ATTRIBUTABLE TO OWNERS OF THE COMPANY

The loss for the year attributable to owners of the Company included a loss of approximately HK\$61,025,000 (2012: HK\$7,316,000) which has been dealt with in the financial statements of the Company.

## 14. DIVIDENDS

The directors have not declared nor proposed any dividends in respect of the year ended 31 March 2013 (2012: Nil).

# Notes to the Financial Statements

For the year ended 31 March 2013

## 15. LOSS PER SHARE

### (a) Basic loss per share

The calculation of basic loss per share attributable to owners of the Company is based on the loss for the year attributable to owners of the Company of approximately HK\$71,503,000 (2012: approximately HK\$26,662,000) and the weighted average number of ordinary shares of 1,269,821,250 (2012: 1,068,193,118) in issue during the year.

### (b) Diluted loss per share

As the exercise of the Group's outstanding convertible bonds, warrants and options for the years ended 31 March 2013 and 2012 would be anti-dilutive, no diluted loss per share was presented for the years ended 31 March 2013 and 31 March 2012.

## 16. OTHER COMPREHENSIVE INCOME

Tax effects relating to each component of other comprehensive income for the year:

	2013			2012		
	Amount before tax HK\$'000	Tax HK\$'000	Amount after tax HK\$'000	Amount before tax HK\$'000	Tax HK\$'000	Amount after tax HK\$'000
Exchange differences on translating foreign operations	126	-	126	518	-	518
Reclassification adjustments relating to deregistration of foreign operations	-	-	-	34	-	34
Other comprehensive income	126	-	126	552	-	552

# Notes to the Financial Statements

For the year ended 31 March 2013

## 17. PROPERTY, PLANT AND EQUIPMENT – GROUP

	Leasehold properties HK\$'000	Computer hardware and software HK\$'000	Leasehold improvements, furniture and fixtures HK\$'000	Office equipment HK\$'000	Motor vehicles HK\$'000	Total HK\$'000
<b>Cost</b>						
At 1 April 2011	–	6,064	478	145	–	6,687
Additions	–	540	69	25	1,237	1,871
Written off	–	(21)	–	–	–	(21)
Exchange differences	–	(7)	–	–	–	(7)
At 31 March 2012 and at 1 April 2012	–	6,576	547	170	1,237	8,530
Additions	–	391	903	16	312	1,622
Acquisition of a subsidiary	5,000	31	11	–	271	5,313
Written off	–	(5,330)	(411)	(141)	–	(5,882)
Exchange differences	–	(29)	–	–	–	(29)
<b>At 31 March 2013</b>	<b>5,000</b>	<b>1,639</b>	<b>1,050</b>	<b>45</b>	<b>1,820</b>	<b>9,554</b>
<b>Accumulated depreciation</b>						
At 1 April 2011	–	5,528	263	141	–	5,932
Charge for the year	–	332	93	10	103	538
Written off	–	(13)	–	–	–	(13)
Exchange differences	–	(7)	–	–	–	(7)
At 31 March 2012 and at 1 April 2012	–	5,840	356	151	103	6,450
Charge for the year	64	456	194	6	433	1,153
Written off	–	(5,330)	(381)	(141)	–	(5,852)
Exchange differences	–	(30)	–	–	–	(30)
<b>At 31 March 2013</b>	<b>64</b>	<b>936</b>	<b>169</b>	<b>16</b>	<b>536</b>	<b>1,721</b>
<b>Carrying amount</b>						
<b>At 31 March 2013</b>	<b>4,936</b>	<b>703</b>	<b>881</b>	<b>29</b>	<b>1,284</b>	<b>7,833</b>
At 31 March 2012	–	736	191	19	1,134	2,080

At 31 March 2013, the carrying amount of motor vehicle held by the Group under finance leases amounted to approximately HK\$825,000 (2012: HK\$1,134,000).

The Group's leasehold properties are situated in Hong Kong and are held under medium-lease between ten to fifty years.

At 31 March 2013, the carrying amount of the Group's leasehold properties amounted to approximately HK\$4,936,000 (2012: Nil) were pledged as security for the Group's mortgage loan.

# Notes to the Financial Statements

For the year ended 31 March 2013

## 18. INVESTMENT PROPERTIES – GROUP

	2013 HK\$'000	2012 HK\$'000
At beginning of year	30,000	–
Addition	8,829	30,143
Fair value gain/(loss)	2,171	(143)
At end of year	41,000	30,000

Investment properties were revalued at 31 March 2013 on the open market value basis by reference to market evidence of recent transactions for similar properties by Savills Valuation and Professional Services Limited, an independent firm of valuers.

The Group's investment properties are situated in Hong Kong and are held under medium-leases between ten to fifty years.

At 31 March 2013, the carrying amount of investment properties pledged as security for the Group's bank and other loans amounted to HK\$41,000,000 (2012: Nil).





# Notes to the Financial Statements

For the year ended 31 March 2013

## 19. GOODWILL – GROUP

	Group HK\$'000
<b>Cost</b>	
At 1 April 2011, 31 March 2012 and 1 April 2012	–
Arising on acquisition of a subsidiary ( <i>note 39(a)</i> )	24,911
<b>At 31 March 2013</b>	<b>24,911</b>
<b>Accumulated impairment losses</b>	
Impairment loss recognised in the year ended 31 March 2012 and balance at 31 March 2012 and 1 April 2012	–
Impairment loss recognised in the current year	–
<b>At 31 March 2013</b>	<b>–</b>
<b>Carrying amount</b>	
<b>At 31 March 2013</b>	<b>24,911</b>
<b>At 31 March 2012</b>	<b>–</b>

Goodwill acquired in a business combination is allocated, at acquisition, to the cash generating units (“CGUs”) that are expected to benefit from that business combination. The carrying amount of goodwill had been allocated to trading of electronic parts and components segment.

The recoverable amounts of the CGUs are determined from value in use calculations.

The key assumptions for the value in use calculations are those regarding the discount rates, growth rates and budgeted gross margin and turnover during the period. The Group estimates discount rates using pre-tax rates that reflect current market assessments of the time value of money and the risks specific to the CGUs. The growth rates are based on long-term average economic growth rate of the geographical area in which the businesses of the CGUs operate. Budgeted gross margin and turnover are based on past practices and expectations on market development.

# Notes to the Financial Statements

For the year ended 31 March 2013

## 19. GOODWILL – GROUP (Continued)

The Group prepares cash flow forecasts derived from the most recent financial budgets approved by the directors for the next five years with the residual period using zero growth rate.

The pre-tax rate used to discount the forecast cash flows is 10.3%.

## 20. INTANGIBLE ASSETS – GROUP

	Website HK\$'000
<b>Cost</b>	
At 1 April 2011	–
Addition	200
At 31 March 2012 and at 1 April 2012	200
Addition	–
<b>At 31 March 2013</b>	<b>200</b>
<b>Accumulated amortisation</b>	
At 1 April 2011	–
Amortisation for the year	6
At 31 March 2012 and at 1 April 2012	6
Amortisation for the year	66
<b>At 31 March 2013</b>	<b>72</b>
<b>Carrying amount</b>	
<b>At 31 March 2013</b>	<b>128</b>
At 31 March 2012	194

# Notes to the Financial Statements

For the year ended 31 March 2013

## 21. INTERESTS IN SUBSIDIARIES – COMPANY

	2013 HK\$'000	2012 HK\$'000
Unlisted shares, at cost	147,940	117,851
Impairment losses	(52,669)	(24,460)
Carrying value	95,271	93,391
Amounts due from subsidiaries (note (a))	75,566	68,770
Allowance	(28,025)	(28,088)
	47,541	40,682
Amounts due to subsidiaries (note (a))	(1,574)	(6)

# Notes to the Financial Statements

For the year ended 31 March 2013

## 21. INTERESTS IN SUBSIDIARIES – COMPANY (Continued)

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

Name	Place of incorporation/ registration	Principal activities	Share capital/ registered capital	Interest held
<b>Directly held:</b>				
Mobile Telecom (BVI) Limited	British Virgin Islands ("BVI")	Investment holding in Hong Kong	100 ordinary shares of US\$1 each	100%
Full Rich Human Resources Limited	Hong Kong	Human Resources management in Hong Kong	100 ordinary shares of HK\$1 each	100%
Gold Continental Investments Limited	BVI	Investment holding in Hong Kong	100 ordinary shares of US\$1 each	100%
Golden Kingtex Limited	BVI	Investment holding in Hong Kong	100 ordinary shares of US\$1 each	100%
Gold Basin Capital Limited	BVI	Investment holding in Hong Kong	100 ordinary shares of US\$1 each	100%
<b>Indirectly held:</b>				
MTel (Taiwan) Limited	BVI	Provision of mobile data solutions and related services in Taiwan	100 ordinary shares of US\$1 each	100%
MTel Limited	Hong Kong	Development and provision of mobile data solutions and related services in Hong Kong	100 ordinary shares of HK\$0.01 each  100,000,000 non-voting deferred shares of HK\$0.01 each (note (b))	100%

# Notes to the Financial Statements

For the year ended 31 March 2013

## 21. INTERESTS IN SUBSIDIARIES – COMPANY (Continued)

Name	Place of incorporation/ registration	Principal activities	Share capital/ registered capital	Interest held
<b>Indirectly held:</b> (Continued)				
MTel (Hong Kong) Limited	Hong Kong	Not yet commenced business	10,000 ordinary shares of HK\$1 each	100%
MTel Solutions Limited	Hong Kong	Information technology solution services in Hong Kong	10,000 ordinary shares of HK\$1 each	60%
MTel (Asia) Limited	Hong Kong	Not yet commenced business	100 ordinary shares of HK\$1 each	100%
Star Global Industries Limited	Hong Kong	Property investment	1 ordinary share of HK\$1 each	100%
Best Team International Investment Limited	Hong Kong	Investment holding in the PRC	2,000 ordinary shares of HK\$1 each	100%
廣州市八達網科技 有限公司 (note (c))	PRC	Provision of mobile data solutions and related services in Guangzhou	HK\$900,000	100%
深圳市鑫泰溢投資發展 有限公司 (note (c))	PRC	Investment holding in the PRC	RMB5,025,365	100%
陽江市永聯房地產開發 有限公司	PRC	Property development	RMB1,000,000	66.66%
Mooff Games Limited	Hong Kong	Development and provision of mobile data solutions and related services in Hong Kong	10,000 ordinary shares of HK\$1 each	60%

