Annual Report 2012-2013

(Incorporated in Bermuda with limited liability)
(Stock Code : 8047)

CHINA NENG XIAO TECHNOLOGY (GROUP) LIMITED

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

Contents

Corporate Information

BOARD OF DIRECTORS

Executive Directors

Ms. Sung Ting Yee *(Chairman)*
(appointed on 13 May 2013)
Mr. Wu Zhinan *(Chief Executive Officer)*
(appointed on 13 May 2013)
Mr. Chan Francis Ping Kuen *(Deputy Chairman)*
Mr. Chan Hin Wing, James
Mr. Tsang Ho Ka, Eugene
(appointed on 13 May 2013)
Mr. Yuan Shengjun *(Chairman and Chief Executive Officer)(resigned on 3 December 2012)*

Independent Non-executive Directors

Mr. Kwok Chi Sun, Vincent
Mr. Yeung Kam Yan
Mr. Cheung Chi Hwa, Justin
Mr. Tam Chak Chi *(appointed on 13 May 2013)*

COMPANY SECRETARIES

Mr. Law Ho Ming *ACCA, CPA*
Mr. Tsang Ho Ka, Eugene, *AICPA, ATIHK, AMA, BCom (UNSW), CPA (Aust.), CPA, CTA, MHKIoD, MHKMIPA*
(appointed on 13 May 2013)

COMPLIANCE OFFICER

Mr. Chan Francis Ping Kuen

AUTHORISED REPRESENTATIVES

Mr. Chan Francis Ping Kuen
Mr. Law Ho Ming

AUDIT COMMITTEE

Mr. Kwok Chi Sun, Vincent *(Chairman)*
Mr. Yeung Kam Yan
Mr. Cheung Chi Hwa, Justin
Mr. Tam Chak Chi *(appointed on 13 May 2013)*

REMUNERATION COMMITTEE

Mr. Kwok Chi Sun, Vincent *(Chairman)*
Mr. Yeung Kam Yan
Mr. Cheung Chi Hwa, Justin
Mr. Tam Chak Chi *(appointed on 13 May 2013)*
Mr. Chan Francis Ping Kuen

NOMINATION COMMITTEE

Mr. Kwok Chi Sun, Vincent *(Chairman)*
Mr. Yeung Kam Yan
Mr. Cheung Chi Hwa, Justin
Mr. Tam Chak Chi *(appointed on 13 May 2013)*
Mr. Chan Francis Ping Kuen

AUDITOR

Mazars CPA Limited
Certified Public Accountants

LEGAL ADVISER

Michael Li & Co.

PRINCIPAL BANKER

Standard Chartered Bank (Hong Kong) Limited

REGISTERED OFFICE

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

HEAD OFFICE AND PRINCIPAL PLACE OF BUSINESS IN HONG KONG

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

PRINCIPAL PLACE OF BUSINESS IN CHINA

Room 508, Huateng Building,
No. A302 Jinsong Third Zone,
Chaoyang District,
Beijing, China

SHARE REGISTRARS AND TRANSFER OFFICERS

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

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

WEBSITE

www.nengxiao.com.hk

STOCK CODE

8047

Chairman's Statement

On behalf of the board of directors (the "Board"), I hereby present the Annual Report of China Neng Xiao Technology (Group) Limited (the "Company") and its subsidiaries (together, the "Group") for the year ended 31 March 2013 to our shareholders.

OPERATIONAL REVIEW

Business and Operation Review

Electromagnetic pulse protection business

In May 2012, the Group has completed the acquisition of the electromagnetic pulse protection (the "EPP") business. Revenue and profit after tax of the EPP business for the financial year 2012/13 attributable to the Group was approximately HK$16,000,000 and HK$7,000,000 respectively. The EPP business has shown significant improvement in the gross profit margin due to the Group's effort in cost control and experience in tendering.

During the year, contractual works have been completed for China Unicom in provinces such as Hubei (湖北), Anhui (安徽), Jilin (吉林), Sichuan (四川), Shanxi (山西), Tianjin (天津), Henan (河南), and stated-owned electricity enterprise in Liaoning (遼寧). The Group will continue to react vigorously in tenders for the coming year as management is confident and optimistic in the prospect of the EPP business and of its future contribution to the Group.

With the established connections of the Group in China Unicom and the emphasis of China Unicom on the EPP business (total budget of over RMB500 million in 2013), the Group is well positioned to capture further growth in such EPP business in 2013.

Energy management business

The Group recorded a profit after tax in its energy management business of approximately HK$2,300,000 as compared to a loss of approximately HK$425,000 in the previous year. During the year, contractual works have been completed for China Telecom in provinces such as Henan (河南), Jiangsu (江蘇), Anhui (安徽), Guizhou (貴州), Shanxi (山西), and China Mobile in Sichuan (四川).

Telecommunication optic fiber business

The Group's telecommunication optic fiber (the "TOF") business is conducted through China Optic Communication Technology Limited and its subsidiaries. After the completion of disposal of 2.43% equity interests in China Optic Communication Technology Limited in December 2012, it changed from a subsidiary of the Group to an associated company of the Group. The TOF business has recorded a turnover and profit after tax of approximately HK$32,000,000 and HK$19,000,000 for the financial year ended 31 December 2012 compared with approximately HK$30,000,000 and HK$13,000,000 for financial year ended 31 December 2011.

During the year, the Group has continued to develop business relationships with China Mobile and other private sectors of the telecommunication industry through direct contractual agreements.

PROSPECT

With the completion of the rationalization process, the Group is well facilitated to commence a new era of the business. To further extend the scope of the business, the Group will continue to look for investment opportunities which will generate significant profitability in medium to long term.

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

Ms. Sung Ting Yee
Chairman

Hong Kong, 26 June 2013

Management Discussion and Analysis

OPERATIONAL REVIEW

Business and operation review

Electromagnetic pulse protection business

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During the year, the Group has continued to develop business relationships with China Mobile and other private sectors of the telecommunication industry through direct contractual agreements.

FINANCIAL REVIEW

Results

The Group recorded an increase in turnover from continuing operations of approximately 446% to approximately HK$34.5 million for the year ended 31 March 2013 as compared to approximately HK$6.3 million in the previous year. The increase in turnover was due to the full year contribution from the energy management business and the new electromagnetic pulse protection business acquired in May 2012.

The Group also recorded an increase in gross profit from continuing operations of approximately 381% to approximately HK$26.2 million in the current year as compared to approximately HK$5.4 million in the previous year. The increase in gross profit was mainly due to the increase in turnover of the energy management business and the contribution from the electromagnetic pulse protection business.

Net loss attributable to equity holders of the Company for the year amounted to approximately HK$77.7 million *(2012: HK$68.2 million)*. Loss during the year was mainly due to the impairment loss of goodwill and loss on deemed disposal of subsidiary amounted to approximately HK$62.2 million and approximately HK$11.4 million respectively.

Liquidity, financial resources and capital structure

As at 31 March 2013, the Group had total assets of approximately HK$177.9 million *(2012: HK$152.1 million)*, including net cash and bank balances of approximately HK$80.0 million *(2012: HK$55.0 million)*.

For the year ended 31 March 2013, the Group financed its operations mainly with its own working capital and there was no general banking facilities *(2012: Nil)*. There was no charge on the Group's assets as at 31 March 2013 *(2012: Nil)*.

As at 31 March 2013, the gearing ratio (defined as the ratio between total bank borrowings and total assets) was zero *(2012: Nil)*. The Group had no bank borrowings as at 31 March 2013 *(2012: Nil)*.

Exposure to fluctuations in exchange rates and related hedges

Most of the transactions of the Group are denominated in Hong Kong Dollar ("HKD") and Renminbi ("RMB"). The Group adopts a conservative treasury policy with most of the bank deposits being kept in HKD, or in the local currencies of the operating subsidiaries to minimize exposure to foreign exchange risks. As at 31 March 2013, the Group had no foreign exchange contracts, interests or currency swaps or other financial derivatives for hedging purposes.

Charge on Group assets

As at 31 March 2013, the Group did not have any charge on its assets *(2012: Nil)*.

Segment information

The revenue of the Group comprises the provision of payment gateway business, the provision of energy management business, the provision of integrated solutions for lighting electromagnetic pulse protection business and manufacturing and trading of products related to optimal optical fibers, telecommunications, electric power network systems and equipment which is considered as the discontinued operations.

As to the geographical segments, sale of the Group generated in the PRC market was approximately HK$58.5 million during the year ended 31 March 2013 *(2012: HK$28.5 million in the PRC)*.

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

Management Discussion and Analysis

New products and services

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

Significant investments

The Group did not have any significant investment during the year *(2012: Nil)*.

Material acquisitions or disposals of subsidiaries and affiliated companies

During the year, the Group has acquired 55% equity interests in Boomtech Limited ("Boomtech") and its subsidiaries. Boomtech and its subsidiaries are principally engaged in the provision of integrated solutions for lightning electromagnetic pulse protection, grounding technology, electromagnetic security and high-energy electromagnetic pulse protection and its related engineering design, construction and technical services, including the telecommunication operators and electricity providers, in the PRC.

Details of the acquisition are disclosed in the Company's circular dated 4 May 2012.

Besides, during the year, the Group has disposed 2.43% equity interests in China Optic Communication Technology Limited ("China Optic BVI") and its subsidiaries. China Optic BVI and its subsidiaries are principally engaged in the provision of technologies, services and products related to optimal optical fiber, telecommunications, electric power in the PRC.

Details of the disposal are disclosed in the Company's circular dated 19 November 2012.

Future plans for material investments and expected source of funding

Other than disclosed elsewhere in the annual report, the Group did not have any plan for material investment or acquisition of material capital assets as at 31 March 2013. However, the Group is constantly looking for opportunities for investments or capital assets to enhance shareholders' value.

Contingent liabilities

The Group had no contingent liabilities as at 31 March 2013.

Employees and remuneration policies

As at 31 March 2013, the Group had 86 *(2012: 125)* employees including directors. Total staff costs (excluding directors' emoluments) amounted to approximately HK$9.2 million for the year ended 31 March 2013 *(2012: HK$8.1 million)*. Remuneration is determined with reference to market terms and the performance, qualification and experience of individual employee. Year-end bonus based on individual performance will be paid to employees as recognition of and reward for their contributions. Other benefits include contributions to statutory mandatory provident fund scheme to its employees in Hong Kong and basic insurance for the elderly, basic medical insurance, work injury insurance and unemployment insurance to its employees in the PRC.

Directors and Senior Management

EXECUTIVE DIRECTORS

Ms. Sung Ting Yee, aged 38, was appointed as the finance director, the executive director and chairman of the Company on 13 May 2013, holds a master degree of business administration from University of Birmingham, United Kingdom and a bachelor's degree of arts (Honors) in accountancy from Birmingham City University (formerly known as University of Central England in Birmingham), United Kingdom. Ms. Sung is a Certified Public Accountant of the Hong Kong Institute of Certified Public Accountants and a fellow member of the Association of Chartered Certified Accountants. Ms. Sung has over 14 years' experience in finance, accounting, external and internal auditing in both Hong Kong and the People's Republic of China. Ms. Sung previously worked as an audit manager in an international accounting firm, as an internal audit manager in BALtrans Holdings Limited, which was subsequently delisted on the main board of the Stock Exchange after her term of service and as a finance manager of China Mining Resources Group Limited (stock code: 340), a company listed on the main board of the Stock Exchange. Ms. Sung was a chief financial officer of Ming Kei Holdings Limited (stock code: 8239), a company listed on the GEM of the Stock Exchange, and was re-designated as a group financial controller of Ming Kei Holdings Limited with effect from 6 August 2012. Ms. Sung is an executive director of Newtree Group Holdings Limited (stock code: 1323), a company listed on the main board of the Stock Exchange. Ms. Sung is also the company secretary and the chief financial officer of Colors Securities Limited and Colors Commodities Limited, both being companies which are principally engaged in the provision of financial services respectively.

Mr. Wu Zhinan, aged 37, was appointed as the executive director and chief executive officer of the Company on 13 May 2013, holds a bachelor degree of Industrial Automatic from the Information Science and Engineering Faculty of Jilin University (formerly known as Jilin University of Technology of China). He is the holder of the Certificate for the Qualifications of Lightning Prevention Design and Construction issued by the Beijing Meteorology Bureau. With 11 years of experience in the sales of electromagnetic security products, he was the Deputy General Manager of Beijing Allday Science and Technology Co., Ltd. (北京歐地安科技有限公司), and was responsible for the sales of electromagnetic security products to telecommunications companies, power companies and the PRC government. He was also the Chief Marketing Officer of Beijing Comtest Co., Ltd. (北京通測科技有限責任公司), and was responsible for the sales of communication testing gauges to telecommunication operators across the country. He is currently the directors of several subsidiaries of the Company, namely Boomtech Limited, Fantastic Limited, Beijing Reese Compaq Technology Co., Limited, Beijing Outwitting Huanyu Technology Company Limited and PalmPay Technology Co. Limited, and is responsible for the coordination of the business planning and operation.

Mr. Chan Francis Ping Kuen, aged 54, was appointed as the executive director and deputy chairman of the Company on 22 May 2007, who is also a member of the remuneration committee and the nomination committee, holds a bachelor's degree in economics from the University of Sydney in Australia. He is an associate member of the Institute of Chartered Accountants in Australia and also a member of the Hong Kong Institute of Certified Public Accountants. Mr. Chan has over 20 years of experience in auditing, accounting and financial management and previously worked for an international accounting firm and a number of companies listed in Hong Kong and the United States. He was appointed as an executive director and the deputy chairman on 22 May 2007. He is an independent non-executive director of Sinocop Resources (Holdings) Limited (Stock Code: 476) and Earnest Investments Holdings Limited (Stock Code: 339). The two companies are listed on main board of the Stock Exchange.

Directors and Senior Management

Mr. Chan Hin Wing, James, aged 64, was appointed as an executive director of the Company on 1 November 2006, graduated from Hong Kong Polytechnic University majoring in marketing, economics and finance. Mr. Chan is also a member of American Marketing Association, British Institute of Management and Chartered Institute of Marketing. Mr. Chan has over 38 years of experience in sales, marketing, franchising, and chain store establishments in the Asia Pacific region. Mr. Chan is currently the managing director of a company principally engaging in the field of nanotechnology.

Mr. Tsang Ho Ka, Eugene, aged 31, was appointed as an executive director and joint company secretaries on 13 May 2013, who is a Certified Practising Accountant of Certified Public Accountants Australia, a Certified Public Accountant of the Hong Kong Institute of Certified Public Accountants, an international associate of the American Institute of Certified Public Accountants, a member of the Hong Kong Institute of Directors, an associate management accountant of the Institute of Certified Management Accountants, Australia, an associate of the Taxation Institute of Hong Kong, a full member of the Institute of Accountants Exchange, a Certified Tax Adviser of the Taxation Institute of Hong Kong and also a member of the Hong Kong Mining Investment Professionals Association. Mr. Tsang holds a bachelor's degree in commerce from the University of New South Wales, Australia and has also completed an accounting extension course in relation to Australian Taxation Law and Australian Corporations Law in the University of Sydney, Australia. Mr. Tsang has over 10 years of experience in accounting and financial management and has previously worked in an international CPA firm. Mr. Tsang is also the founder of Gattaca Company Limited, an independent consultancy company specializing in corporate restructuring and financial reengineering and also a consultant of GenNex Financial Media Limited, a company which is principally engaged in the provision of financial printing services. Also, Mr. Tsang was the company secretary and the qualified accountant of Richfield Group Holdings Limited, a company incorporated in the Cayman Islands with limited liability and the issued shares of which were previously listed on the GEM (stock code: 8136) and subsequently transferred to the main board (stock code: 183) in March 2007. Mr. Tsang is also a non-executive director of the Ming Kei Holdings Limited (stock code: 8239) and an executive director and joint company secretaries of Newtree Group Holdings Limited (stock code: 1323).

INDEPENDENT NON-EXECUTIVE DIRECTORS

Mr. Kwok Chi Sun, Vincent, aged 50, who is also appointed as a member of the audit committee, the remuneration committee and the nomination committee, is the sole proprietor of Vincent Kwok & Co. and is a Certified Public Accountant. He is also an independent non-executive director of six other listed companies in Hong Kong, i.e. Shun Ho Resources Holdings Limited, Shun Ho Technology Holdings Limited, Magnificent Estates Limited, Emperor Capital Group Limited, Evergreen International Holdings Limited and China Digital Licensing (Group) Limited, the former five named companies are listed on main board of the Stock Exchange while the last named company is listed on GEM.

Mr. Yeung Kam Yan, aged 61, who is also appointed as a member of the audit committee, the remuneration committee and the nomination committee, is a member of the Air & Waste Management Association-Hong Kong Section. Mr. Yeung has over 10 years of experience in accounting, sales and marketing in different international companies including Olivetti (Hong Kong) Ltd. from 1979 to 1982, O.P.D. Limited from 1982 to 1985 and Henry Boot Far East Limited from 1986 to 1990. Mr. Yeung also operated his own trading and investment business in the PRC from 1990 to 1998.

Mr. Tam Chak Chi, aged 36, who was also appointed as a member of audit committee, remuneration committee and nomination committee, holds a bachelor's degree of commerce from the University of Toronto. He has more than 10 years of experience in providing accounting, auditing and financial services and has served various senior positions at various private and listed companies (the shares of which have been listed on the main board and the GEM as well as NASDAQ). He is a Certified Public Accountant of the Hong Kong Institute of Certified Public Accountants and a member of the international associate of the American Institute of Certified Public Accountants. He was previously an executive director of Seamless Green China (Holdings) Limited (stock code: 8150), a company listed on the GEM. He is currently the company secretary of a company listed on GEM.

Mr. Cheung Chi Hwa, Justin, aged 59, who was also appointed as a member of the audit committee, the remuneration committee and the nomination committee, holds a bachelor degree of laws from the Manchester Metropolitan University in the United Kingdom, a master degree of laws from University of London in the United Kingdom and a master of business administration degree from California State University in the United States. Mr. Cheung is a member of the American Institute of Certified Public Accountants and has over 20 years of banking, accounting and company secretarial experiences. Mr. Cheung was previously an executive director of Ming Kei Holdings Limited (Stock code: 8239, formerly known as Ming Kei Energy Holdings Limited) and an independent non-executive director of Richfield Group Holdings Limited (Stock code: 183, formerly known as Maxitech International Holdings Limited and FX Creations International Holdings Limited) respectively. The former named company is listed on GEM while the latter named company is listed on the main board of the Stock Exchange.

SENIOR MANAGEMENT

Mr. Tsang Ho Ka, **Eugene**, is the joint company secretaries of the Company. Biographical details are set out on page 10 of the Company's annual report.

Ms. Yu Tak Wai, Winnie, aged 35, is the chief financial officer of the Company. Ms. Yu holds a bachelor's degree in accountancy from The Hong Kong Polytechnic University. Ms. Yu is a CPA of the HKICPA and a member of the ACCA. Ms. Yu has over 12 years' experience in accounting and finance, internal and external audit, change management as well as training and risk management. Ms. Yu previously worked as the head of the Hong Kong office of an international accounting firm, which is a subsidiary of a company listed on the main board of the Stock Exchange, and also as an internal audit manager of a company listed on the main board of the Stock Exchange and as an audit manager of an international audit firm. Ms. Yu currently works as the financial controller of Newtree Group Holdings Limited (stock code: 1323), a company listed on the main board of the Stock Exchange.

Mr. Law Ho Ming, aged 34, is the joint company secretaries of the Company. He was appointed as the company secretary and authorised representative of the Company on 22 May 2007. He is an associate member of the Association of Chartered Certified Accountants and a member of the Hong Kong Institute of Certified Public Accountants. He holds a degree of Bachelor of Arts in Accountancy. He was first appointed as an assistant financial controller of the Company in May 2006.

Report of the Directors

The directors herein present their annual report and the audited financial statements of China Neng Xiao Technology (Group) Limited (the "Company") and its subsidiaries (hereinafter collectively referred to as the "Group") for the year ended 31 March 2013.

CHANGE OF NAME

Pursuant to a special resolution passed at annual general meeting held on 23 August 2012, the name of the Company was changed from Palmpay China (Holdings) Limited 中國掌付(集團)有限公司 to China Neng Xiao Technology (Group) Limited 中國能效科技(集團)有限公司.

PRINCIPAL ACTIVITIES

The principal activity of the Company is investment holding. Details of the principal activities of the subsidiaries are set out in note 17 to the consolidated financial statements in this annual report.

SEGMENT INFORMATION

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

RESULTS AND DIVIDENDS

The Group's result for the year ended 31 March 2013 are set out in the consolidated statement of comprehensive income in this annual report on page 28.

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

SUMMARY FINANCIAL INFORMATION

The following is a summary of the published result for continuing and discontinued operations of the Group for each of the five years ended 31 March 2013 and of the assets, liabilities and non-controlling interests of the Group as at 31 March 2013, 2012, 2011, 2010 and 2009.

Consolidated results

	Year ended 31 March				
	2013	2012	2011	2010	2009
	HK$'000	HK$'000	HK$'000	HK$'000	HK$'000
Turnover	**58,520**	28,516	23,786	43,409	56,810
(Loss) / Profit before taxation	**(58,808)**	(71,866)	(327,722)	18,064	29,737
Income tax (expenses) / credit	**(7,865)**	229	(1,412)	(2,201)	(1,043)
(Loss) / Profit for the year	**(66,673)**	(71,637)	(329,134)	15,863	28,694
Attributable to:					
Equity holders of the Company	**(77,654)**	(68,192)	(328,601)	13,761	20,063
Non-controlling interests	**10,981**	(3,445)	(533)	2,102	8,631
	(66,673)	(71,637)	(329,134)	15,863	28,694

Consolidated assets and liabilities and non-controlling interests

	As at 31 March				
	2013	2012	2011	2010	2009
	HK$'000	HK$'000	HK$'000	HK$'000	HK$'000
Total assets	**177,909**	152,128	167,451	392,680	292,488
Total liabilities	**(30,063)**	(29,698)	(43,756)	(39,884)	(27,414)
Non-controlling interests	**(4,272)**	(13,365)	(4,309)	–	(16,088)
	143,574	109,065	119,386	352,796	248,986

PROPERTY, PLANT AND EQUIPMENT

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

SHARE CAPITAL

Details of movements in the Company's issued share capital are set out in note 27 to the consolidated financial statements.

ACQUISITIONS AND DISPOSALS OF SUBSIDIARIES

During the year, the Group has acquired 55% equity interests in Boomtech Limited ("Boomtech") and its subsidiaries. Boomtech and its subsidiaries are principally engaged in the provision of integrated solutions for lightning electromagnetic pulse protection, grounding technology, electromagnetic security and high-energy electromagnetic pulse protection and its related engineering design, construction and technical services, including the telecommunication operators and electricity providers, in the PRC.

Besides, during the year, the Group has disposed 2.43% equity interests in China Optic Communication Technology Limited ("China Optic BVI") and its subsidiaries. China Optic BVI and its subsidiaries are principally engaged in the provision of technologies, services and products related to optimal optical fiber, telecommunications, electric power in the PRC.

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

PRE-EMPTIVE RIGHTS

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

PURCHASE, REDEMPTION OR SALE OF LISTED SECURITIES OF THE COMPANY

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

Report of the Directors

RESERVES

Details of movements in the reserves of the Group and the Company during the year are set out in the consolidated statement of changes in equity on pages 32 to 33 of the annual report and in note 28 to the financial statements.

DISTRIBUTABLE RESERVES

At 31 March 2013, the Company's reserves available for cash distribution and / or distribution in specie amounted to approximately HK$57,053,000 *(2012: zero)*, as computed in accordance with the Companies Act 1981 of Bermuda. In addition, the Company's share premium account has a balance of approximately HK$55,357,000 as at 31 March 2013 *(2012: HK$139,706,000)*.

EVENTS AFTER THE REPORTING PERIOD

(i) On 8 February 2013, Upper Power Limited ("Upper Power"), a wholly-owned subsidiary of the Company entered into a non-legally binding memorandum of understanding (the "MOU") and the supplemental MOU, with independent third parties, in respect of the possible acquisition of equity interest of Hong Kong Automobile Restoration Group Limited (the "Target Company", together with its subsidiary, the "Target Group") (the "Potential Acquisition"). The Target Group is principally engaged in motor vehicles beauty services including cars detailing, repairing and maintenance services in Hong Kong, Macau and Taiwan.