# Notes to the Financial Statements

For the year ended 31 March 2013

## 21. INTERESTS IN SUBSIDIARIES – COMPANY (Continued)

Name	Place of incorporation/ registration	Principal activities	Share capital/ registered capital	Interest held
<b>Indirectly held:</b> (Continued)				
Topworld Technology Development Limited (“Topworld”)	Hong Kong	Not yet commenced business	1,000,000 ordinary shares of HK\$1 each	51%
ETC Technology Limited (“ETC”)	Hong Kong	Trading of electronic parts	2,000,000 ordinary shares of HK\$1 each	75%
Best Precision Holdings Limited	BVI	Investment holding	50,000 ordinary shares of US\$1 each	75%
Dignity Effort Global Investment Limited	BVI	Investment holding	50,000 ordinary shares of US\$1 each	75%
Prefect Surplus Corporation Limited	Hong Kong	Trading of electronic parts	10,000 ordinary shares of HK\$1 each	75%
Hegrow Inc Limited	Hong Kong	Not yet commenced business	10,000 ordinary shares of HK\$1 each	75%

### Notes:

- (a) The amounts due from/(to) subsidiaries are unsecured, interest-free and have no fixed terms of repayment.
- (b) Holders of non-voting deferred shares have no voting rights, are not entitled to dividends and are not entitled to any distribution upon winding up unless a sum of HK\$100,000,000,000,000,000 has been distributed by the Company to the holders of its ordinary shares.
- (c) 廣州市八達網科技有限公司 and 深圳市鑫泰溢投資發展有限公司 are wholly foreign owned enterprises established in the PRC.

# Notes to the Financial Statements

For the year ended 31 March 2013

## 22. INVESTMENTS IN ASSOCIATES – GROUP

	2013 HK\$'000	2012 HK\$'000
Unlisted investments:		
Share of net assets	29,696	33,640
Goodwill	17,622	17,622
	47,318	51,262
Impairment losses on investments in associates ( <i>note (c)</i> )	(26,799)	(5,513)
	20,519	45,749

Notes:

- (a) As at 31 March 2012, the amounts due from associates included loans to an associate with carrying amounts of approximately HK\$1,071,000 which are unsecured and interest-bearing at the rates ranging from 5% to 10% per annum.

	2013 HK\$'000	2012 HK\$'000
Amounts due from associates	6,428	2,247
Impairment losses	(6,428)	(43)
	–	2,204

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

- (b) As at 31 March 2013, the amounts due from associates of approximately HK\$6,428,000 was impaired (2012: HK\$43,000). The impaired amounts related to the disagreed balances with two associates (2012: one). Movement on the impairment losses is as follows:

	2013 HK\$'000	2012 HK\$'000
At beginning of the year	43	–
Addition	6,385	43
At end of the year	6,428	43

Amounts due from associates have been fully written off during the year.

# Notes to the Financial Statements

For the year ended 31 March 2013

## 22. INVESTMENTS IN ASSOCIATES – GROUP (Continued)

Notes: (Continued)

- (c) The recoverable amounts of the investments in associates are determined from the value in use calculations. The key assumptions for the value in use calculations are those regarding the discount rate, growth rate and budgeted turnover during the period. The Group estimates discount rates using pre-tax rates that reflect current market assessments of the time value of money and the risks specific to the investment in the associate. The growth rates are based on long-term average economic growth rate of the geographical area in which the businesses of the investment in the associate operates. Budgeted turnover are based on expectations on market development of related operations.

The Group prepares cash flow forecasts derived from the most recent financial budgets approved by the directors covering a five-year period using a constant growth rate of 3% (2012: 3%).

The pre-tax rate used to discount the forecast cash flows is 15% (2012: 15%).

In the opinion of the directors, due to the decline in the operating results of the associates for the year, impairment losses of approximately HK\$21,286,000 (2012: HK\$5,513,000) was made on the investments in associates for the year ended 31 March 2013 with reference to the Group's share of the present value of the estimated future cash flows expected to be generated by the associates as compared with their carrying amounts.

- (d) The Group has not recognised its share of losses for the year amounting to approximately HK\$11,445,000 (2012: Nil) for the associates. The accumulated losses not recognised were HK\$11,445,000 as at 31 March 2013 (2012: Nil).



# Notes to the Financial Statements

For the year ended 31 March 2013

## 22. INVESTMENTS IN ASSOCIATES – GROUP (Continued)

Details of the Group's associates at 31 March 2013 are as follows:

Name	Place of incorporation/ registration	Share capital/ registered capital	Percentage of ownership interest	Principal activities
廣州流之動資訊技術有限公司	PRC	RMB1,000,000	43.3%	Mobile data solutions
陽東富力房地產發展有限公司	PRC	RMB1,000,000	25%	Property development
Jun Feng Enterprise (HK) Limited	Hong Kong	60,000,000 ordinary shares of HK\$1 each	33.33%	Investment holding
郴州駿峰微電子有限公司	PRC	US\$9,540,000	33.33%	Sales and production of liquid crystal display and touchscreen panels
郴州駿峰科技有限公司	PRC	RMB100,000	33.33%	Sales of liquid crystal display and touchscreen panels
Mads (Macau) Limited	Macau	MOP40,000	38%	Technology information and media electronic

# Notes to the Financial Statements

For the year ended 31 March 2013

## 22. INVESTMENTS IN ASSOCIATES – GROUP (Continued)

Summarised financial information in respect of the Group's associates is set out below:

	2013 HK\$'000	2012 HK\$'000
At 31 March		
Total assets	264,789	260,541
Total liabilities	(195,946)	(147,237)
Net assets	68,843	113,304
Group's share of associates' net assets	19,945	33,640
Year ended 31 March		
Total revenue	17,716	50,267
Total loss for the year	(49,120)	(18,950)
Group's share of associates' losses for the year	(4,168)	(5,210)

## 23. INVENTORIES – GROUP

	2013 HK\$'000	2012 HK\$'000
Finished goods	63,518	–

# Notes to the Financial Statements

For the year ended 31 March 2013

## 24. TRADE, BILLS AND OTHER RECEIVABLES, DEPOSITS AND PREPAYMENTS – GROUP AND COMPANY

	Group		Company	
	2013 HK\$'000	2012 HK\$'000	2013 HK\$'000	2012 HK\$'000
Trade receivables ( <i>notes (a), (b) and (d)</i> )	46,200	3,580	–	–
Less: Allowance for impairment of bad and doubtful debts ( <i>note (c)</i> )	(1,180)	(290)	–	–
	45,020	3,290	–	–
Bills receivables	58,288	–	–	–
Other debtors, deposits and prepayments	41,677	5,279	4,362	247
	144,985	8,569	4,362	247

Notes:

- (a) The ageing analysis of trade receivables, based on the invoice date, and net of allowance, is as follows:

	2013 HK\$'000	2012 HK\$'000
0 to 30 days	36,127	2,392
31 to 60 days	6,835	522
61 to 90 days	2,058	114
Over 90 days	–	262
	45,020	3,290

The credit terms granted by the Group to its customers are generally cash on delivery or with credit terms of up to 90 days.

The Group seeks to maintain strict control over its outstanding receivables and overdue balances are reviewed regularly by directors.

# Notes to the Financial Statements

For the year ended 31 March 2013

## 24. TRADE, BILLS AND OTHER RECEIVABLES, DEPOSITS AND PREPAYMENTS – GROUP AND COMPANY (Continued)

Notes: (Continued)

(b) The carrying amounts of the Group's trade receivables are denominated in the following currencies:

	HK\$ HK\$'000	USD HK\$'000	TWD HK\$'000	Total HK\$'000
2013	2,818	42,105	97	45,020
2012	3,278	–	12	3,290

(c) As at 31 March 2013, an allowance was made for estimated irrecoverable trade receivables of approximately HK\$1,180,000 (2012: approximately HK\$290,000).

Reconciliation of allowance for trade receivables:

	2013 HK\$'000	2012 HK\$'000
At 1 April	290	356
Allowance	890	250
Amounts written off	–	(316)
At 31 March	1,180	290

(d) Trade receivables were past due but not impaired

As at 31 March 2013, trade debtors of approximately HK\$11,468,000 (2012: approximately HK\$898,000) were past due but not impaired. These relate to a number of independent customers for whom there is no recent history of default. The ageing analysis of these trade receivables is as follows:

	2013 HK\$'000	2012 HK\$'000
Up to 30 days	10,461	522
31 to 60 days	836	114
Over 60 days	171	262
	11,468	898

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

# Notes to the Financial Statements

For the year ended 31 March 2013

## 25. PROPERTIES UNDER DEVELOPMENT – GROUP

	2013 HK\$'000	2012 HK\$'000
At 1 April	59,986	–
Additions	284	59,986
Exchange difference	50	–
At 31 March	60,320	59,986

The properties under development include costs of acquiring rights to use certain lands, which are located in Yangjiang City, Guangdong Province, the PRC. Land use rights are held on leases of 37 years.

At the reporting date, the properties under development are expected to be recovered within one year.

## 26. DERIVATIVE FINANCIAL ASSETS – GROUP AND COMPANY

### Group

	2013 HK\$'000	2012 HK\$'000
<b>At fair value</b>		
Call options – Jun Feng (note (a)(i))	–	40
Profit guarantee – Jun Feng (note (a)(ii))	–	1,170
Call options – ETC (note (b)(i))	13,350	–
Profit guarantee – ETC (note (b)(ii))	–	–
	13,350	1,210

# Notes to the Financial Statements

For the year ended 31 March 2013

## 26. DERIVATIVE FINANCIAL ASSETS – GROUP AND COMPANY (Continued)

### Company

	2013 HK\$'000	2012 HK\$'000
<b>At fair value</b>		
Call options – ETC (note (b)(i))	13,350	–
Profit guarantee – ETC (note (b)(ii))	–	–
	<b>13,350</b>	<b>–</b>

### Notes:

- (a)(i) On 24 October 2011, the Group acquired 33.33% of the issued share capital of Jun Feng Enterprise (HK) Limited ("Jun Feng"). Details of the acquisition are set out in note 39(b) to the financial statements. Pursuant to the Option Deed For The Grant Of Call Option Over Shares In Jun Feng Enterprise (HK) Limited dated 24 October 2011 ("Option Deed"), the vendors of Jun Feng granted a right to the Group to call upon the acquisition of additional 10,600,000 shares of Jun Feng. The exercise price per Jun Feng's share shall be the audited consolidated net asset value per Jun Feng's share as at 30 September 2012. The call options are exercisable within one month commencing on 1 January 2013. Details of the Option Deed are set out in the Company's announcement dated 28 September 2011.

The fair value of call options of Jun Feng was calculated using the binomial option pricing model. The inputs into the model are as follows:

	31 March 2012	24 October 2011
Share price of Jun Feng	HK\$0.35	HK\$0.39
Expected exercise price*	HK\$0.86	HK\$0.86
Expected volatility of Jun Feng's shares	54%	56%
Risk free rate	2.7%	3.2%
Life of options	0.84 year	1.27 years

- \* The expected exercise price is based on the projected net asset value of Jun Feng as at 30 September 2012.

The Group did not exercise the Option Deed upon the expiry date. The Option Deed was lapsed as at 31 March 2013. Thus, the fair value of the Option Deed is zero and the fair value loss of the Option Deed amounted to HK\$40,000 was charged to profit or loss account.



# Notes to the Financial Statements

For the year ended 31 March 2013

## 26. DERIVATIVE FINANCIAL ASSETS – GROUP AND COMPANY (Continued)

Notes: (Continued)

- (a)(ii) Pursuant to the Shareholders' Agreement Relating To Jun Feng Enterprise (HK) Limited dated 24 October 2011 ('Shareholders' Agreement'), the vendors of Jun Feng provided a profit guarantee to the Group that the audited consolidated net profits after taxation and extraordinary or exceptional items of Jun Feng and its subsidiaries (the "Jun Feng Group") for the period ended 30 September 2012 shall not be less than HK\$10,000,000 (the "Guaranteed Profit"). In the event the actual audited consolidated net profits after tax and any extraordinary or exceptional items of the Jun Feng Group for the period ended 30 September 2012 is less than the Guaranteed Profit, the vendors of Jun Feng shall transfer certain numbers of Jun Feng's shares to the Group in according to the formula stated in the Shareholders' Agreement. Details of the Shareholders' Agreement are set out in the Company's announcement dated 28 September 2011.

The fair value of the profit guarantee as at 31 March 2012 was based on the estimated number of shares to be transferred multiplied by share price of Jun Feng at valuation date. It was expected that net loss for the year ended 30 September 2012 would be sustained by the Jun Feng Group and the number of Jun Feng's shares which the vendors will transfer to the Group will be 3,333,333.

Upon finalization of the accounting for the business combination for the year ended 31 March 2013, the fair value of the profit guarantee was determined to be zero because the profit of the Jun Feng Group did not meet the Guaranteed Profit under the Shareholders' Agreement. Accordingly, the Group was entitled to receive the compensation from vendors of Jun Feng Group for the shortfall. The vendors of Jun Feng Group failed to fulfill the obligation to compensate the Group. Thus, the profit guarantees were written off during the year.

- (b)(i) On 10 September 2012, the Group acquired 75% of the issued share capital of ETC. Details of the acquisition are set out in note 39(a) to the financial statements. Pursuant to the Option Deed For The Grant Of Call Option Over Shares in ETC Technology Limited dated 10 October 2012 ("ETC Option Deed"), the vendors of ETC granted a right to the Group to call upon the acquisition of additional 500,000 shares of ETC. The exercise price per each ETC's share shall be calculated based on 5% of the audited consolidated net profits after tax and any extraordinary or exceptional items of ETC and its subsidiaries ("ETC Group") for the financial year ended 31 March 2013 and multiply a price earnings ratio of 6.5. The call options are exercisable within one month commencing on 1 July 2013. Details of the Option Deed are set out in the Company's announcement dated 15 March 2012.

The fair value of call options of ETC was calculated using the binomial option pricing model. The inputs into the model are as follows:

	31 March 2013	10 September 2012
Share price of ETC	HK\$52.93	HK\$39.10
Expected exercise price*	HK\$26.24	HK\$27.42
Expected volatility of ETC's shares	52.05%	76.42%
Risk free rate	0.06%	1.24%
Life of options	0.26 year	1.25 years

\* The expected exercise price is based on the ETC's profit forecast.

# Notes to the Financial Statements

For the year ended 31 March 2013

## 26. DERIVATIVE FINANCIAL ASSETS – GROUP AND COMPANY (Continued)

Notes: (Continued)

- (b)(ii) Pursuant to the Shareholders' Agreement Relating To ETC dated 22 February 2012 (supplemented by supplemental agreement dated 15 March 2012) ("ETC Shareholders' Agreement"), the vendors of ETC provided a profit guarantee to the Group that the audited consolidated net profits after taxation and extraordinary or exceptional items of the ETC Group shall not be less than HK\$8,000,000 for each of the three financial years ending 31 March 2013, 2014 and 2015 (the "ETC Guaranteed Profit"). In the event the actual audited consolidated net profits after tax and any extraordinary or exceptional items of the ETC Group for the year ending 31 March 2013, 2014 and 2015 is less than the ETC Guaranteed Profit, the vendors of ETC shall pay to the Group in cash for the shortfall on a dollar to dollar basis. Should the ETC Group record a loss in its audited financial statements for each of the three financial years ending 31 March 2013, 2014 and 2015, the vendors of ETC shall pay HK\$8,000,000 to the Group for such financial year according to the formula stated in the ETC Shareholders' Agreement. Details of the ETC Shareholders' Agreement are set out in the Company's announcement dated 15 March 2012.

The fair value of the profit guarantee as at 10 September 2012 and 31 March 2013 were determined to be zero by reference to valuation reports. The valuations are based on financial budget plans approved by management for the years ending 31 March 2013, 2014 and 2015 with a growth rate ranging from 4% to 14%. The fair value of the profit guarantee is determined by Premium Profit Method.

The fair values of the call options and profit guarantee were valued by Savills Valuation and Professional Services Limited, an independent firm of valuers.

## 27. PLEDGED BANK DEPOSITS AND BANK AND CASH BALANCES – GROUP AND COMPANY

The cash and cash equivalents of the Group and Company are as follows:

	Group		Company	
	2013 HK\$'000	2012 HK\$'000	2013 HK\$'000	2012 HK\$'000
Cash on hand	141	191	–	–
Cash at bank	15,680	8,606	19	17
Cash and cash equivalents in the consolidated statement of cash flows	15,821	8,797	19	17

The pledged bank deposits represented deposits pledged to banks to secure banking facilities granted to the Group.



# Notes to the Financial Statements

For the year ended 31 March 2013

## 27. PLEDGED BANK DEPOSITS AND BANK AND CASH BALANCES – GROUP AND COMPANY

(Continued)

The cash and cash equivalents of the Group and Company are denominated in the following currencies:

	Group		Company	
	2013 HK\$'000	2012 HK\$'000	2013 HK\$'000	2012 HK\$'000
USD	9,686	460	2	2
HK\$	2,277	3,074	17	15
RMB*	3,829	5,054	–	–
EUR	–	142	–	–
Others	29	67	–	–
	15,821	8,797	19	17

The carrying amounts of the pledged deposits of the Group are denominated in the following currencies:

	Group	
	2013 HK\$'000	2012 HK\$'000
USD	504	–
RMB*	16,132	–
	16,636	–

\* Conversion of RMB into foreign currencies is subject to the PRC's Foreign Exchange Control Regulations and Administration of Settlement, Sale and Payment of Foreign Exchange Regulations.

# Notes to the Financial Statements

For the year ended 31 March 2013

## 28. TRADE AND OTHER PAYABLES AND RECEIPT IN ADVANCE – GROUP AND COMPANY

	Group		Company	
	2013 HK\$'000	2012 HK\$'000	2013 HK\$'000	2012 HK\$'000
Trade payables (notes (a) and (b))	36,401	1,458	–	–
Other payables (note (c))	87,156	10,083	3,432	1,281
Receipt in advance	4,597	–	–	–
	128,154	11,541	3,432	1,281

Notes:

- (a) The ageing analysis of trade payables of the Group, based on the date of delivery, is as follows:

	2013 HK\$'000	2012 HK\$'000
0 to 30 days	24,268	295
31 to 60 days	8,609	269
61 to 90 days	2,684	8
Over 90 days	840	886
	36,401	1,458

- (b) All the carrying amounts of the Group's trade payables are denominated in the following currencies:

	Group	
	2013 HK\$'000	2012 HK\$'000
HK\$	1,537	1,458
USD	34,864	–
	36,401	1,458

- (c) The amount of other payables above includes an amount of HK\$33,000 (2012: HK\$848,000) due to a director, Mr. Choi Ho Yan. The amount is unsecured, interest-free and has no fixed terms of repayment.

# Notes to the Financial Statements

For the year ended 31 March 2013

## 29. WARRANT – GROUP AND COMPANY

The warrant liability is classified as held for trading.

On 15 January 2013, the Company entered into a warrant placing agreement with KGI Asia Limited in respect of the placement of 120,000,000 non-listed warrants at a price of HK\$0.01 each to not less than six independent investors.