    The consideration for the Possible Acquisition is subject to further negotiation between the parties to the MOU and the due diligence to be conducted on the Target Group. Pursuant to the supplemental MOU signed on 25 April 2013, Upper Power paid HK$5,500,000 as the deposit which will be refundable in full in the event that (i) the formal agreement is not entered into by the parties prior to the MOU expiry date, as extended by the supplemental MOU, which is on 24 July 2013; or (ii) the consideration stated in the formal agreement does not comprise any cash portion.

    A legally binding formal agreement in relation to the Potential Acquisition is yet to be finalised as at the date of these consolidated financial statements and therefore, it is not practicable to reliably estimate the financial effect for the Potential Acquisition.

(ii) On 17 April 2013, the Company completed the placing of 349,480,000 placing shares at a price of HK$0.072 per placing share.

(iii) Pursuant to special resolution passed in a special general meeting held on 13 May 2013, the Company effected the capital reorganisation which involves (i) the reduction of issued share capital of the Company through a cancellation of the paid-up capital of the Company to the extent of HK$0.009 on each of the issued shares so that the nominal value of each issued share would be reduced from HK$0.01 to HK$0.001; (ii) the cancellation of the entire sum standing to the credit of the Company's share premium account; (iii) the transfer of the credit arising from the capital reduction and the share premium reduction to the contributed surplus account of the Company; and (iv) the share consolidation of every ten shares of HK$0.001 each in the issued share capital of the Company immediately after the capital reduction into one new share of HK$0.01 in the issued share capital of the Company.

MAJOR CUSTOMERS AND SUPPLIERS

During the year, turnover made to the Group's five largest customers accounted for 73% *(2012: 95%)* of the total turnover for the year. Turnover made to the largest customer included therein accounted for 24% *(2012: 78%)* of the total turnover for the year.

During the year, purchases from the Group's five largest suppliers accounted 43% *(2012: 63%)* of the total purchases for the year. Purchases from the Group's largest supplier included therein accounted for 11% *(2012: 27%)* of the total purchases for the year.

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

DIRECTORS

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

Executive directors:

Ms. Sung Ting Yee *(Chairman)*	*(Appointed on 13 May 2013)*
Mr. Wu Zhinan *(Chief Executive Officer)*	*(Appointed on 13 May 2013)*
Mr. Chan Francis Ping Kuen	
Mr. Chan Hin Wing, James	
Mr. Tsang Ho Ka, Eugene	*(Appointed on 13 May 2013)*
Mr. Yuan Shengjun *(Chairman and Chief Executive Officer)*	*(Resigned on 3 December 2012)*

Independent non-executive directors:

Mr. Kwok Chi Sun, Vincent	
Mr. Yeung Kam Yan	
Mr. Cheung Chi Hwa, Justin	
Mr. Tam Chak Chi	*(Appointed on 13 May 2013)*

In accordance with Bye-laws of the Company and the Appendix 15 of the GEM Listing Rules, one-third of the directors will retired by rotation and be eligible to offer themselves for re-election at the forthcoming annual general meeting.

The Company confirmed that it has received from each of its independent non-executive directors the annual confirmation of his independence pursuant to Rule 5.09 of the GEM Listing Rules and considered them to be independent as at the date of this report.

DIRECTORS' AND SENIOR MANAGEMENT'S BIOGRAPHIES

Biographical details of the directors of the Company and the senior management of the Group are set out on pages 9 and 11 of the annual report.

Report of the Directors

DIRECTORS' SERVICE CONTRACTS

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

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

DIRECTORS' INTERESTS IN CONTRACTS

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

RELATED AND CONNECTED PARTY TRANSACTION

Except otherwise disclosed in note 34 to the consolidated financial statements the Group had no transactions which need to be disclosed as connected transaction in accordance with the requirements of the GEM Listing Rules.

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

As at 31 March 2013, none of the directors nor the chief executive of the Company had any interests or short positions in any shares, underlying shares or debentures of the Company or any of its associated corporation (within the meaning of Part XV of the SFO) which 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 or 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 the securities transactions by directors, to be notified to the Company and the Stock Exchange.

DIRECTORS' RIGHTS TO ACQUIRE SHARES OR DEBENTURES

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

SUBSTANTIAL SHAREHOLDERS' INTERESTS

As at 31 March 2013, other than the interests of a director of the Company as disclosed under the heading "Directors and chief executive's interests in shares, underlying shares and debentures" above, the interests and short positions of persons, in the shares and underlying shares of the Company which would fall to be disclosed to the Company under the provisions of Divisions 2 and 3 of Part XV of the SFO or, who is, directly or indirectly, interested 10% or more of the nominal value of any class of share capital carrying rights to vote in all circumstances at general meetings of any other members of the Group, or substantial shareholders as recorded in the register of substantial shareholders required to be kept by the Company under Section 336 of the SFO were as follows:

Name	Nature of interests	Number the shares held	Approximate percentage of issued share capital
Starryland Profits Limited *(Note 1)*	Beneficial	519,607,023(L)	15.56%
Lau Kim Hung, Jack *(Note 1)*	Interests in controlled corporation	519,607,023(L)	15.56%
	Beneficial	6,724,800(L)	0.20%
	Deemed	2,220,000(L)	0.07%
Chan Yiu Kan, Katie *(Note 1)*	Deemed	526,331,823(L)	15.76%
	Beneficial	2,220,000(L)	0.07%
Brilliant Bloom Investments Limited *(Note 2)*	Beneficial	487,500,000(L)	14.60%
Ng Yui Wah Sonny *(Note 2)*	Interests in controlled corporation	487,500,000(L)	14.60%

(L) denotes long position

Notes:

1. Starryland Profits Limited, a company incorporated in the British Virgin Islands, is wholly and beneficially owned by Mr. Lau Kim Hung, Jack ("Mr. Lau"). Mr. Lau is deemed to be interested in 519,607,023 shares held by Starryland Profits Limited. In addition, by virtue of being the spouse of Ms. Chan Yiu Kan, Katie, he is also deemed to be interested in 2,220,000 shares held by Ms. Chan Yiu Kan, Katie.

   Ms. Chan Yiu Kan, Katie, being the spouse of Mr. Lau, is deemed to be interested in 519,607,023 shares held by Starryland Profits Limited and 6,724,800 shares held by Mr. Lau.

2. Brilliant Bloom Investments Limited, a company incorporated in British Virgin Islands, is wholly and beneficially owned by Mr. Ng Yui Wah Sonny ("Mr. Ng"). Mr. Ng is deemed to be interested in 487,500,000 shares held by Brilliant Bloom Investments Limited.

Report of the Directors

Save as disclosed above, as at 31 March 2013, the directors of the Company were not aware of any other person (other than the directors of the Company) who had an interest or short position in the shares or underlying shares of the Company which would fall to be disclosed to the Company under the provisions of Division 2 and 3 of Part XV of the SFO or, who is directly or indirectly, interested in 10% or more of the nominal value of any class of share capital carrying rights to vote in all circumstances at general meetings of any other members of the Group, or any other substantial shareholders whose interests or short positions were recorded in the register required to be kept by the Company under Section 336 of the SFO.

SUFFICIENCY OF PUBLIC FLOAT

Based on the information that is publicly available to the Company and to the best knowledge of the Directors as at the date of this report, there is sufficient public float of the Company's issued shares as required under the GEM Listing Rules throughout the year ended 31 March 2013.

DIRECTORS' INTEREST IN COMPETING BUSINESS

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

CORPORATE GOVERNANCE PRACTICES

The Company has adopted the code provisions set out in the Code on Corporate Governance Practices (the "Code") as set out in Appendix 15 of the Rules Governing the Listing of Securities on The Stock Exchange of Hong Kong Limited (the "Listing Rules"). The Company has applied the principles in the Code and complied with the code provisions set out in the Code for the year ended 31 March 2013.

AUDIT COMMITTEE

The Company set up an audit committee on 18 October 2001, with written terms of reference in compliance with the GEM Listing Rules, for the purpose of reviewing and providing supervision over the financial reporting process and internal control of the Group. During the year, the audit committee comprises the three independent non-executive directors of the Company, namely, Mr. Kwok Chi Sun, Vincent, Mr. Yeung Kam Yan and Mr. Cheung Chi Hwa, Justin. During the year, the audit committee held five meetings to review and supervise the financial reporting process, and to provide advice and recommendations to the board of directors.

On 13 May 2013, Mr. Tam Chak Chi was appointed as the member of the audit committee.

The financial statements of the Group for the year ended 31 March 2013 have been reviewed by the audit committee, who is of the opinion that such statements comply with the applicable accounting standards, the Stock Exchange and legal requirements, and that adequate disclosures have been made.

AUDITOR

The consolidated financial statements for the financial year ended 31 March 2013 were audited by Mazars CPA Limited, Certified Public Accountants. A resolution will be submitted to the forthcoming annual general meeting to re-appoint Mazars CPA Limited as auditor of the Company.

ON BEHALF OF THE BOARD

Ms. Sung Ting Yee
Chairman

Hong Kong
26 June 2013

Corporate Governance Report

CORPORATE GOVERNANCE PRACTICES

The Company has adopted the code provisions set out in the Code on Corporate Governance Practices (the "Code") as set out in Appendix 15 of the Rules Governing the Listing of Securities on The Stock Exchange of Hong Kong Limited (the "Listing Rules"). The Company has applied the principles in the Code and complied with the code provisions set out in the Code for the year ended 31 March 2013, save and except for the following:

1. A.1.3 of the Code requires of at least 14 days notice should be given to all directors for a regular Board Meeting. For all other Board meetings, reasonable notice should be given. Due to the practical reasons, 14 days' advanced notifications have not been given to all meetings of the Board. Reasons have been given in the notifications in respect of those meetings of the Board where it is not practical to give 14 days' advanced notification. The Board will use its best endeavours to give 14 days' advanced notifications of Board meeting to the extent practicable;

2. A.4.1 of the Code requires that all non-executive director should be appointed for a specific term, subject to re-election. Currently, all independent non-executive directors are not appointed for a specific term. They are, however, subject to the retirement by rotation and re-election of directors in the Bye-laws of the Company. Since their appointment will be reviewed when they are due for re-election, the Board considers that sufficient measures have been taken to ensure that the Company's corporate governance practices are no less exacting than those set out in the Code; and

3. E.1.2 of the Code requires that the chairman of the Board should attend the annual general meeting. Due to other business commitment, Mr. Yuan Shengjun, the chairman of the Board, is unable to attend the Company's 2012 annual general meeting held on Thursday, 23 August 2012 but he has appointed Mr. Chan Francis Ping Kuen to act as his representative at the said meeting.

CODE OF CONDUCT REGARDING DIRECTORS' SECURITIES TRANSACTIONS

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

BOARD OF DIRECTORS AND BOARD MEETINGS

The Board members for the year ended 31 March 2013 were:

Executive directors:

Ms. Sung Ting Yee *(Chairman)*	*(Appointed on 13 May 2013)*
Mr. Wu Zhinan *(Chief Executive Officer)*	*(Appointed on 13 May 2013)*
Mr. Chan Francis Ping Kuen	
Mr. Chan Hin Wing, James	
Mr. Tsang Ho Ka, Eugene	*(Appointed on 13 May 2013)*
Mr. Yuan Shengjun *(Chairman and Chief Executive Officer)*	*(Resigned on 3 December 2012)*

Corporate Governance Report

Independent non-executive directors:

Mr. Kwok Chi Sun, Vincent
Mr. Yeung Kam Yan
Mr. Cheung Chi Hwa, Justin
Mr. Tam Chak Chi *(Appointed on 13 May 2013)*

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

The directors' biographical information is set out on pages 9 and 11 of this annual report. All executive directors have given sufficient time and attention to the affairs of the Group. Each executive director has sufficient experience to hold the position so as to carry out his duties effectively and efficiently. There is no relationship among the members of the Board.

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

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

The Board held a full board meeting for each quarter.

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

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

		Board meeting	General meeting
		Attend / Eligible to attend	Attend / Eligible to attend
Executive directors:			
Ms. Sung Ting Yee	*(Appointed on 13 May 2013)*	0/0	0/0
Mr. Wu Zhinan	*(Appointed on 13 May 2013)*	0/0	0/0
Mr. Chan Francis Ping Kuen		26/26	3/3
Mr. Chan Hin Wing, James		26/26	3/3
Mr. Tsang Ho Ka, Eugene	*(Appointed on 13 May 2013)*	0/0	0/0
Mr. Yuan Shengjun	*(Resigned on 3 December 2012)*	12/18	0/2
Non-executive directors:			
Mr. Kwok Chi Sun, Vincent		15/26	0/3
Mr. Yeung Kam Yan		15/26	3/3
Mr. Cheung Chi Hwa, Justin		15/26	0/3
Mr. Tam Chak Chi	*(Appointed on 13 May 2013)*	0/0	0/0

CHAIRMAN AND CHIEF EXECUTIVE OFFICER

Mr. Yuan Shengjun resigns as executive director, chairman and chief executive officer of the Company with effect from 3 December 2012.