Each warrant entitles the holder to subscribe for one ordinary share at an exercise price not less than HK\$0.167 each on or after the date of issue until three years after the issue date. The placement was completed on 31 January 2013 and the net proceed from the placement was HK\$1,150,000, net of warrant issue expense.

The fair value of the warrants is determined by Binomial Option Pricing Model.

The key assumptions used are as follows:

	31 March 2013	Date of issue
Spot price of the Company	HK\$0.149	HK\$0.160
Exercise price	HK\$0.168	HK\$0.168
Expected volatility	74%	77%
Expected life	2.84 years	3 years
Risk free rate	0.19%	0.28%
Expected dividend yield	Nil	Nil

On issue date, the fair value of the warrant is HK\$9,312,000. As at the reporting date, the fair value of the warrant is HK\$7,812,000 and hence a total loss of HK\$6,612,000 is recognised in the other operating expenses.

## 30. PROMISSORY NOTES – GROUP AND COMPANY

	2013 HK\$'000	2012 HK\$'000
At 1 April 2011, 31 March 2012 and 1 April 2012	–	–
Acquisition of ETC (note 39(a))	5,200	–
At 31 March 2013	5,200	–

# Notes to the Financial Statements

For the year ended 31 March 2013

## 30. PROMISSORY NOTES – GROUP AND COMPANY (Continued)

As set out in note 39(a), the Company issued promissory notes in the principal amount of HK\$5,200,000 as part of the consideration for the acquisition of 75% equity interest of ETC. Pursuant to the ETC Shareholders' Agreement, the vendors of ETC had irrevocably warranted and guaranteed to the Company that the entire amount of the net current assets (which comprise of inventories, trade debtors and bills receivable, other debtors, deposits, amount due from directors and amount due from a related company) will be recoverable in full by ETC before the date falling 90 days after the 10 September 2012. If the net current assets is not recovered in full by ETC before the date falling 90 days after 10 September 2012, then the vendors shall pay to the purchaser in cash for the shortfall amount on a dollar to dollar basis on the date falling 90 days after 10 September 2012. If the shortfall amount is less than or equal to HK\$5,200,000, the vendors shall satisfy the payment of the shortfall amount by offsetting such amount against the principal amount of the promissory notes.

The Company assessed that the current assets of ETC has been fully recovered and the promissory notes have been settled subsequent to the reporting date.

Promissory notes are repayable on demand, interest free, unsecured and denominated in HK\$ as at 31 March 2013. The directors of the Company considered that the carrying amount of the promissory notes approximate their fair value.

## 31. BANK AND OTHER LOANS – GROUP AND COMPANY

The analysis of the carrying amount of bank and other loans are as follow:

	Group		Company	
	2013 HK\$'000	2012 HK\$'000	2013 HK\$'000	2012 HK\$'000
<b>Current liabilities</b>				
Secured bank loans subject to a repayable on demand clause (i)	18,654	—	—	—
Secured bank loans on demand or within one year (i)	1,302	—	—	—
Other loan subject to repayable on demand clause (ii)	11,000	—	11,000	—
Bank invoice loans (iii)	94,938	—	—	—
	125,894	—	11,000	—

# Notes to the Financial Statements

For the year ended 31 March 2013

## 31. BANK AND OTHER LOANS – GROUP AND COMPANY (Continued)

The interest bearing bank and other loans, including the bank and other loans repayable on demand, are carried at amortised cost.

The bank and other loans are repayable as follows based on the scheduled repayment dates set out in the loan agreements and ignore the effect of any repayment on demand clause:

	Group		Company	
	2013 HK\$'000	2012 HK\$'000	2013 HK\$'000	2012 HK\$'000
On demand or within one year	96,240	–	–	–
In the second year	11,987	–	11,000	–
In the third to fifth years, inclusive	2,001	–	–	–
After five years	15,666	–	–	–
	125,894	–	11,000	–
Less: Amount due for settlement within 12 months	(96,240)	–	–	–
Amount due for settlement after 12 months	29,654	–	11,000	–

The carrying amounts of the bank and other loans are denominated in the following currencies:

	Group		Company	
	2013 HK\$'000	2012 HK\$'000	2013 HK\$'000	2012 HK\$'000
HK\$	30,956	–	11,000	–
USD	94,938	–	–	–
	125,894	–	11,000	–

# Notes to the Financial Statements

For the year ended 31 March 2013

## 31. BANK AND OTHER LOANS – GROUP AND COMPANY (Continued)

The ranges of interest rates paid were as follows:

		Group		Company	
		2013	2012	2013	2012
(i)	Bank loans	2.5% to 10.68%	N/A	N/A	N/A
(ii)	Other loans	18%	N/A	18%	N/A
(iii)	Bank invoice loans	2.63% to 3.5%	N/A	N/A	N/A

All bank and other loans are arranged at floating rates, thus exposing the Group and the Company to cash flow interest rate risk.

At 31 March 2013, the above bank and other loans are secured by the following:

- (a) legal charge over a leasehold properties of the Group (*note 17*);
- (b) legal charge over investment properties of the Group (*note 18*);
- (c) legal charge over properties owned by the directors of a subsidiary and related persons of the Group;
- (d) personal guarantees with unlimited amount given by directors of subsidiaries and related persons of the Group;
- (e) guarantee executed by the Hong Kong Special Administrative Region Government in respect of Special Loan Guarantee Scheme;
- (f) charged bank deposits of the Group (*note 27*); and
- (g) subordination of loans by the directors of a subsidiary of the Group.

During the year, the Group breached certain covenant clauses in a banking facility agreement in relation to the balances of the amounts due from related parties/directors/shareholders. As a result, bank loans of HK\$19,800,000 as at 31 March 2013 are subject to an early repayment option by the bank. The bank has not requested for the early repayment of the bank loan.

# Notes to the Financial Statements

For the year ended 31 March 2013

## 32. CONVERTIBLE BONDS – GROUP AND COMPANY

	Group and Company	
	2013 HK\$'000	2012 HK\$'000
Liability component of convertible bonds		
Convertible bonds 1 (note a)	30,493	28,494
Convertible bonds 2 (note b)	–	8,090
Convertible bonds 3 (note c)	18,294	–
	<b>48,787</b>	<b>36,584</b>
The maturity of the liability component of the convertible bonds:		
Within one year	30,493	28,494
In the second to fifth years inclusive	18,294	8,090
	<b>48,787</b>	<b>36,584</b>

Notes:

### (a) Convertible bonds 1 (the “CB1”)

On 3 June 2011, as part of the consideration for the acquisition of Best Team International Investment Limited and its subsidiaries (details of the acquisition are set out in note 39(a) to the financial statements), the Company issued the CB1 with a principal amount of HK\$33,000,000. The CB1 bears zero coupon interest and has a maturity period of three years from the issue date to 2 June 2014. Any CB1 not converted will be redeemed on 2 June 2014 at 100% of their principal amount. Other principal terms of the CB1 are set out below:

- (i) The Company may at any time before 2 June 2014 by serving at least ten days' prior written notice on the bondholders with the total amount proposed to be redeemed from the bondholders specified therein, redeem the CB1 (in whole or in part) at 100% of the principal amount of CB1. This option of the Company as the issuer of the convertible bonds is referred to as the Put Option.
- (ii) The bondholders may at any time from 3 June 2012 to 2 June 2013 by serving at least three months' prior written notice on the Company with the total amount proposed to be redeemed by the Company specified therein, require the Company to redeem the CB1 in the aggregate principal amount of not more than HK\$16,500,000 (in whole or in part) at 100% of the principal amount of CB1.

# Notes to the Financial Statements

For the year ended 31 March 2013

## 32. CONVERTIBLE BONDS – GROUP AND COMPANY (Continued)

Notes: (Continued)

### (a) Convertible bonds 1 (the “CB1”) (Continued)

#### (ii) (Continued)

The bondholders may at any time after 2 June 2013 by serving at least three months' prior written notice on the Company with the total amount proposed to be redeemed by the Company specified therein, require the Company to redeem the CB1 (in whole or in part) at 100% of the principal amount of CB1.

This option of the convertible bondholder is referred to as the Call Option.

The CB1 entitles the bondholders to convert the bonds into new ordinary shares of the Company at an initial conversion price of HK\$0.242, subject to any anti-dilution adjustments and certain events such as share consolidation, share subdivision, capitalisation issue, capital distribution, rights issue and other equity or equity derivative issued. The conversion price of CB1 was adjusted to HK\$0.163 per share due to the completion of open offer on 20 June 2011. Details of the CB1 are set out in the Company's circular dated 29 April 2011.

The CB1 contains four components, a Put Option, a Call Option, a liability component and an equity component. The equity component is presented in equity as part of the “convertible bonds reserve”. The effective interest rate of the liability component for the CB1 is 7% per annum. The Put Option and Call Option are measured at fair value with changes in fair value recognised in the profit or loss.

	Put Option HK\$'000	Call Option HK\$'000	Liability component HK\$'000	Equity component HK\$'000	Total HK\$'000
<b>(Asset)/liability/equity</b>					
At 1 April 2012	(9,299)	466	28,494	9,356	29,017
Fair value loss	6,064	103	–	–	6,167
Effective interest expense recognised	–	–	1,999	–	1,999
<b>(Asset)/liability/equity at 31 March 2013</b>	<b>(3,235)</b>	<b>569</b>	<b>30,493</b>	<b>9,356</b>	<b>37,183</b>
<b>(Asset)/liability/equity</b>					
at issue date	(6,450)	1,123	26,933	9,356	30,962
Fair value gain	(2,849)	(657)	–	–	(3,506)
Effective interest expense recognised	–	–	1,561	–	1,561
<b>(Asset)/liability/equity at 31 March 2012</b>	<b>(9,299)</b>	<b>466</b>	<b>28,494</b>	<b>9,356</b>	<b>29,017</b>



# Notes to the Financial Statements

For the year ended 31 March 2013

## 32. CONVERTIBLE BONDS – GROUP AND COMPANY (Continued)

Notes: (Continued)

### (a) Convertible bonds 1 (the “CB1”) (Continued)

The directors estimate the fair value of the liability component of the CB1 as at 31 March 2013 to be approximately HK\$29,886,000 (2012: HK\$28,484,000). The fair value has been calculated by discounting the future cash flows at the market rate.