As at 13 May 2013, the role of the Chairman of the Group is taken up by Ms. Sung Ting Yee and the role of the CEO is taken up by Mr. Wu Zhinan, hence, the role of the Chairman and CEO are separated.

NON-EXECUTIVE DIRECTORS

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

REMUNERATION COMMITTEE

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

Corporate Governance Report

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

During the period under review, a meeting of the remuneration committee was held in February 2013. Details of the attendance of the meeting of the remuneration committee are as follows:

Members		**Attend / Eligible to attend**
Mr. Chan Francis Ping Kuen		1/1
Mr. Kwok Chi Sun, Vincent		1/1
Mr. Yeung Kam Yan		1/1
Mr. Cheung Chi Hwa, Justin		1/1
Mr. Tam Chak Chi	*(Appointed on 13 May 2013)*	0/0

NOMINATION COMMITTEE

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

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

During the period under review, a meeting of the remuneration committee was held in February 2013. Details of the attendance of the meeting of the remuneration committee are as follows:

Members		**Attend / Eligible to attend**
Mr. Kwok Chi Sun, Vincent		1/1
Mr. Chan Francis Ping Kuen		1/1
Mr. Yeung Kam Yan		1/1
Mr. Cheung Chi Hwa, Justin		1/1
Mr. Tam Chak Chi	*(Appointed on 13 May 2013)*	0/0

AUDIT COMMITTEE

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

The audit committee held 5 meetings during the year under review. Details of the attendance of the audit committee meetings are as follows:

Members		**Attend / Eligible to attend**
Mr. Kwok Chi Sun, Vincent		5/5
Mr. Yeung Kam Yan		5/5
Mr. Cheung Chi Hwa, Justin		5/5
Mr. Tam Chak Chi	*(Appointed on 13 May 2013)*	0/0

The Group's unaudited quarterly and interim results and annual audited results for the year ended 31 March 2013 have been reviewed by the audit committee during the year, which was of the opinion that the preparation of such results complied with the applicable accounting standards and requirements and that adequate disclosures have been made.

AUDITOR'S REMUNERATION

The Company has appointed Mazars CPA Limited as the auditor of the Group ("Mazars"). The Board is authorised in the annual general meeting to determine the remuneration of Mazars. During the year, the fees charged by Mazars for the statutory audit and non-audit assignments of the Group amounted to approximately HK$830,000 and HK$202,000 respectively. The non-audit services included mainly professional services in connection with the circulars to shareholders.

Corporate Governance Report

CONTINUOUS PROFESSIONAL DEVELOPMENT

Pursuant to Code Provision A.6.5, all directors should participate in continuous professional development to develop and refresh their knowledge and skills. This is to ensure that their contribution to the Board remains informed and relevant. Up to the date of this report, all directors have participated in continuous professional development by attending training course, or relating materials / in house briefing on the topics related to corporate governance and regulations as follows:

		Reading materials / In house briefing	Attending training course
Executive directors:			
Ms. Sung Ting Yee	*(Appointed on 13 May 2013)*	✓	✓
Mr. Wu Zhinan	*(Appointed on 13 May 2013)*	✓	–
Mr. Chan Francis Ping Kuen		✓	✓
Mr. Chan Hin Wing, James		✓	–
Mr. Tsang Ho Ka, Eugene	*(Appointed on 13 May 2013)*	✓	✓
Mr. Yuan Shengjun	*(Resigned on 3 December 2012)*	✓	–
Non-executive directors:			
Mr. Kwok Chi Sun, Vincent		✓	✓
Mr. Yeung Kam Yan		✓	–
Mr. Cheung Chi Hwa, Justin		✓	–
Mr. Tam Chak Chi	*(Appointed on 13 May 2013)*	✓	✓

JOINT COMPANY SECRETARIES

Up to the date of this report, the joint company secretaries of the Company are Mr. Law Ho Ming ("Mr. Law") and Mr. Tsang Ho Ka, Eugene ("Mr. Tsang") and a written confirmation had been received by the Company from Mr. Law and Mr. Tsang respectively to confirm each took not less than 15 hours of relevant professional training during the current year ended under reviewed and up to the date of this report.

INTERNAL CONTROL

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

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

– procedures for the approval of capital expenditure and payments;

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

– clearly defined management structure and lines of responsibility.

SHAREHOLDERS' RIGHTS

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

DIRECTORS' AND AUDITOR'S RESPONSIBILITY FOR THE FINANCIAL STATEMENTS

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

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

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

INVESTOR RELATIONS

The Company keeps on promoting investor relations and enhancing communication with the existing shareholders and potential investors. It welcomes suggestions from investors, stakeholders and the public. Enquires to the Board or the Company may be sent by post to the Company's principal place of business in Hong Kong.

During the year ended 31 March 2013, there had not been any change in the Company's constitutional documents.

Independent Auditor's Report

Mazars CPA Limited
瑪澤會計師事務所有限公司
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Tel電話: (852) 2909 5555
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Email電郵: info@mazars.hk
Website網址: www.mazars.cn

To the shareholders of
China Neng Xiao Technology (Group) Limited
(formerly known as Palmpay China (Holdings) Limited)
(incorporated in Bermuda with limited liability)

We have audited the consolidated financial statements of China Neng Xiao Technology (Group) Limited (the "Company") and its subsidiaries (together the "Group") set out on pages 28 to 96, which comprise the consolidated and the Company's statements of financial position as at 31 March 2013, and the consolidated statement of comprehensive income, consolidated statement of changes in equity and consolidated statement of cash flows for the year then ended, and a summary of significant accounting policies and other explanatory information.

Directors' responsibility for the consolidated financial statements

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

Auditor's responsibility

Our responsibility is to express an opinion on these consolidated financial statements based on our audit and to report our opinion solely to you, as a body, in accordance with Section 90 of the Bermuda Companies Act 1981, and for no other purpose. We do not assume responsibility towards or accept liability to any other person for the contents of this report. We conducted our audit in accordance with Hong Kong Standards on Auditing issued by the Hong Kong Institute of Certified Public Accountants. Those standards require that we comply with ethical requirements and plan and perform the audit to obtain reasonable assurance about whether the consolidated financial statements are free from material misstatement.

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

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

Opinion

In our opinion, the consolidated financial statements give a true and fair view of the state of affairs of the Company and of the Group as at 31 March 2013, and of the Group's loss and cash flows for the year then ended in accordance with Hong Kong Financial Reporting Standards and have been properly prepared in accordance with the disclosure requirements of the Hong Kong Companies Ordinance.

Mazars CPA Limited
Certified Public Accountants
Hong Kong, 26 June 2013

Eunice Y M Kwok
Practising Certificate number: P04604

Consolidated Statement of Comprehensive Income

Year ended 31 March 2013

	Note	2013 HK$'000	2012 HK$'000
Continuing operations			
Turnover	5	**34,529**	6,319
Cost of services rendered and cost of goods sold		**(8,324)**	(875)
Gross profit		**26,205**	5,444
Other revenue	5	**103**	410
Other income	6	**4,253**	5,255
Selling and distribution costs		**(5,094)**	(2,254)
Administrative expenses		**(32,265)**	(60,563)
Other operating expenses		**(62,200)**	(32,146)
Share of results of associates	18	**2,425**	–
Loss before taxation	7	**(66,573)**	(83,854)
Income tax (expenses) credit	11	**(2,189)**	3,565
Loss for the year from continuing operations		**(68,762)**	(80,289)
Discontinued operations			
Profit for the year from discontinued operations	8	**2,089**	8,652
Loss for the year		**(66,673)**	(71,637)
Other comprehensive income (loss) for the year, net of tax:			
Reclassification adjustment for disposal of available-for-sale financial assets		**–**	15,968
Exchange differences on consolidation		**266**	1,030
Share of other comprehensive loss of associates	18	**(127)**	–
		139	16,998
Total comprehensive loss for the year		**(66,534)**	(54,639)
(Loss) Profit attributable to:			
Equity holders of the Company	12	**(77,654)**	(68,192)
Non-controlling interests		**10,981**	(3,445)
		(66,673)	(71,637)
Total comprehensive (loss) income attributable to:			
Equity holders of the Company		**(77,648)**	(51,399)
Non-controlling interests		**11,114**	(3,240)
		(66,534)	(54,639)
Loss per share	14		*(adjusted)*
From continuing and discontinued operations			
Basic		**(HK42.98 cents)**	(HK33.00 cents)
Diluted		**(HK42.98 cents)**	(HK33.00 cents)
From continuing operations			
Basic		**(HK46.73 cents)**	(HK35.10 cents)
Diluted		**(HK46.73 cents)**	(HK35.10 cents)

Consolidated Statement of Financial Position

At 31 March 2013

	Note	2013 HK$'000	2012 HK$'000
Non-current assets			
Property, plant and equipment	*15*	**1,222**	3,975
Available-for-sale financial assets	*16*	**–**	–
Interests in associates	*18*	**22,462**	–
Intangible assets	*19*	**800**	800
Goodwill	*20*	**42,308**	40,910
		66,792	45,685
Current assets			
Inventories	*21*	**–**	2,541
Trade and other receivables	*22*	**31,132**	48,861
Bank balances and cash	*23*	**79,985**	55,041
		111,117	106,443
Current liabilities			
Trade and other payables	*24*	**20,048**	19,153
Tax payable		**2,187**	4,345
Promissory notes	*25*	**986**	5,000
		23,221	28,498
Net current assets		**87,896**	77,945
Total assets less current liabilities		**154,688**	123,630
Non-current liabilities			
Other non-current liabilities	*26*	**2,469**	–
Promissory notes	*25*	**4,373**	1,200
		6,842	1,200
NET ASSETS		**147,846**	122,430

Consolidated Statement of Financial Position

At 31 March 2013

	Note	2013 HK$'000	2012 HK$'000
Capital and reserves			
Share capital	*27*	**33,387**	69,039
Reserves		**110,187**	40,026
Equity attributable to equity holders of the Company		**143,574**	109,065
Non-controlling interests		**4,272**	13,365
TOTAL EQUITY		**147,846**	122,430

Approved and authorised for issue by the Board of Directors on 26 June 2013

Sung Ting Yee
Director

Chan Francis Ping Kuen
Director

Statement of Financial Position

At 31 March 2013

	Note	2013 HK$'000	2012 HK$'000
Non-current assets			
Investment in subsidiaries	*17*	**–**	–
Current assets			
Other receivables	*22*	**73**	73
Due from subsidiaries	*17*	**76,905**	88,078
Bank balances and cash	*23*	**77,687**	45,784
		154,665	133,935
Current liabilities			
Other payables	*24*	**850**	1,163
Due to subsidiaries	*17*	**2,419**	4,160
Promissory notes	*25*	**986**	5,000
		4,255	10,323
Net current assets		**150,410**	123,612
Total assets less current liabilities		**150,410**	123,612
Non-current liabilities			
Promissory notes	*25*	**4,373**	1,200
NET ASSETS		**146,037**	122,412
Capital and reserves			
Share capital	*27*	**33,387**	69,039
Reserves	*28*	**112,650**	53,373
TOTAL EQUITY		**146,037**	122,412

Approved and authorised for issue by the Board of Directors on 26 June 2013

Sung Ting Yee
Director

Chan Francis Ping Kuen
Director

Consolidated Statement of Changes in Equity

Year ended 31 March 2013

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

		Attributable to equity holders of the Company												
			Reserves											
	Note	Share capital HK$'000	Share premium HK$'000	Contributed surplus HK$'000	Exchange reserve HK$'000	Employee share-based payment reserve HK$'000	Warrant reserve HK$'000	Available-for-sale financial assets reserve HK$'000	Statutory reserve HK$'000	Accumulated losses HK$'000	Total reserves HK$'000	Subtotal HK$'000	Non-controlling interests HK$'000	Total HK$'000
At 1 April 2012		69,039	139,706	252,576	8,806	–	240	–	3,064	(364,366)	40,026	109,065	13,365	122,430
Loss for the year		–	–	–	–	–	–	–	–	(77,654)	(77,654)	(77,654)	10,981	(66,673)
Other comprehensive income (loss)														
Exchange difference on consolidation		–	–	–	133	–	–	–	–	–	133	133	133	266
Share of other comprehensive loss of associates		–	–	–	(127)	–	–	–	–	–	(127)	(127)	–	(127)
Total comprehensive income (loss) for the year		–	–	–	6	–	–	–	–	(77,654)	(77,648)	(77,648)	11,114	(66,534)
Transactions with equity holders														
Issue of consideration shares	*27(i)*	17,250	23,805	–	–	–	–	–	–	–	23,805	41,055	–	41,055
Acquisition of subsidiaries	*35*	–	–	–	–	–	–	–	–	–	–	–	(2,592)	(2,592)
Share reorganisation and capital reduction	*27(ii)*	(69,031)	(163,511)	232,542	–	–	–	–	–	–	69,031	–	–	–
Issue of unlisted warrants	*29(ii)*	–	–	–	–	–	1,350	–	–	–	1,350	1,350	–	1,350
Exercise of unlisted warrants	*29(ii)*	2,700	21,600	–	–	–	(1,350)	–	–	–	20,250	22,950	–	22,950
Deemed disposal of subsidiaries	*36*	–	–	–	(384)	–	–	–	(643)	643	(384)	(384)	(17,615)	(17,999)
Issue of shares upon open offer	*27(iv)*	9,979	13,138	–	–	–	–	–	–	–	13,138	23,117	–	23,117
Issue of shares upon top-up placing	*27(v)*	3,450	20,619	–	–	–	–	–	–	–	20,619	24,069	–	24,069
Transfer of statutory reserve		–	–	–	–	–	–	–	17	(17)	–	–	–	–
		(35,652)	(84,349)	232,542	(384)	–	–	–	(626)	626	147,809	112,157	(20,207)	91,950
At 31 March 2013		**33,387**	**55,357**	**485,118**	**8,428**	**–**	**240**	**–**	**2,438**	**(441,394)**	**110,187**	**143,574**	**4,272**	**147,846**

Consolidated Statement of Cash Flows

Year ended 31 March 2013

	Note	2013 HK$'000	2012 HK$'000
OPERATING ACTIVITIES			
(Loss) Profit before taxation			
From continuing operation		**(66,573)**	(83,854)
From discontinued operation		**7,765**	11,988
Allowances for bad and doubtful debts		**4,428**	20,760
Depreciation of property, plant and equipment		**624**	1,391
Loss on disposal of available-for-sale financial assets		**–**	15,815
Loss on deemed disposal of subsidiaries	*36*	**11,444**	–
Gain on disposal of subsidiaries	*37*	**–**	(935)
Impairment loss of goodwill		**62,200**	–
Impairment loss of property, plant and equipment		**–**	1,451
Impairment loss of intangible assets		**–**	30,695
Write-down of inventories		**–**	5,778
Interest income		**(106)**	(416)
Fair value change in promissory notes		**(2,091)**	300
Overprovision of business tax		**–**	(3,047)
Waiver of amount due to an ex-director		**(1,770)**	–
Write-back of trade and other payables		**(541)**	(19)
Share of results of associates		**(2,425)**	–
Changes in working capital			
Inventories		**(96)**	(1,423)
Trade and other receivables		**(32,202)**	(5,814)
Trade and other payables		**10,124**	(10,394)
Exchange difference		**233**	–
Cash used in operations		**(8,986)**	(17,724)
Income taxes paid		**(1,699)**	(1,443)
Net cash used in operating activities		**(10,685)**	(19,167)
INVESTING ACTIVITIES			
Interest received		**106**	416
Acquisition of subsidiaries	*35*	**(27,519)**	(15,481)
Purchase of property, plant and equipment		**(389)**	(616)
Purchase of intangible assets		**–**	(61)
Disposal of available-for-sale financial assets		**–**	542
Deemed disposal of subsidiaries	*36*	**(3,055)**	–
Disposal of subsidiaries	*37*	**–**	(4)
Net cash used in investing activities		**(30,857)**	(15,204)

	Note	2013 HK$'000	2012 HK$'000
FINANCING ACTIVITIES			
Proceeds from shares issued upon exercise of unlisted warrants	*29(ii)*	**24,300**	–
Proceeds from shares issued upon open offer	*27(iv)*	**23,117**	29,697
Proceeds from shares issued upon top-up placing	*27(v)*	**24,069**	–
Repayment of promissory notes		**(5,000)**	–
Net cash from financing activities		**66,486**	29,697
Net increase (decrease) in cash and cash equivalents		**24,944**	(4,674)
Cash and cash equivalents at beginning of reporting period		**55,041**	59,628
Effect on foreign exchange rate changes, net		**–**	87
Cash and cash equivalents at end of reporting period, represented by bank balances and cash		**79,985**	55,041

Notes to the Consolidated Financial Statements

Year ended 31 March 2013

1. CORPORATE INFORMATION

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

The principal activity of the Company is investment holding and the principal activities of its subsidiaries are set out in note 17 to the consolidated financial statements.

2. STATEMENT OF COMPLIANCE

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

These consolidated financial statements have been prepared on a basis consistent with the accounting policies adopted in the 2012 consolidated financial statements. The adoption of certain new / revised HKFRSs that are relevant to the Group and effective from the current year had no significant effects on the results and financial position of the Group and the Company for current and prior years.

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

3. PRINCIPAL ACCOUNTING POLICIES

Basis of measurement

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

Basis of consolidation

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

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

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

Allocation of total comprehensive income

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

Changes in ownership interest

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

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

3. PRINCIPAL ACCOUNTING POLICIES *(Continued)*

Subsidiaries

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

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

Associates

An associate is an entity in which the Group has significant influence and which is neither a subsidiary nor a joint venture.

The Group's investment in associates is accounted for under the equity method of accounting. The consolidated statement of comprehensive income includes the Group's share of the post-acquisition results of the associates for the year. The consolidated statement of financial position includes the Group's share of the net assets of the associates and also goodwill. The Group discontinues recognising its share of further losses when the Group's share of losses of the associates equals or exceeds the carrying amount of its interest in the associates, which includes any long term interests that, in substance, form part of the Group's net investment in the associates.

Unrealised profits and losses resulting from transactions between the Group and its associates are eliminated to the extent of the Group's interest in the associates, except where unrealised losses provide evidence of an impairment of the asset transferred, in which case they are recognised immediately in profit or loss.

On the loss of significant influence, the Group remeasures any retained interest in the former associate at fair value. The difference between the fair value of any retained investment and proceeds from disposing of the part interest in the associate and the carrying amount of the investment at the date when significant influence is lost is recognised in profit or loss. In addition, all amounts previously recognised in other comprehensive income in respect of the former associate are accounted for on the same basis as would be required if the former associate had directly disposed of the related assets or liabilities. The fair value of the retained interest on the date of ceasing to be an associate is regarded as the fair value on initial recognition as a financial asset subsequently.

Business combinations

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

3. PRINCIPAL ACCOUNTING POLICIES *(Continued)*

Business combinations *(Continued)*

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

If the business combination is achieved in stages, the acquisition date carrying value of the acquirer's previously held equity interest in the acquiree is remeasured to fair value as at the acquisition date; any gains or losses arising from such re-measurement are recognised in profit or loss.

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

Goodwill

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

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

In respect of a subsidiary, any excess of the acquisition date amounts of the identifiable assets acquired and the liabilities assumed of the acquired subsidiary over the sum of the consideration transferred, the amount of any non-controlling interests in the acquiree and the fair value of the acquirer's previously held interest in the acquiree, if any, after reassessment, is recognised immediately in profit or loss as a bargain purchase.

Discontinued operation

A discontinued operation is a component of the Group that comprises operations and cash flows that can be clearly distinguished, operationally and for financial reporting purposes, from the rest of the Group. It represents a separate major line of business or geographical area of operations, or is part of a single co-ordinated plan to dispose of a separate major line of business or geographical area of operations, or is a subsidiary acquired exclusively with a view to resale. Classification as a discontinued operation occurs upon disposal or when the operation meets the criteria to be classified as held for sale, if earlier. It also occurs when the operation is abandoned.

3. PRINCIPAL ACCOUNTING POLICIES *(Continued)*

Intangible assets (other than goodwill)

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

Research and development costs

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

Property, plant and equipment

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

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

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

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

3. PRINCIPAL ACCOUNTING POLICIES *(Continued)*

Financial instruments

Recognition and derecognition

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

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

Classification and measurement

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

Loans and receivables

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

Financial liabilities

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

Promissory notes

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

Impairment of financial assets

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

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

3. PRINCIPAL ACCOUNTING POLICIES *(Continued)*

Financial instruments *(Continued)*

Impairment of financial assets (Continued)

The impairment loss of financial assets carried at amortised cost is measured as the difference between the asset's carrying amount and the present value of estimated future cash flows discounted at the financial asset's original effective interest rate. Such impairment loss is reversed in subsequent periods through profit or loss when an increase in the asset's recoverable amount can be related objectively to an event occurring after the impairment was recognised, subject to a restriction that the carrying amount of the asset at the date the impairment is reversed does not exceed what the amortised cost would have been had the impairment not been recognised.

Cash equivalents

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

Revenue recognition

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

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

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

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

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

Foreign currency translation

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

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

3. PRINCIPAL ACCOUNTING POLICIES *(Continued)*

Foreign currency translation *(Continued)*

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

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

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

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

- On disposal of a foreign operation, which includes the disposal of the Group's entire interest in a foreign operation, the loss of control of a subsidiary that includes a foreign operation, the loss of significant influence over an associate that includes a foreign operation, and the loss of joint control over a jointly controlled entity that includes a foreign operation, the cumulative amount of the exchange differences deferred in the separate component of equity relating to that foreign operation is reclassified from equity to profit or loss when the gain or loss on disposal is recognised;

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

- On all other partial disposals, which includes partial disposal of associates or jointly controlled entities that do not result in the Group losing significant influence or joint control, the proportionate share of the cumulative amount of exchange differences recognised in the separate component of equity is reclassified to profit or loss.

Inventories

Inventories are stated at the lower of cost and net realisable value. Cost, which comprises all costs of purchase and, where applicable, cost of conversion and other costs that have been incurred in bringing the inventories to their present location and condition, is calculated using the weighted average cost method. Net realisable value represents the estimated selling price in the ordinary course of business less the estimated costs of completion and the estimated costs necessary to make the sale.

When inventories are sold, the carrying amount of those inventories is recognised as an expense in the period in which the related revenue is recognised. The amount of any write-down of inventories to net realisable value and all losses of inventories are recognised as an expense in the period when the write-down or loss occurs. The amount of any reversal of any write-down of inventories is recognised as a reduction in the amount of inventories recognised as an expense in the period in which the reversal occurs.

3. PRINCIPAL ACCOUNTING POLICIES *(Continued)*

Impairment of other assets

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

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

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

Leases

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

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

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

Employee benefits

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

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

3. PRINCIPAL ACCOUNTING POLICIES *(Continued)*

Employee benefits *(Continued)*

Defined contribution plans (Continued)

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

Share-based payment transactions

Equity-settled transactions

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

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

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

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

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

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

3. PRINCIPAL ACCOUNTING POLICIES *(Continued)*

Taxation

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

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

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

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

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

Related parties

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

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

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

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

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

3. PRINCIPAL ACCOUNTING POLICIES *(Continued)*

Related parties *(Continued)*

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

(a) that person's children and spouse or domestic partner;
(b) children of that person's spouse or domestic partner; and
(c) dependants of that person or that person's spouse or domestic partner.

In the definition of a related party, an associate includes subsidiaries of the associate and a joint venture includes subsidiaries of the joint venture.

Segment reporting

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

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

Critical accounting estimates and judgements

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

(a) *Critical judgements made in applying accounting policies*

Subsidiary governed under contractual arrangements

A subsidiary of the Company, 北京瑞斯康柏科技有限公司 ("Reese Compaq") had entered into a set of control agreements and supplemental agreements (the "Control Agreements") with 北京智勝環宇科技有限公司 ("Outwitting Huanyu") and the two legal owners of Outwitting Huanyu on 30 December 2011. In accordance with the terms of the Control Agreements, Reese Compaq is able to govern the financial and operating policies of Outwitting Huanyu and Reese Compaq can enjoy all of the economic benefits of Outwitting Huanyu because:

3. PRINCIPAL ACCOUNTING POLICIES *(Continued)*

Critical accounting estimates and judgements *(Continued)*

(a) Critical judgements made in applying accounting policies (Continued)

Subsidiary governed under contractual arrangements *(Continued)*

(i) the board of directors of Outwitting Huanyu is controlled by Reese Compaq pursuant to the management appointment agreements and the directors' undertakings;

(ii) the general meeting of Outwitting Huanyu is controlled by Reese Compaq pursuant to the legal owners' undertakings and the directors' undertakings; and

(iii) all the benefits arising from the entire equity interests in Outwitting Huanyu is entirely conveyed to Reese Compaq pursuant to the share charge, exclusive consultancy service agreement and loan agreement.