The Put Option and Call Option are measured at their fair values at the date of issue and at the end of each reporting period. The fair values are estimated using binomial option pricing model. The key assumptions used are as follows:

	31 March 2013	31 March 2012	Issue date
Share price of the Company	HK\$0.149	HK\$0.225	HK\$0.138
Expected volatility	47%	88%	102%
Expected life	1.18 years	2.18 years	3 years
Risk free rate	0.07%	0.26%	0.82%

### (b) Convertible bonds 2 (the “CB2”)

As part of the consideration for the acquisition of Jun Feng and its subsidiaries (details of the acquisition are set out in note 39(b) to the financial statements), on 24 October 2011, the Group issued the CB2 with a principal amount of HK\$10,000,000. The CB2 bears zero coupon interest and has a maturity period of three years from the issue date to 23 October 2014. Any CB2 not converted will be redeemed on 23 October 2014 at 100% of their principal amount. The Company may at any time before 23 October 2014 by serving at least ten days’ prior written notice on the bondholder with the total amount proposed to be redeemed from the bondholder specified therein, redeem the CB2 (in whole or in part) at 100% of the principal amount of such CB2. This option of the Company as the issuer of the convertible bonds is referred to as the Put Option.

The CB2 entitles the bondholder to convert the bonds into new ordinary shares of the Company at an initial conversion price of HK\$0.145, subject to any anti-dilution adjustments and certain events such as share consolidation, share subdivision, capitalization issue, capital distribution, rights issue and other equity or equity derivative issued.

Details of the CB2 are set out in the Company’s announcement dated 28 September 2011.

The CB2 contains three components, a Put Option, a liability component and an equity component. The equity component is presented in equity as part of the “convertible bonds reserve”. The effective interest rate of the liability component for the CB2 is 8.5% per annum. The Put Option is measured at fair value with changes in fair value recognised in the profit or loss.

During the year ended 31 March 2013, CB2 were converted into ordinary shares (note 36(c)).

# Notes to the Financial Statements

For the year ended 31 March 2013

## 32. CONVERTIBLE BONDS – GROUP AND COMPANY (Continued)

Notes: (Continued)

### (b) Convertible bonds 2 (the “CB2”) (Continued)

	Put Option HK\$'000	Liability component HK\$'000	Equity component HK\$'000	Total HK\$'000
<b>(Asset)/liability/equity</b>				
At 1 April 2012	(2,733)	8,090	7,700	13,057
Effective interest expense recognised	–	159	–	159
Transfer to equity upon conversion	–	(8,249)	(7,700)	(15,949)
Fair value loss	2,733	–	–	2,733
<b>(Asset)/liability/equity at 31 March 2013</b>	<b>–</b>	<b>–</b>	<b>–</b>	<b>–</b>
<b>(Asset)/liability/equity</b>				
at issue date	(3,400)	7,800	7,700	12,100
Fair value loss	667	–	–	667
Effective interest expense recognised	–	290	–	290
<b>(Asset)/liability/equity at 31 March 2012</b>	<b>(2,733)</b>	<b>8,090</b>	<b>7,700</b>	<b>13,057</b>

The directors estimate the fair value of the liability component of the CB2 at 31 March 2012 to be approximately HK\$8,365,000. The fair value has been calculated by discounting the future cash flows at the market rate.

The Put Option is measured at its fair value at the date of issue and at the end of each reporting period. The fair value is estimated using binomial option pricing model. The key assumptions used are as follows:

	31 March 2012	24 October 2011
Share price of the Company	HK\$0.225	HK\$0.176
Expected volatility	91%	101%
Expected life	2.57 Years	3 Years
Risk free rate	0.32%	0.48%
	29 August 2012	31 May 2012
Share price of the Company	HK\$0.162	HK\$0.186
Expected volatility	67%	85%
Expected life	2.15 Years	2.4 Years
Risk free rate	0.17%	0.3%



# Notes to the Financial Statements

For the year ended 31 March 2013

## 32. CONVERTIBLE BONDS – GROUP AND COMPANY *(Continued)*

*Notes: (Continued)*

### (c) Convertible bonds 3 (the “CB3”)

As part of the consideration for the acquisition of ETC (details of the acquisition are set out in note 39(a) to the financial statements) completed on 10 September 2012, the Group issued the CB3 with total principal amount of HK\$23,400,000. The CB3 bears zero coupon interest and have a maturity period of three years from the issue date to 9 September 2015. Any CB3 not converted will be redeemed on 9 September 2015 at 100% of their principal amount. Other principal term of the CB3 are set out below:

- (i) the CB3 were divided into two tranches of bonds. The first bonds with aggregate principal amount of HK\$11,700,000 shall be convertible by the bondholders from the date falling six months from the date of issue of the first bonds up to the maturity date on 9 September 2015. The second bonds with aggregate principal amount of HK\$11,700,000 shall be convertible by the bondholders from the date falling on the first anniversary from the date of issue of the second bonds up to the maturity date.
- (ii) The Company may at any time before 9 September 2015 by serving at least ten days' prior written notice on the bondholders with the total amount proposed to be converted by the bondholders specified therein, redeem the CB3 (in whole or in part) at 100% of the principal amount of CB3 within 3 days once the average of the closing price per share as quoted on the Stock Exchange for the preceding 20 consecutive trading days exceeds 120% of the Conversion Price. This option of the Company as the issuer of convertible bonds is referred to as the Mandatory Conversion Option.

The CB3 entitles the bondholders to convert the bonds into new ordinary shares of the Company at an initial conversion price of HK\$0.25, subject to any anti-dilution adjustments and certain events such as share consideration, share subdivision, capitalisation issue, capital distribution, rights issue and other equity or equity derivative issued.

Details of the CB3 are set out in the Company's announcement dated 15 March 2012.

# Notes to the Financial Statements

For the year ended 31 March 2013

## 32. CONVERTIBLE BONDS – GROUP AND COMPANY (Continued)

Notes: (Continued)

### (c) Convertible bonds 3 (the “CB3”) (Continued)

The CB3 contains three components, a Mandatory Conversion Option, a liability component and an equity component. The equity component is presented in equity as part of the “convertible bonds reserve”. The effective interest rate of the liability component for the CB3 is 10.3% per annum. The Mandatory Conversion Option is measured at fair value with changes in fair value recognised in the profit or loss.

	<b>Mandatory Conversion Options</b> HK\$'000	<b>Liability component</b> HK\$'000	<b>Equity component</b> HK\$'000	<b>Total</b> HK\$'000
(Asset)/liability/equity				
at issue date	(1,098)	17,442	7,636	23,980
Fair value loss	720	–	–	720
Effective interest expense recognised	–	852	–	852
<b>(Asset)/liability/equity at 31 March 2013</b>	<b>(378)</b>	<b>18,294</b>	<b>7,636</b>	<b>25,552</b>

The directors estimate the fair value of the liability component of the CB3 at 31 March 2013 to be approximately HK\$18,866,000 (2012: Nil). The fair value has been calculated by discounting the future cash flows at the market rate.

The Mandatory Conversion Option is measured at its fair value at the date of issue and at the end of each reporting period. The fair value is estimated using binomial option pricing model. The key assumptions used are as follows:

	31 March 2013	Date of issue
Share price of the Company	HK\$0.149	HK\$0.176
Expected volatility	61%	84%
Expected life	2.53 years	3 years
Risk free rate	0.15%	0.28%

# Notes to the Financial Statements

For the year ended 31 March 2013

## 33. FINANCE LEASE PAYABLES – GROUP

	Minimum lease payments		Present value of minimum lease payments	
	2013 HK\$'000	2012 HK\$'000	2013 HK\$'000	2012 HK\$'000
Within one year	784	294	756	269
In the second to fifth years, inclusive	–	785	–	756
	784	1,079	756	1,025
Less: Future finance charges	(28)	(54)	–	–
Present value of lease obligations	756	1,025	756	1,025
Less: Amount due for settlement within 12 months (shown under current liabilities)			(756)	(269)
Amount due for settlement after 12 months			–	756

It is the Group's policy to lease its motor vehicle under finance leases. The average lease term is 4 years. As at 31 March 2013, the average effective borrowing rate was 2.75% (2012: 2.75%). Interest rates are fixed at the contract dates. All leases are on a fixed repayment basis and no arrangements have been entered into for contingent rental payments. At the end of each lease term, the Group has the option to purchase the motor vehicle at nominal prices.

All finance lease payables are denominated in HK\$.

The Group's finance lease payables are secured by the lessor's title to the leased assets.

# Notes to the Financial Statements

For the year ended 31 March 2013

## 34. DEFERRED TAX – GROUP

The followings are the major deferred tax liabilities recognised by the Group, and the movements thereon, during the year:

	Revaluation of leasehold properties HK\$'000	Total HK\$'000
At 1 April 2011, 31 March 2012 and 1 April 2012	–	–
Acquisition of ETC (note 39(a))	184	184
Credit to profit or loss for the year (note 10)	(2)	(2)
At 31 March 2013	182	182

At the end of the reporting period, the Group has unused tax losses of approximately HK\$33,208,000 (2012: HK\$33,370,000) available for offset against future profits. No deferred tax asset has been recognised in 2013 (2012: Nil) due to the unpredictability of future profit streams. Included in unrecognised tax losses are losses of HK\$3,468,000 (2012: HK\$2,286,000) that will expire within 5 years. Other tax losses may be carried forward indefinitely.