The Company believes that, notwithstanding the lack of equity ownership, the Control Agreements give the Company control over Outwitting Huanyu in substance. Accordingly, Outwitting Huanyu is accounted for as a subsidiary of the Company.

(b) Key sources of estimation uncertainty

Allowance for bad and doubtful debts

The provisioning policy for bad and doubtful debts of the Group is based on the evaluation by management of the collectability of the trade receivables. A considerable amount of judgement is required in assessing the ultimate realisation of these receivables, including assessing the current creditworthiness and the past collection history of each customer. If the financial conditions of these customers were to deteriorate, resulting in an impairment of their ability to make payments, additional allowance will be required. At the end of the reporting period, the carrying amount of trade receivables after provision for impairment amounted to HK$21,900,000 *(2012: HK$22,974,000)*.

Impairment of investments and receivables

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

Impairment of goodwill

The Group determines whether goodwill is impaired at least on an annual basis. This requires an estimation of the value in use of the cash-generating units to which the goodwill is allocated. Estimating the value in use requires the Group to make an estimate of the expected cash flows from the cash-generating unit and to choose a suitable discount rate in order to calculate the present value of those cash flows. Details of the estimates used to calculate the recoverable amount are given in note 20 to the consolidated financial statements.

3. PRINCIPAL ACCOUNTING POLICIES *(Continued)*

Critical accounting estimates and judgements *(Continued)*

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

Impairment of other assets

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

Future changes in HKFRSs

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

Amendments to HKAS 1	*Presentation of items of other comprehensive income* [1]
HKAS 19 (2011)	*Employee Benefits* [2]
HKAS 27 (2011)	*Separate Financial Statements* [2]
HKAS 28 (2011)	*Investments in Associates and Joint Ventures* [2]
HKFRS 10	*Consolidated financial statements* [2]
HKFRS 11	*Joint Arrangements* [2]
HKFRS 12	*Disclosures of Interests in Other Entities* [2]
Amendments to HKFRS 10, HKFRS 11, HKFRS 12	*Additional transition relief – Consolidated financial statements, Joint Arrangements, Disclosures of Interests in Other Entities* [2]
HKFRS 13	*Fair value measurement* [2]
Various HKFRSs	*Annual Improvements Project – 2009-2011 Cycle* [2]
Amendments to HKFRS 7	*Disclosure – Offsetting Financial Assets and Financial Liabilities* [2]
Amendments to HKAS 32	*Presentation – Offsetting Financial Assets and Financial Liabilities* [3]
Amendments to HKAS 27 (2011), HKFRS 10, HKFRS 12	*Investment Entities – Amendments to Separate Financial Statements, Consolidated Financial Statements, Disclosures of Interests in Other Entities* [3]
HKFRS 9	*Financial Instruments* [4]
Amendments to HKFRS 9 and HKFRS 7	*Mandatory Effective Date of HKFRS 9, Financial Instruments, and Transition Disclosure* [4]

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

The directors do not anticipate that the adoption of these new / revised HKFRSs in future periods will have any material impact on the results of the Group.

4. SEGMENTAL INFORMATION

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

– Lightning electromagnetic pulse protection segment which provides integrated solutions for lightning electromagnetic pulse protection and its related engineering design, construction and technical services;

– Payment gateway segment which provides e-payment services;

– Energy management segment which provides energy and other resources management and conservation system and integrated solutions; and

– Telecommunication optic fiber segment which manufactures and trades products related to optimal optical fibers, electric power network systems and equipment and provides associated services, which is considered as the discontinued operations as detailed in note 8 to the consolidated financial statements.

(a) Segment results, assets and liabilities

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

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

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

4. SEGMENTAL INFORMATION *(Continued)*

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

Information regarding the Group's reporting segments as provided to the Group's chief operating decision maker for the purposes of resource allocation and assessment of segment performance for the years ended 31 March 2013 and 2012 is set out below.

Continuing operations

	Lightning electromagnetic pulse protection business		Payment gateway business		Energy management business		Consolidated	
	2013 HK$'000	2012 HK$'000	2013 HK$'000	2012 HK$'000	2013 HK$'000	2012 HK$'000	2013 HK$'000	2012 HK$'000
Segment revenue								
Sale / Services to external customers	16,090	–	-	3,981	18,439	2,338	34,529	6,319
Segment results	9,070	–	(6,775)	(59,033)	2,267	(425)	4,562	(59,458)
Unallocated income							4,302	430
Unallocated expenses							(77,862)	(24,826)
Share of results of associates							2,425	–
Loss before taxation							(66,573)	(83,854)
Income tax (expenses) credit							(2,189)	3,565
Loss for the year from continuing operations							(68,762)	(80,289)
Assets and liabilities								
Segment assets	35,192	–	1,442	5,388	40,835	33,928	77,469	39,316
Assets relating to discontinued operations							-	49,523
Unallocated assets, including interests in associates							100,440	63,289
Consolidated total assets							177,909	152,128
Segment liabilities	4,154	–	2,032	4,221	12,941	2,547	19,127	6,768
Liabilities relating to discontinued operations							-	13,166
Unallocated liabilities							10,936	9,764
Consolidated total liabilities							30,063	29,698
Other segment information								
Depreciation	20	–	160	967	172	31	352	998
Capital expenditure	133	–	-	883	328	347	461	1,230
Goodwill – additions	78,473	–	-	–	-	26,035	78,473	26,035
Impairment loss of goodwill	55,000	–	-	–	7,200	–	62,200	–
Impairment loss of intangible assets	-	–	-	30,695	-	–	-	30,695
Impairment loss of property, plant and equipment	-	–	-	1,451	-	–	-	1,451
Write-down of inventories	-	–	-	5,778	-	–	-	5,778
Research and development costs	-	–	-	–	4,582	–	4,582	–
Allowance for bad and doubtful debts	-	–	918	20,760	3,510	–	4,428	20,760
Gain on disposal of subsidiaries	-	–	-	935	-	–	-	935
Gain arising from fair value change in promissory notes	1,877	–	-	–	214	–	2,091	–

4. SEGMENTAL INFORMATION *(Continued)*

(b) Geographical information

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

(c) Information about major customers

For the year ended 31 March 2013, four customers *(2012: Nil)* that individually accounted for over 10% of total revenue for continuing operations of the Group are set out below:

	Lightning electromagnetic pulse protection business		Payment gateway business		Energy management business		Consolidated	
	2013	2012	**2013**	2012	**2013**	2012	**2013**	2012
	HK$'000	HK$'000	**HK$'000**	HK$'000	**HK$'000**	HK$'000	**HK$'000**	HK$'000
Customer A	**7,994**	–	**–**	–	**1,888**	–	**9,882**	–
Customer B	**–**	–	**–**	–	**7,407**	–	**7,407**	–
Customer C	**4,935**	–	**–**	–	**–**	–	**4,935**	–
Customer D	**2,469**	–	**–**	–	**2,099**	–	**4,568**	–
	15,398	–	**–**	–	**11,394**	–	**26,792**	–

5. TURNOVER AND REVENUE

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

	Group	
	2013	2012
	HK$'000	HK$'000
Rendering of services	**30,677**	6,319
Sale of goods	**3,852**	–
Turnover	**34,529**	6,319
Interest income	**103**	410
Other revenue	**103**	410
Total turnover and revenue	**34,632**	6,729

6. OTHER INCOME

	Group	
	2013	2012
	HK$'000	HK$'000
Gain arising from fair value change of promissory notes	**2,091**	–
Gain on disposal of subsidiaries	**–**	935
Overprovision of business tax	**–**	3,047
Overprovision of staff social welfare	**–**	936
Subsidy income for research and development	**–**	308
Sundry income	**42**	10
Waiver of amount due to an ex-director	**1,770**	–
Write-back of other payables	**350**	19
	4,253	5,255

7. LOSS BEFORE TAXATION

Loss before taxation from both continuing and discontinued operations is stated after charging (crediting):

	Group	
	2013	2012
	HK$'000	HK$'000
Employee benefit expenses (including directors' remuneration)		
Salaries, allowances and benefits in kind	**7,426**	7,369
Contribution to defined contribution schemes	**2,331**	1,477
	9,757	8,846
Other items		
Allowance for bad and doubtful debts		
Trade receivables	**3,665**	20,272
Other receivables	**763**	488
Auditor's remuneration	**830**	470
Cost of goods sold (including relevant employee benefit expenses and depreciation)	**6,569**	6,895
Cost of services rendered (including relevant employee benefit expenses and depreciation)	**5,784**	866
Depreciation of property, plant and equipment	**624**	1,391
Exchange losses, net	**90**	105
(Gain) Loss arising on change in fair value of promissory notes	**(2,091)**	300
Impairment loss of goodwill*	**62,200**	–
Impairment loss of intangible assets*	**–**	30,695
Impairment loss of property, plant and equipment*	**–**	1,451
Loss on disposal of available-for-sale financial assets	**–**	15,815
Operating lease payments for premises	**1,530**	2,197
Research and development costs	**4,650**	95
Write-down of inventories	**–**	5,778

* Included in other operating expenses.

8. DISCONTINUED OPERATIONS

On 12 September 2012, China Optic Communication Technology Limited ("China Optic BVI"), a non-wholly owned subsidiary of the Company which manufactures and trades products related to optimal optical fibers, electric power network systems and equipment and provides associated services, entered into a subscription agreement with an independent third party (the "Investor") pursuant to which China Optic BVI would allot and issue and the Investor would subscribe for approximately 4.85% of issued share capital of China Optic BVI, at a consideration of HK$7 million (the "Deemed Disposal"). Upon completion of the Deemed Disposal on 15 December 2012, the Group's equity interest in China Optic BVI was diluted from 50.1% to 47.67%.

Management considers China Optic BVI whereby the Group had control had been discontinued and thereby constituted discontinued operations. Accordingly, certain comparative figures in the consolidated statement of comprehensive income have been re-presented to separately reflect the results of the continuing operations and discontinued operations. The results and cash flows of the discontinued operations for the period from 1 April 2012 to 15 December 2012 together with its comparative figures for the year ended 31 March 2012 have been analysed as follows:

(a) Profit for the year from discontinued operations

	2013	2012
	HK$'000	HK$'000
Turnover	**23,991**	22,197
Cost of services rendered and cost of goods sold	**(4,029)**	(6,886)
	19,962	15,311
Other revenue	**3**	6
Other income	**884**	–
Selling and distribution costs	**(155)**	(1,565)
Administrative expenses	**(1,485)**	(1,764)
Profit before taxation	**19,209**	11,988
Income tax expenses	**(5,676)**	(3,336)
Profit for the year	**13,533**	8,652
Loss on deemed disposal of subsidiaries *(Note 36)*	**(11,444)**	–
Profit for the year from discontinued operations	**2,089**	8,652

8. DISCONTINUED OPERATIONS *(Continued)*

(b) The net cash inflows (outflows) attributable to discontinued operations

	2013 HK$'000	2012 HK$'000
Net cash flows		
Operating activities	**2,218**	1,425
Investing activities	**(47)**	(1,192)
Financing activities	**–**	–
Total net cash inflows	**2,171**	233

9. DIRECTORS' REMUNERATION

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

	2013			
	Directors' fees HK$'000	**Salaries, allowances and benefits in kind** HK$'000	**Contribution to defined contribution scheme** HK$'000	**Total** HK$'000
Executive directors				
Chan Francis Ping Kuen	**120**	**–**	**6**	**126**
Chan Hin Wing, James	**120**	**–**	**6**	**126**
Yuan Shengjun (resigned on 3 December 2012)	**80**	**89**	**–**	**169**
	320	**89**	**12**	**421**
Independent non-executive directors				
Cheung Chi Hwa, Justin	**60**	**–**	**–**	**60**
Kwok Chi Sun, Vincent	**60**	**–**	**–**	**60**
Yeung Kam Yan	**60**	**–**	**–**	**60**
	180	**–**	**–**	**180**
	500	**89**	**12**	**601**

9. DIRECTORS' REMUNERATION *(Continued)*

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

There was no arrangement under which a director waived or agreed to waive any remuneration for the years ended 31 March 2013 and 2012. In addition, no emoluments were paid by the Group to any of the directors as an inducement to join, or upon joining the Group or as a compensation for loss of office for the years ended 31 March 2013 and 2012.

10. FIVE HIGHEST PAID INDIVIDUALS

None of the directors were the five highest paid individuals during the year. During the year ended 31 March 2012, one director was among the five highest paid individuals, details of whose remuneration are set out in note 9 to the consolidated financial statements above. Details of the remuneration of the five *(2012: four)* highest paid individuals, who are employees of the Group, are as follows:

	Group	
	2013	2012
	HK$'000	HK$'000
Salaries, allowances and benefits in kind	**2,221**	1,258
Contribution to defined contribution scheme	**67**	40
	2,288	1,298

The five *(2012: four)* highest paid individuals' remuneration falls within the following band:

	Number of employees	
	2013	2012
Nil to HK$1,000,000	**5**	4

No remuneration was paid by the Group to any of the five highest paid individuals as an inducement to join or upon joining the Group, or as a compensation for loss of office during the years ended 31 March 2013 and 2012.

There was no arrangement under which any of the five highest paid individuals waived or agreed to waive any remuneration for the years ended 31 March 2013 and 2012.

11. TAXATION

Hong Kong Profits Tax has not been provided as the Group incurred a loss for taxation purposes for the years ended 31 March 2013 and 2012.

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

	Group	
	2013	2012
	HK$'000	HK$'000
Continuing operations		
Current tax		
PRC enterprise income tax		
Current year	**2,189**	443
Overprovision in prior years	**–**	(4,008)
Income tax expenses (credit) from continuing operations	**2,189**	(3,565)
Discontinued operations		
Current tax		
PRC enterprise income tax, current year	**5,676**	3,336
Total income tax expenses (credit) from continuing and discontinued operations	**7,865**	(229)

Reconciliation of effective tax rate from continuing operations:

	Group	
	2013	2012
	%	%
Applicable tax rate	**(16.4)**	(22.6)
Share of results of associates	**(0.6)**	–
Effect of tax concession	**–**	0.3
Non-deductible expenses	**4.2**	1.4
Non-taxable revenue	**(1.0)**	(0.2)
Unrecognised tax losses	**2.5**	5.3
Unrecognised temporary differences	**15.4**	15.8
Utilisations of previously unrecognised tax losses	**(0.8)**	–
Overprovision in prior years	**–**	(4.3)
Others	**–**	0.1
Effective tax rate for the year	**3.3**	(4.2)

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

12. LOSS ATTRIBUTABLE TO EQUITY HOLDERS OF THE COMPANY

The loss attributable to equity holders of the Company for the year ended 31 March 2013 includes a loss of HK$88,916,000 *(2012: HK$25,232,000)* which has been dealt with in the financial statements of the Company.

13. DIVIDENDS

The directors of the Company do not recommend the payment of a dividend for the year *(2012: Nil)*.

14. LOSS PER SHARE

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

	2013	2012
	HK$'000	HK$'000
Loss attributable to equity holders of the Company from continuing and discontinued operations	**(77,654)**	(68,192)
Loss attributable to equity holders of the Company from continuing operations	**(84,434)**	(72,527)

	Number of shares	
	2013	2012 *(adjusted)*
Weighted average number of ordinary shares in issue during the year	**180,692,008**	206,648,085

The number of shares for the purpose of calculating basic loss per share for the years ended 31 March 2013 and 2012 has been adjusted to reflect (i) the bonus element of open offer of shares completed in February 2013 and (ii) the impact of the capital reorganisation effected subsequent to the end of the reporting period as set out in note 41(iii) to the consolidated financial statements.

For the years ended 31 March 2013 and 2012, diluted loss per share is the same as basic loss per share as the potential ordinary shares issuable under the unlisted warrants have anti-dilutive effects on the basic loss per share.

15. PROPERTY, PLANT AND EQUIPMENT

Group

	Plant and machinery HK$'000	Leasehold improvements HK$'000	Furniture and fixtures HK$'000	Computer and office equipment HK$'000	Total HK$'000
Cost					
At 1 April 2011	3,030	545	272	25,262	29,109
Additions	7	802	–	116	925
Acquisition of subsidiaries	–	–	–	670	670
Disposal of subsidiaries	–	(457)	(99)	(4,162)	(4,718)
Exchange realignment	75	13	7	624	719
At 31 March 2012 and 1 April 2012	3,112	903	180	22,510	26,705
Additions	29	–	290	70	389
Acquisition of subsidiaries	–	–	38	84	122
Deemed disposal of subsidiaries	(3,179)	(102)	(76)	(265)	(3,622)
Exchange realignment	39	1	1	3	44
At 31 March 2013	**1**	**802**	**433**	**22,402**	**23,638**
Accumulated depreciation and impairment					
At 1 April 2011	252	182	105	22,691	23,230
Depreciation	308	227	49	807	1,391
Acquisition of subsidiaries	–	–	–	356	356
Impairment loss	–	–	–	1,451	1,451
Disposal of subsidiaries	–	(381)	(31)	(3,894)	(4,306)
Exchange realignment	10	7	3	588	608
At 31 March 2012 and 1 April 2012	570	35	126	21,999	22,730
Depreciation	209	174	62	179	624
Acquisition of subsidiaries	–	–	17	30	47
Deemed disposal of subsidiaries	(789)	(49)	(39)	(119)	(996)
Exchange realignment	10	1	–	–	11
At 31 March 2013	**–**	**161**	**166**	**22,089**	**22,416**
Net book value					
At 31 March 2013	**1**	**641**	**267**	**313**	**1,222**
At 31 March 2012	2,542	868	54	511	3,975

15. PROPERTY, PLANT AND EQUIPMENT *(Continued)*

As a result of the implementation of the regulations governing the payment by deduction industry by the PRC government, during the year ended 31 March 2012, the Group carried out a review of the recoverable amount of the computer and office equipment which were used in the Group's payment gateway business segment. The review led to the recognition of an impairment loss of HK$1,451,000 in profit or loss for the year ended 31 March 2012. The recoverable amount is expected to be minimal. The impairment loss has been included in the "other operating expenses" line item in the consolidated statement of comprehensive income.

16. AVAILABLE-FOR-SALE FINANCIAL ASSETS

	Group	
	2013	2012
	HK$'000	HK$'000
Unlisted equity investments, at fair value		
At beginning of the reporting period	**–**	389
Disposals	**–**	(389)
At end of the reporting period	**–**	–

During the year ended 31 March 2012, the available-for-sale financial assets were sold at a consideration of HK$542,000.

17. INTERESTS IN SUBSIDIARIES

	Company	
	2013	2012
	HK$'000	HK$'000
Unlisted shares, at cost	**–**	–
Due from subsidiaries	**76,905**	88,078
Due to subsidiaries	**(2,419)**	(4,160)
	74,486	83,918

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

17. INTERESTS IN SUBSIDIARIES *(Continued)*

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

Name of subsidiary	Place of incorporation / registration and operations	Nominal value of issued ordinary shares / registered capital	Percentage of equity attributable to the Company Direct	Percentage of equity attributable to the Company Indirect	Principal activities
Upper Power Limited ("Upper Power")	British Virgin Islands	US$1	100%	–	Investment holding
Beaming Investments Limited	British Virgin Islands	US$1	–	100%	Investment holding
Media Magic Technology Limited ("Media Magic")	British Virgin Islands	US$55,556	–	100%	Investment holding
Multi Channel Technology Limited	Hong Kong	HK$100	–	100%	Investment holding
PalmPay Technology Company Limited* 北京互聯視通科技有限公司	The PRC	RMB22,836,000	–	100%	Provision of payment gateway services and energy management services
Brilliant Ally Limited	British Virgin Islands	US$1	–	100%	Investment holding
Power Chance Holdings Limited	British Virgin Islands	US$1	–	100%	Investment holding
Viva Champion Limited ("Viva Champion")	British Virgin Islands	US$200	–	51%	Investment holding
Maxton Limited	Hong Kong	HK$1	–	51%	Investment holding
Nanjing Go Xin Software Technology Limited* 南京高信軟件科技有限公司	The PRC	US$935,000	–	51%	Provision of energy management services

17. INTERESTS IN SUBSIDIARIES

Name of subsidiary	Place of incorporation / registration and operations	Nominal value of issued ordinary shares / registered capital	Percentage of equity attributable to the Company Direct	Percentage of equity attributable to the Company Indirect	Principal activities
Boomtech Limited (“Boomtech”)	British Virgin Islands	US$100	–	55%	Investment holding
Fantastic Limited	Hong Kong	HK$1	–	55%	Investment holding
Beijing Reese Compaq Technology Company Limited (“Reese Compaq”)* 北京瑞斯康柏科技有限公司	The PRC	RMB2,000,000	–	55%	Trading in raw material of lightning rod
Beijing Outwitting Huanyu Technology Company Limited (“Outwitting Huanyu”)* 北京智勝環宇科技有限公司	The PRC	RMB3,600,000	–	55% *<Remark>*	Provision of integrated solution for lightning electromagnetic protection service

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

<Remark>
By implementation of a set of control agreements, the Company through Reese Compaq has obtained control over Outwitting Huanyu in substance and therefore, Outwitting Huanyu is accounted for as a subsidiary of the Company.

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

18. INTERESTS IN ASSOCIATES

	Group	
	2013	2012
	HK$'000	HK$'000
Unlisted shares, at cost	**20,164**	–
Share of net assets	**2,298**	–
	22,462	–

18. INTERESTS IN ASSOCIATES *(Continued)*

Particulars of the associates at the end of the reporting period are as follows:

Name of associate	Place of incorporation / registration and operations	Nominal value of issued ordinary shares / registered capital	Proportion of nominal value of issued / registered capital held by the Group	Principal activities
China Optic BVI	British Virgin Islands	US$1,000	47.67%	Investment holding
China Optic Communication Technology Limited	Hong Kong	HK$1	47.67%	Investment holding
Wuhan Xiang Fei Ji Ye Communication Technology Limited* 武漢翔飛基業通信科技有限公司 *(formerly known as Huanggang Optical Communication Technology Limited* 黃岡奧泰科通訊科技有限公司)*	The PRC	RMB5,500,000	47.67%	Manufacturing and trading of products related to optimal optical fibers, telecommunications, electric power network systems and equipment
Shenzhen JiaYeTongHui Technology Limited* 深圳佳業同輝科技有限公司	The PRC	RMB2,000,000	47.67%	Trading of products related to optimal optical fibers, telecommunications, electric power network systems and equipment
Wuhan Xiang Yu Ji Ye Communication Technology Limited* 武漢市翔宇基業通信科技有限公司 ("Xiang Yu")	The PRC	RMB1,000,000	47.67%	Research, development and sale of telecommunication products

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

18. INTERESTS IN ASSOCIATES *(Continued)*

Upon the Deemed Disposal completed on 15 December 2012 as detailed in note 8 to the consolidated financial statements, the Group lost control over China Optic BVI and China Optic BVI and its subsidiaries have become associates of the Group since then.

The following table illustrates the summarised financial information of the associates as of 31 March 2013 and for the period from 16 December 2012 to 31 March 2013:

	2013
	HK$'000
Financial position at end of reporting period	
Total non-current assets	3,023
Total current assets	62,734
Total current liabilities	(18,636)
Net assets	47,121
Group's share of net assets of associates	22,462
Operating results for the period	
Total revenue	7,563
Total profit for the period	5,087
Group's share of post-acquisition results of associates	2,425
Group's share of post-acquisition other comprehensive loss of associates	(127)

The above financial information is prepared using the same accounting policies as those adopted by the Group.

19. INTANGIBLE ASSETS

Group

	Computer software HK$'000
Reconciliation of carrying amount – year ended 31 March 2012	
At 1 April 2011	31,047
Additions	61
Impairment	(30,695)
Exchange realignment	387
At 31 March 2012	800
Reconciliation of carrying amount – year ended 31 March 2013	
At 1 April 2012 and at 31 March 2013	**800**
At 31 March 2012	
Cost	31,495
Accumulated impairment losses	(30,695)
	800
At 31 March 2013	
Cost	**31,495**
Accumulated impairment losses	**(30,695)**
	800

19. INTANGIBLE ASSETS *(Continued)*

Computer software

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

During the year ended 31 March 2012, impairment loss of HK$30,695,000 was made on the computer software. The impairment loss has been included in the "other operating expenses" line item in the consolidated statement of comprehensive income.