# Notes to the Financial Statements

For the year ended 31 March 2013

## 35. RETIREMENT BENEFIT SCHEMES – GROUP

The Group operates a mandatory provident fund scheme (the “MPF Scheme”) under the Hong Kong Mandatory Provident Fund Schemes Ordinance for all qualifying employees in Hong Kong. The MPF Scheme is a defined contribution retirement scheme administered by independent trustees. Under the MPF Scheme, the employer makes contributions to the scheme at 5% and employees are required to make 5% of the employees’ relevant income, subject to a cap of monthly relevant income of HK\$25,000 since 1 June 2012 (2012: HK\$20,000). Mandatory contributions to the scheme vest immediately.

Subsidiaries incorporated in the PRC participate in various defined contribution retirement plans (“Plans”) organised by local authorities for the Group’s employees in the PRC. The subsidiaries are required to contribute, based on a certain percentage of the basic payroll, to the Plans. The Group has no other material obligation for the payment of pension benefits associated with these Plans beyond the annual contributions described above.

## 36. SHARE CAPITAL – GROUP AND COMPANY

	2013 HK\$'000	2012 HK\$'000
Authorised: 4,000,000,000 (2012: 2,000,000,000) ordinary shares of US\$0.01 (2012: US\$0.01) each	312,000	156,000
Issued and fully paid: 1,371,388,373 (2012: 1,178,134,856) ordinary shares of US\$0.01 (2012: US\$0.01) each	107,019	91,946

# Notes to the Financial Statements

For the year ended 31 March 2013

## 36. SHARE CAPITAL – GROUP AND COMPANY (Continued)

	Number of shares	Amount HK\$'000
Authorised:		
Ordinary shares of US\$0.01 (2012: US\$0.01) each		
At 1 April 2011, 31 March 2012	2,000,000,000	156,000
Increase in shares	2,000,000,000	156,000
<b>At 31 March 2013</b>	<b>4,000,000,000</b>	<b>312,000</b>
Issued and fully paid:		
Ordinary share of US\$0.01 (2012: US\$0.01) each		
At 1 April 2011	588,567,428	45,959
Shares issued upon open offer (note a)	588,567,428	45,909
Shares issued upon exercise of share options (note b)	1,000,000	78
At 31 March 2012 and 1 April 2012	1,178,134,856	91,946
Shares issued upon conversion of convertible bonds (note c)	68,965,517	5,379
Share issued upon placement (note d)	124,288,000	9,694
<b>At 31 March 2013</b>	<b>1,371,388,373</b>	<b>107,019</b>





# Notes to the Financial Statements

For the year ended 31 March 2013

## 36. SHARE CAPITAL – GROUP AND COMPANY (Continued)

*Notes:*

- (a) On 20 June 2011, the Company completed an open offer by issuing 588,567,428 shares (“Offer Shares”) on the basis of one Offer Share for every existing share, at a subscription price at HK\$0.1 each per Offer Share, resulting in cash consideration of approximately HK\$58,857,000, of which approximately HK\$45,909,000 was credited to the share capital and the balance of approximately HK\$12,948,000 (before any transaction cost) was credited to the share premium account (*note 37*).
- (b) During the year ended 31 March 2012, 1,000,000 share options were exercised at exercise price HK\$0.14 per share, resulting in an issue of 1,000,000 new ordinary shares of US\$0.01 each and new share capital of approximately HK\$78,000 and share premium of approximately HK\$62,000, together with a release of the share options reserve amounting to approximately HK\$65,000 credited to the share premium account. Details of share options outstanding and movements during the year are set out in note 38 to the financial statements.
- (c) During the year ended 31 March 2013, principal amount of HK\$10,000,000 convertible bonds (“CB2”) were converted into ordinary share at exercise price of HK\$0.145 per share, resulting in an issue of 68,965,517 new ordinary shares of US\$0.01 each and new share capital of approximately HK\$5,379,000 and share premium of approximately HK\$4,621,000, together with a release of the convertible bond reserve amounting to approximately HK\$5,949,000 credited to the share premium account. Details of convertible bonds movements during the year are set out in note 32(b) to the financial statements.
- (d) On 26 November 2012, the Company and Cinda International Securities Limited entered into a placing agreement in respect of the placement of 124,288,000 ordinary shares of US\$0.01 each to independent investors at a price of HK\$0.155 per share. The placement was completed on 7 December 2012 and the premium on the issue of shares, amounting to approximately HK\$9,570,000 (before any transaction cost) was credited to the Company’s share premium account.

By an ordinary resolution passed on 25 March 2013 the authorised ordinary share capital of the Company was increased from HK\$156,000,000 to HK\$312,000,000 by the creation of 2,000,000,000 shares of US\$0.01 each, such new shares ranking *pari passu* in all respects with the existing shares of the Company.

The Group’s objectives when managing capital are to safeguard the Group’s ability to continue as a going concern and to maximise the return to the shareholders through the optimisation of the debt and equity balance.

The Group sets the amount of capital in proportion to risk. The Group manages the capital structure and makes adjustments to it in the light of changes in economic conditions and the risk characteristics of the underlying assets. In order to maintain or adjust the ratio, the Group may adjust the amount of dividends paid to shareholders, issue new shares, return capital to shareholders, raise new debt financing or sell assets to reduce debt.

# Notes to the Financial Statements

For the year ended 31 March 2013

## 36. SHARE CAPITAL – GROUP AND COMPANY (Continued)

The Group monitors capital on the basis of the debt-to-adjusted capital ratio. This ratio is calculated as net debt divided by adjusted capital. Net debt is calculated as total debts less cash and cash equivalents. Adjusted capital comprises all components of equity (i.e. share capital, share premium, retained profits and other reserves).

	2013 HK\$'000	2012 HK\$'000
Debt (a)	126,650	–
Less: Bank and cash balances	(15,821)	–
Pledged bank deposits	(16,636)	–
Net debt	94,193	N/A
Equity (b)	69,011	–
Net debt to equity ratio	136%	N/A

(a) Debt is defined as bank and other loans and financial lease payable, as detailed in notes 31 and 33 to the consolidated financial statements.

(b) Equity includes all capital and reserves of the Group.

It is the Group's strategy to keep the net debt-to-adjusted capital ratio as low as feasible.

The only externally imposed capital requirement is that for the Group to maintain its listing on the Stock Exchange it has to have a public float of at least 25% of the shares.

## 37. RESERVES

### (a) Group

The amounts of the Group's reserves and movements therein are presented in the consolidated statement of comprehensive income and consolidated statement of changes in equity.

# Notes to the Financial Statements

For the year ended 31 March 2013

## 37. RESERVES (Continued)

### (b) Company

	Share Premium account <i>HK\$'000</i>	Contributed surplus <i>HK\$'000</i>	Capital redemption reserve <i>HK\$'000</i>	Share based payments reserve <i>HK\$'000</i>	Warrant reserve <i>HK\$'000</i>	Convertible bonds reserve <i>HK\$'000</i>	Accumulated losses <i>HK\$'000</i>	Total <i>HK\$'000</i>
At 1 April 2011	47,759	16,375	2,943	11	–	–	(80,084)	(12,996)
Loss for the year	–	–	–	–	–	–	(7,316)	(7,316)
Issue of warrants on acquisition of subsidiaries	–	–	–	–	7,400	–	–	7,400
Issue of convertible bonds on acquisitions of subsidiaries and associates	–	–	–	–	–	17,056	–	17,056
Shares issued upon open offer	12,948	–	–	–	–	–	–	12,948
Shares issued upon exercise of share options	62	–	–	–	–	–	–	62
Transactions costs attributable to issue of new shares	(2,335)	–	–	–	–	–	–	(2,335)
Recognition of share option benefits at fair value	–	–	–	1,267	–	–	–	1,267
Transfer to share premium upon exercise of share options	65	–	–	(65)	–	–	–	–
Changes in equity for the year	10,740	–	–	1,202	7,400	17,056	(7,316)	29,082
At 31 March 2012	58,499	16,375	2,943	1,213	7,400	17,056	(87,400)	16,086
At 1 April 2012	58,499	16,375	2,943	1,213	7,400	17,056	(87,400)	16,086
Loss for the year	–	–	–	–	–	–	(61,025)	(61,025)
Issue of convertible bonds on acquisitions of a subsidiary	–	–	–	–	–	7,636	–	7,636
Shares issued upon conversion of convertible bonds	10,570	–	–	–	–	(7,700)	–	2,870
Transactions costs attributable to issue of new shares	(327)	–	–	–	–	–	–	(327)
Recognition of share option benefits at fair value	–	–	–	7,033	–	–	–	7,033
Shares issued upon placing	9,570	–	–	–	–	–	–	9,570
Changes in equity for the year	19,813	–	–	7,033	–	(64)	(61,025)	(34,243)
At 31 March 2013	78,312	16,375	2,943	8,246	7,400	16,992	(148,425)	(18,157)



# Notes to the Financial Statements

For the year ended 31 March 2013

## 37. RESERVES (Continued)

### (c) Nature and purpose of reserves

#### (i) *Share premium account*

Under the Companies Law of the Cayman Islands, the funds in the share premium account of the Company are distributable to the shareholders of the Company provided that immediately following the date on which the dividend is proposed to be distributed, the Company will be in a position to pay off its debts as they fall due in the ordinary course of business.

#### (ii) *Contributed surplus*

The contributed surplus represents the difference between the net asset value of a subsidiary acquired and the nominal value of the ordinary shares issued by the Company in connection with an acquisition.

#### (iii) *Capital redemption reserve*

The capital redemption reserve arose when the Company repurchased 37,742,300 ordinary shares of US\$0.01 each from a former director of the Company on 4 September 2001.

#### (iv) *Foreign currency translation reserve*

The foreign currency translation reserve comprises all foreign exchange differences arising from the translation of the financial statements of foreign operations. The reserve is dealt with in accordance with the accounting policies set out in note 3(d) to the financial statements.

#### (v) *Share-based payments reserve*

The share-based payments reserve represents the fair value of the actual or estimated number of unexercised share options granted to eligible participants of the Group recognised in accordance with the accounting policy adopted for equity-settled share-based payments in note 3(x) to the financial statements.



# Notes to the Financial Statements

For the year ended 31 March 2013

## 37. RESERVES (Continued)

### (c) Nature and purpose of reserves (Continued)

#### (vi) Warrant reserve

The warrant reserve represents the fair value of warrants with issued amount of HK\$2,000,000 issued by the Company as part of the purchase consideration for the acquisition of subsidiaries on 3 June 2011, further details of which are set out in note 39(a) to the financial statements. Each warrant entitles the holder thereof to subscribe for one ordinary share at a subscription price of HK\$0.222 per share on or after one year after issue date until three years after the issue date. The subscription price was adjusted to HK\$0.150 per share due to the completion of open offer on 20 June 2011. At the end of the reporting period the Company had 148,000,000 warrants outstanding not exercised.

#### (vii) Convertible bonds reserve

The convertible bonds reserve represents the value of the unexercised equity component of convertible bonds issued by the Company recognised in accordance with the accounting policy adopted for convertible bonds set out in note 3(r) to the financial statements.

## 38. SHARE-BASED PAYMENTS

The Company operates a Pre-IPO Share Option Scheme (the “Pre-IPO Share Option Scheme”) and a Share Option Scheme (the “Share Option Scheme”) for the purpose of providing incentives and rewards to eligible participants who contribute to the success of the Group’s operations. Eligible participants include the full-time employees, executives, officers, directors, business consultants, agents, legal and financial advisers of the Company and the Company’s subsidiaries. The Pre-IPO Share Option Scheme and the Share Option Scheme became effective on 27 March 2003 and, unless otherwise cancelled or amended, will remain in force for 10 years from that date.



# Notes to the Financial Statements

For the year ended 31 March 2013

## 38. SHARE-BASED PAYMENTS *(Continued)*

On 25 March 2013, an ordinary resolution was passed to terminate the Share Option Scheme due to its expiry. A new share option scheme (the “New Share Option Scheme”) is adopted to replace the Share Option Scheme. The New Share Option Scheme will remain in force for 10 years from that date.

The maximum number of unexercised share options currently permitted to be granted under the Pre-IPO Share Option Scheme is 3,000,000 shares. The maximum number of unexercised share options permitted to be granted under all share option schemes are a number equivalent, upon their exercise, to 10% of the shares of the Company in issue at any time. The maximum number of shares issuable under all share options to each eligible participant in all share options schemes within any 12-month period, is limited to 1% of the shares of the Company in issue at any time. Any further grant of shares options in excess of this limit is subject to shareholders’ approval in a general meeting.

The share options granted to director, chief executive or substantial shareholder of the Company, or to any of their associates, are subject to approval in advance by the independent non-executive directors. In addition, any share options granted to substantial shareholder or an independent non-executive director of the Company, or to any of their associates, in excess of 0.1% of the shares of the Company in issue at any time or with an aggregate value (based on the price of the Company’s shares at the date of the grant) in excess of HK\$5 million, within any 12-month period, are subject to shareholders’ approval in advance in a general meeting.

The offer of a grant of share options may be accepted within 30 days from the date of the offer, upon payment of a nominal consideration of HK\$1 in total by the grantee. The exercise period of the share options granted is determinable by the directors, and commences after a certain vesting period and ends on a date which is not later than ten years from the date of the offer of the share options.

The exercise price of the share options is determinable by the directors, but may not be less than the highest of (i) the Stock Exchange closing price of the Company’s shares on the date of the offer of the share options; (ii) the average Stock Exchange closing price of the Company’s shares for the five trading days immediately preceding the date of the offer; and (iii) the nominal value of the Company’s shares on the date of the offer.

# Notes to the Financial Statements

For the year ended 31 March 2013

## 38. SHARE-BASED PAYMENTS (Continued)

Share options do not confer rights on the holder to dividends or to vote at shareholders' meetings.

### (a) Pre-IPO Share Option Scheme

Details of the specific categories of options are as follows:

	Date of grant	Vesting period	Exercise period	Exercise price HK\$
2003A	27.3.2003	9.5.2003 to 8.5.2004	9.5.2004 to 8.5.2013	0.091
2007A	9.2.2007	9.2.2007 to 8.2.2008	9.2.2008 to 8.2.2017	0.078
2008A	12.2.2008	12.2.2008 to 11.2.2009	12.2.2009 to 11.2.2018	0.152

Details of the share options outstanding during the year are as follows:

	2013		2012	
	Number of share options	Weighted average exercise price HK\$	Number of share options	Weighted average exercise price HK\$
Outstanding at beginning of year	414,647	0.094	330,000	0.118
Adjustment upon completion of open offer	—	—	84,647	—
Outstanding at end of year	414,647	0.094	414,647	0.094
Exercisable at end of year	414,647	0.094	414,647	0.094

# Notes to the Financial Statements

For the year ended 31 March 2013

## 38. SHARE-BASED PAYMENTS (Continued)

### (a) Pre-IPO Share Option Scheme (Continued)

No share option has been exercised during the year (2012: Nil). The options outstanding at the end of the year have a weighted average remaining contractual life of 0.51 year (2012: 1.51 years) and the exercise prices range from HK\$0.078 to HK\$0.152 (2012: HK\$0.078 to HK\$0.152).

### (b) Share Option Scheme

Details of the specific categories of options are as follows:

	Date of grant	Vesting period	Exercise period	Exercise price HK\$
2010A	17.2.2010	17.2.2010 to 16.2.2011	17.2.2011 to 16.2.2020	0.107
2012A	29.6.2011	N/A	29.6.2011 to 28.6.2021	0.140

Details of the share options outstanding during the year are as follows:

	2013		2012	
	Number of share options	Weighted average exercise price HK\$	Number of share options	Weighted average exercise price HK\$
Outstanding at beginning of year	18,814,126	0.139	250,000	0.134
Adjustment upon completion of open offer	–	–	64,126	–
Granted	–	–	19,500,000	0.140
Exercised	–	–	(1,000,000)	0.140
Outstanding at end of year	18,814,126	0.139	18,814,126	0.139
Exercisable at end of year	18,814,126	0.139	18,814,126	0.139





# Notes to the Financial Statements

For the year ended 31 March 2013

## 38. SHARE-BASED PAYMENTS (Continued)

### (b) Share Option Scheme (Continued)

The weighted average share price at the date of exercise for share options exercised during the year 2012 was HK\$0.160. No share option has been exercised during the year 2013 (2012: 1,000,000). The options outstanding at the end of the year have a weighted average remaining contractual life of 8.22 years (2012: 9.22 years) and the exercise prices range from HK\$0.107 to HK\$0.140 (2012: HK\$0.107 to HK\$0.140). During the year 2013, no share options were granted (2012: 19,500,000).

The fair value was calculated using the binomial option pricing model at 29 June 2011. The inputs into the model are as follows:

	29 June 2011
Share price of the Company	HK\$0.14
Exercise price	HK\$0.14
Expected volatility	100%
Expected life	10 years
Risk free rate	2.29%
Expected dividend yield	Nil

Expected volatility was determined by calculating the historical volatility of the Company's share price over the previous 3.85 years.

Share options granted to consultants were incentives for helping the Group to expand its business network, acquire and explore new business projects and opportunities. The fair value of such benefit could not be estimated reliably and as a result, the fair value is measured by reference to the fair value of share options granted.

# Notes to the Financial Statements

For the year ended 31 March 2013

## 38. SHARE-BASED PAYMENTS (Continued)

### (c) New Share Option Scheme

Details of the specific categories of options are as follows:

	Date of grant	Vesting period	Exercise period	Exercise price HK\$
2013A	28.3.2013	N/A	28.3.2013 to 27.3.2023	0.150

Details of the share options outstanding during the year are as follows:

	2013		2012	
	Number of share options	Weighted average exercise price HK\$	Number of share options	Weighted average exercise price HK\$
Outstanding at beginning of year	–	–	–	–
Granted	98,450,000	0.150	–	–
Outstanding at end of year	98,450,000	0.150	–	–
Exercisable at end of year	76,450,000	0.150	–	–

No share option has been exercised during the year 2013. The options outstanding at the end of the year have a weighted average remaining contractual life of 9.99 years and the exercise price was HK\$0.150. During the year, 98,450,000 options were granted on 28 March 2013. The estimated fair value of the options on that date is approximately HK\$7,033,000.



# Notes to the Financial Statements

For the year ended 31 March 2013

## 38. SHARE-BASED PAYMENTS (Continued)

### (c) New Share Option Scheme (Continued)

The fair value was calculated using the binomial option pricing model at 28 March 2013. The inputs into the model are as follows:

	28 March 2013
Share price of the Company	HK\$0.149
Exercise price	HK\$0.150
Expected volatility	75%
Expected life	10 years
Risk free rate	1.12%
Expected dividend yield	Nil

Expected volatility was determined by calculating the historical volatility of the Company's share price over previous years.

Share options granted to consultants were incentives for helping the Group to expand its business network, acquire and explore new business projects and opportunities. The fair value of such benefit could not be estimated reliably and as a result, the fair value is measured by reference to the fair value of share options granted.

### (d) Other Options

On 4 September 2001, options were granted to a former director of the Company to subscribe for 3,000,000 shares in the Company at an exercise price of HK\$0.078 (equivalent to US\$0.01) per share. These options are exercisable upon the listing of the Company's shares on the Stock Exchange. These options are outstanding as at 31 March 2013.

## 39. NOTES TO THE CONSOLIDATED STATEMENT OF CASH FLOWS

### (a) Acquisition of subsidiaries

On 10 September 2012, the Group acquired 75% of the entire issued share capital of ETC. ETC is principally engaged in trading of electronic parts and components. The consideration for the acquisition was satisfied by cash of HK\$10,400,000, convertible bonds with principal amount of HK\$23,400,000 and promissory notes with principal amount of HK\$5,200,000. The acquisition was for the purpose of diversifying existing business through horizontal integration.

# Notes to the Financial Statements

For the year ended 31 March 2013

## 39. NOTES TO THE CONSOLIDATED STATEMENT OF CASH FLOWS (Continued)

### (a) Acquisition of subsidiaries (Continued)

The fair value of identifiable assets and liabilities of ETC acquired as at the date of acquisition is as follows:

	<i>HK\$'000</i>
Property, plant and equipment	5,313
Inventories	20,851
Trade and other receivables	88,252
Pledged bank deposits	14,994
Bank and cash balances	5,243
Trade and other payables	(41,964)
Bank loans	(85,233)
Current tax liabilities	(367)
Deferred tax liabilities	(184)
<b>Total net identifiable assets</b>	<b>6,905</b>
<b>Non-controlling interests</b>	<b>(1,726)</b>
	<b>5,179</b>
<b>Goodwill arising on acquisition (note 19)</b>	<b>24,911</b>
<b>Fair value of consideration</b>	<b>30,090</b>
Satisfied by:	
Cash	10,400
Convertible bonds at fair value	23,980
Promissory notes	5,200
<b>Total consideration paid</b>	<b>39,580</b>
<b>Less: Call options at fair value</b>	<b>(9,490)</b>
	<b>30,090</b>
Net cash outflow arising on acquisition:	
Cash consideration paid	10,400
Cash and cash equivalents acquired	(5,243)
	<b>5,157</b>



# Notes to the Financial Statements

For the year ended 31 March 2013

## 39. NOTES TO THE CONSOLIDATED STATEMENT OF CASH FLOWS *(Continued)*

### (a) Acquisition of subsidiaries *(Continued)*

The goodwill arising on the acquisition of ETC is attributable to the anticipated profitability of the distribution of the Group's products in the new markets.

ETC contributed approximately HK\$494,677,000 and HK\$6,973,000 to the Group's turnover and profit or loss for the year respectively for the period between the date of acquisition and the end of the reporting period.

If the acquisition had been completed on 1 April 2012, total Group turnover for the year would have been HK\$758,667,000, and loss for the year would have been HK\$69,137,000. The proforma information is for illustrative purposes only and is not necessarily an indication of the turnover and results of operations of the Group that actually would have been achieved had the acquisition been completed on 1 April 2012, nor is intended to be a projection of future results.

On 3 June 2011, the Group acquired the entire issued share capital of Best Team International Investment Limited ("Best Team") and its subsidiaries. Best Team is an investment holding company and its subsidiaries respectively have investment in an associate and 66.66% equity interest in two parcels of land located in the PRC. The associate is principally engaged in properties development in the PRC. The consideration for the acquisition was satisfied by cash of HK\$30,000,000, convertible bonds with principal amount of HK\$33,000,000 and warrants with issued amount of HK\$2,000,000. The acquisition was considered as an acquisition of land use rights and an associate.

# Notes to the Financial Statements

For the year ended 31 March 2013

## 39. NOTES TO THE CONSOLIDATED STATEMENT OF CASH FLOWS (Continued)

### (a) Acquisition of subsidiaries (Continued)

The fair value of identifiable assets and liabilities of Best Team acquired as at the date of acquisition is as follows:

	<i>HK\$'000</i>
Net assets acquired:	
Other receivables	2
Land use rights	59,825
Bank and cash balances	90
Accruals and other payables	(620)
Non-controlling interests	(17,976)
Interest in an associate	27,041
	<u>68,362</u>
Satisfied by:	
Cash	30,000
Convertible bonds at fair value	30,962
Warrants at fair value	7,400
	<u>68,362</u>
Net cash outflow arising on acquisition:	
Cash paid	30,000
Cash and cash equivalents acquired	(90)
Investment deposit paid	(9,500)
	<u>20,410</u>



# Notes to the Financial Statements

For the year ended 31 March 2013

## 39. NOTES TO THE CONSOLIDATED STATEMENT OF CASH FLOWS *(Continued)*

### (b) Acquisition of associates

On 24 October 2011, the Group acquired 33.33% of the issued share capital of Jun Feng and its subsidiaries. The consideration was satisfied by cash of HK\$10,000,000 and convertible bonds with principal amounts of HK\$10,000,000. The fair value of convertible bonds was HK\$12,100,000 as at 24 October 2011. Jun Feng and its subsidiaries was principally engaged in the sales and production of liquid crystal display and touchscreen panels.

### (c) Major non-cash transaction

During the year 2012, the purchase of a motor vehicle of approximately HK\$1,113,000 was financed by a finance lease.

During the year 2013, the purchase of an investment property of approximately HK\$4,250,000 was financed by a mortgage loan.

## 40. CONTINGENT LIABILITIES

ETC has entered into a guarantee agreement with a bank providing a guarantee with respect to a mortgage loan granted by the bank to a related party of ETC since 2011, of which HK\$2,762,000 have been outstandings as at 31 March 2013. Under the guarantee agreement, ETC would be liable to pay the bank should the bank be unable to recover the repayment of the loan in full from the related party. As at 31 March 2013, no provision for ETC's obligation under the guarantee agreement has been made as the directors considered that it was not probable that the repayment of the loan would be in default.

The fair value of the guarantee at date of inception is not material and is not recognised in the financial statements.

Except for the above, the Group did not have any significant contingent liabilities as at 31 March 2013 (2012: Nil).

## 41. OPERATING LEASE COMMITMENTS

### The Group as lessor

The Group leases its property under operating lease arrangements, with leases negotiated for a term of two years. The terms of the leases generally provide for periodic rent adjustments according to the then prevailing market conditions.

# Notes to the Financial Statements

For the year ended 31 March 2013

## 41. OPERATING LEASE COMMITMENTS (Continued)

### The Group as lessor (Continued)

At 31 March 2013, the Group had total future minimum lease receivables under non-cancellable operating leases with its tenants falling due as follows:–

	Group	
	2013 HK\$'000	2012 HK\$'000
Within one year	990	750
In the second to fifth years inclusive	160	63
	<b>1,150</b>	<b>813</b>

### The Group as lessee

As at 31 March 2013, the total future minimum lease payments under non-cancellable operating leases are payable as follows:

	Group	
	2013 HK\$'000	2012 HK\$'000
Within one year	3,167	1,835
In the second to fifth years inclusive	4,187	–
	<b>7,354</b>	<b>1,835</b>

Operating lease payments represent rentals payable by the Group for certain of its offices. Leases are negotiated for an average term of six months to three years and rentals are fixed over the lease terms and do not include contingent rentals.



# Notes to the Financial Statements

For the year ended 31 March 2013

## 42. CAPITAL COMMITMENTS

The Group's capital commitments in respect of purchase property, plant and equipment at the end of the reporting period are as follows:

	Group	
	2013 HK\$'000	2012 HK\$'000
Contracted but not provided for	822	–

## 43. RELATED PARTY TRANSACTIONS

In addition to those related party transactions and balances disclosed elsewhere in the financial statements, the Group had the following transactions with its related parties during the year:

	2013 HK\$'000	2012 HK\$'000
Interest income from an associate	150	–

## 44. EVENTS AFTER THE REPORTING PERIOD

On 18 February 2013, the Group entered into a placing agreement with Delta Wealth Securities Limited in respect of the placement of 20 tranches 5% interest bearing bond of HK\$5,000,000 each to independent investors. HK\$20,000,000 bonds have been completed as at the date of this report.

On 30 May 2013, the Group entered into an agreement (as supplemented by the supplemental agreement dated 31 May 2013) with a connected party to acquire 70% of the issued share capital of Best Worldwide Corporation Limited ("Best Worldwide") at an aggregate consideration of HK\$109,375,000. Best Worldwide has investment in an associate which is a property development project company in the PRC. Further details of the proposed acquisition are set out in the Company's announcements dated 30 May 2013 and 31 May 2013. The proposed acquisition has not been completed as at the date of this report.



# Notes to the Financial Statements

*For the year ended 31 March 2013*

## **44. EVENTS AFTER THE REPORTING PERIOD** *(Continued)*

On 5 June 2013, the Company entered into a conditional placing and subscription agreement with a placing agent and a substantial shareholder of the Company for placing of up to an aggregate of 274,000,000 existing placing shares held by the substantial shareholder to the placing agent at the placing price of HK\$0.085 per placing share and the subscription of up to 274,000,000 new subscription shares by the substantial shareholder at the subscription price of HK\$0.085 per subscription share. Details of the share placement are set out in the Company's announcement dated 5 June 2013. The share placement has been completed on 18 June 2013.

## **45. APPROVAL OF FINANCIAL STATEMENTS**

The financial statements were approved and authorised for issue by the Board of Directors on 20 June 2013.

# Five Fiscal Years Financial Summary

## RESULTS

		For the year ended 31 March			
	2013 HK\$'000	2012 HK\$'000	2011 HK\$'000	2010 HK\$'000	2009 HK\$'000
Turnover	531,611	31,602	24,425	18,134	20,321
(Loss)/profit before taxation	(68,742)	(26,862)	(5,092)	(671)	754
Taxation	(1,434)	–	(69)	(8)	(6)
Loss for the year	(70,176)	(26,862)	(5,161)	(679)	748
Non-controlling interests	1,327	(200)	34	–	–
(Loss)/profit attributable to equity holders of the Company	(71,503)	(26,662)	(5,195)	(679)	748

## ASSETS AND LIABILITIES

		At 31 March			
	2013 HK\$'000	2012 HK\$'000	2011 HK\$'000	2010 HK\$'000	2009 HK\$'000
Total assets	416,575	170,821	48,935	31,151	31,855
Total liabilities and Non-controlling interests	(347,564)	(72,232)	(6,619)	(4,266)	(4,558)
Total equity	69,011	98,589	42,316	26,885	27,297