20. GOODWILL

	Group	
	2013	2012
	HK$'000	HK$'000
At cost less accumulated impairment losses		
At beginning of the reporting period	**40,910**	14,308
Additions	**78,473**	26,602
Deemed disposals	**(14,875)**	–
Impairment loss	**(62,200)**	–
At end of the reporting period	**42,308**	40,910

In May 2012, the Group acquired 55% equity interests in Boomtech at an aggregate consideration of HK$75,305,000. The excess of the sum of the consideration transferred and the amount of any non-controlling interests in the acquiree over the acquisition-date amounts of the identifiable assets acquired and the liabilities assumed of HK$78,473,000 is recognised as goodwill.

Last year, the Group acquired 51% and 100% equity interests in Viva Champion and Xiang Yu at an aggregate consideration of HK$28,997,000 and HK$1,235,000 respectively. The excess of the sum of the consideration transferred and the amount of any non-controlling interests in the acquiree over the acquisition-date amounts of the identifiable assets acquired and the liabilities assumed of HK$26,602,000 in aggregate was recognised as goodwill.

20. GOODWILL *(Continued)*

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

		Group	
	Note	**2013 HK$'000**	2012 HK$'000
CGU			
Payment gateway business		**209,627**	209,627
Telecommunication optic fiber business	*(i)*	**–**	56,875
Energy management business	*(ii)*	**26,035**	26,035
Lightning electromagnetic pulse protection business	*(iii)*	**78,473**	–
Cost		**314,135**	292,537

		Group	
	Note	**2013 HK$'000**	2012 HK$'000
CGU			
Payment gateway business		**209,627**	209,627
Telecommunication optic fiber business	*(i)*	**–**	42,000
Energy management business	*(ii)*	**7,200**	–
Lightning electromagnetic pulse protection business	*(iii)*	**55,000**	–
Accumulated impairment losses		**271,827**	251,627

		Group	
	Note	**2013 HK$'000**	2012 HK$'000
CGU			
Payment gateway business		**–**	–
Telecommunication optic fiber business	*(i)*	**–**	14,875
Energy management business	*(ii)*	**18,835**	26,035
Lightning electromagnetic pulse protection business	*(iii)*	**23,473**	–
Net book value		**42,308**	40,910

20. GOODWILL *(Continued)*

(i) Telecommunication optic fiber business

Upon the Deemed Disposal as detailed in note 8 to the consolidated financial statements, the goodwill with carrying amount of HK$14,875,000 was derecognised and included in the determination of profit or loss on deemed disposal of subsidiaries.

(ii) Energy management business

The Group has appointed independent professional valuers, BMI Appraisals Limited ("BMI"), to perform an appraisal of the value of the energy management business as at 31 March 2013. The recoverable amount of the CGU has been determined based on a value-in-use calculation. That calculation uses cash flow projections based on financial budgets approved by the board of directors covering a 5-year period. Cash flows beyond the 5-year period has been extrapolated using a 3% long-term growth rate per annum. This growth rate is based on the relevant industry growth forecasts and does not exceed the average long-term growth rate for the relevant industry.

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

	2013	2012
	%	%
Gross margin	**55-75**	29
Average growth rate (per annum)	**3-14**	3-16
Long-term growth rate (per annum)	**3**	3
Discount rate (per annum)	**15**	14

As a result of the change in the business mode of the energy management business, the directors have decided to revise the key assumptions according to the recent development of its business mode. The discount rate used is pre-tax and reflects specific risks relating to the CGU.

As of 31 March 2013, in light that the energy management business had continued to operate on a satisfactory basis but without achieving the targeted profit as expected, the recoverable amount of the CGU is less than its carrying amount. Accordingly, the goodwill allocated to the energy management business was impaired by HK$7,200,000. The impairment loss has been included in the "other operating expenses" line item in the consolidated statement of comprehensive income.

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

20. GOODWILL *(Continued)*

(iii) Lightning electromagnetic pulse protection business

The Group has appointed independent professional valuers, BMI, to perform an appraisal of the value of the lightning electromagnetic pulse protection business as at 31 March 2013.

The recoverable amount of the CGU has been determined based on a value-in-use calculation. That calculation uses cash flow projections based on financial budgets approved by the board of directors covering a 5-year period. Cash flows beyond the 5-year period has been extrapolated using a 3% long-term growth rate per annum. This growth rate is based on the relevant industry growth forecasts and does not exceed the average long-term growth rate for the relevant industry.

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

	%
Gross margin	67
Average growth rate (per annum)	6-8
Long-term growth rate (per annum)	3
Discount rate (per annum)	24

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

As of 31 March 2013, in light of keen competition and the overall economic condition in the PRC, the recoverable amount of the CGU is less than its carrying amount. Accordingly, the goodwill allocated to the lightning electromagnetic pulse protection business was impaired by HK$55,000,000. The impairment loss has been included in the "other operating expenses" line item in the consolidated statement of comprehensive income.

21. INVENTORIES

	Group	
	2013	2012
	HK$'000	HK$'000
Raw materials	**–**	223
Finished goods	**–**	2,318
	–	2,541

22. TRADE AND OTHER RECEIVABLES

		Group		Company	
		2013	2012	**2013**	2012
	Note	**HK$'000**	HK$'000	**HK$'000**	HK$'000
Trade receivables from third parties		**103,814**	101,223	**–**	–
Allowance for bad and doubtful debts	*(ii)*	**(81,914)**	(78,249)	**–**	–
	(i)	**21,900**	22,974	**–**	–
Other receivables					
Prepayments		**6,950**	215	**–**	–
Deposits		**327**	16,072	**–**	–
Other receivables		**1,690**	9,600	**73**	73
Due from associates	*(iii)*	**265**	–	**–**	–
		9,232	25,887	**73**	73
		31,132	48,861	**73**	73

(i) Aging of trade receivables

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

	Group	
	2013	2012
	HK$'000	HK$'000
Less than 90 days	**17,509**	253
91 – 180 days	**1,704**	9,570
181 – 270 days	**1,481**	12,898
271 – 365 days	**119**	3
Over 1 year	**1,087**	250
	21,900	22,974

22. TRADE AND OTHER RECEIVABLES *(Continued)*

(ii) Allowance for bad and doubtful debts

	Group	
	2013	2012
	HK$'000	HK$'000
At beginning of reporting period	**78,249**	56,066
Increase in allowance	**3,665**	20,272
Exchange realignment	**–**	1,911
At end of reporting period	**81,914**	78,249

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

Included in the Group's trade receivables balance are debtors with a carrying amount of HK$7,275,000 *(2012: HK$22,560,000)*, which were past due at the end of the reporting period but not impaired as there has not been a significant change in credit quality and the directors believe that the amounts are fully recoverable. These relate to wide range of customers for whom there have been no recent history of default.

	Group	
	2013	2012
	HK$'000	HK$'000
Current	**14,625**	414
Less than 90 days past due	**4,084**	9,782
91 – 180 days past due	**1,807**	12,525
181 – 270 days past due	**17**	3
271 – 365 days past due	**165**	–
Over 1 year past due	**1,202**	250
	7,275	22,560
	21,900	22,974

(iii) Due from associates

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

23. BANK BALANCES AND CASH

	Group		Company	
	2013	2012	**2013**	2012
	HK$'000	HK$'000	**HK$'000**	HK$'000
Bank balances and cash				
Cash at bank and in hand	**39,946**	40,041	**37,648**	30,784
Fixed deposits	**40,039**	15,000	**40,039**	15,000
	79,985	55,041	**77,687**	45,784

Cash at bank earns interest at floating rates based on daily bank deposit rates. Short-term fixed deposits are made between one month to three months depending on the immediate cash requirement of the Group, and earn interest at the prevailing short-term deposit rates.

24. TRADE AND OTHER PAYABLES

		Group		Company	
		2013	2012	**2013**	2012
	Note	**HK$'000**	HK$'000	**HK$'000**	HK$'000
Trade payables	*(i)*	**4,845**	2,949	**–**	–
Accruals		**4,287**	3,942	**850**	1,163
Other tax payables		**2,437**	3,217	**–**	–
Other payables		**8,479**	7,152	**–**	–
Due to directors	*(ii)*	**–**	1,893	**–**	–
		20,048	19,153	**850**	1,163

(i) Aging of trade payables

At the end of the reporting period, the aging analysis of the trade payables based on invoice date is as follows:

	Group	
	2013	2012
	HK$'000	HK$'000
Less than 90 days	**2,302**	–
91 – 180 days	**1,605**	2,949
Over 180 days	**938**	–
	4,845	2,949

(ii) Due to directors

The amounts due to directors were unsecured, interest-free and had no fixed repayment term.

25. PROMISSORY NOTES

	Note	Group and Company 2013 HK$'000	2012 HK$'000
Carrying value at beginning of the reporting period		**6,200**	4,700
Issued during the year	*(i)*	**6,250**	1,200
Repayment of promissory notes	*(iii)*	**(5,000)**	–
Fair value change of promissory notes	*(i),(ii)*	**(2,091)**	300
Carrying value at end of the reporting period		**5,359**	6,200
Non-current		**4,373**	1,200
Current		**986**	5,000
		5,359	6,200

(i) Acquisition of 55% equity interest in Boomtech

A promissory note with principal amount of HK$8,250,000 was issued to a vendor on 23 May 2012 as part of the consideration for the acquisition of 55% equity interest in Boomtech (the "Boomtech Acquisition") as detailed in note 35 to the consolidated financial statements. The promissory note is interest-free and repayable on 23 May 2014. The Company has the right to repay the principal amount either in full or by partial payments in multiples of HK$1,000,000, from the date after the Profit Guarantee 2013 has been achieved to the day before the maturity date with a prior written notice of not less than 5 working days to the vendor.

Pursuant to the agreements entered into in January 2012 in relation to the Boomtech Acquisition, a vendor and its shareholder have guaranteed that the audited consolidated net profit before taxation of Boomtech for the 15 months ended 31 March 2013 shall not be less than HK$15,000,000 (the "Profit Guarantee 2013").

As a security for the Profit Guarantee 2013, the promissory note is escrowed by the Company and will only be released to the vendor upon fulfillment of the Profit Guarantee 2013. In case the Profit Guarantee 2013 is not fulfilled, all or part of the promissory note will be set off against to make up any shortfall which is calculated at 55% of the difference between the Profit Guarantee 2013 and the audited consolidated net profit before taxation of Boomtech for the 15 months ended 31 March 2013 (the "Shortfall 2013"). In case if there is a loss, the profit should be treated as zero. If the principal amount of the promissory note is insufficient to cover the Shortfall 2013, the vendor should pay to the Group in cash the remaining Shortfall 2013.

25. PROMISSORY NOTES *(Continued)*

(i) Acquisition of 55% equity interest in Boomtech *(Continued)*

On completion of the Boomtech Acquisition on 23 May 2012, the fair value of the promissory note was valued by BMI, independent professional valuers, on the market value basis using a valuation technique based on assumptions that are not supported by observable market prices or rates. The fair value of the contingent consideration is estimated to be approximately HK$6,250,000 based on a discount rate of 3% per annum, and assumed probability-adjusted consolidated net profit before taxation of Boomtech ranged from HK$12,000,000 to HK$18,000,000.

As of 31 March 2013, the fair value of the promissory note is adjusted to approximately HK$4,373,000 because of the removal of the contingent element after the non-fulfillment of the Profit Guarantee 2013.

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

A promissory note with principal amount of HK$4,000,000 was issued to a vendor on 16 November 2011 as part of the consideration for the acquisition of 51% equity interest in Viva Champion (the "Viva Champion Acquisition") as detailed in note 35 to the consolidated financial statements. The promissory note is interest-free and repayable on 15 November 2013. The Company has the right to repay the principal amount either in full or by partial payments in multiples of HK$1,000,000, from the date after the Profit Guarantee 2012 has been achieved to the day before the maturity date with a prior written notice of not less than 5 working days to the vendor.

Pursuant to the agreements entered into in October 2011 in relation to the Viva Champion Acquisition, a vendor and its shareholder have guaranteed that the audited consolidated net profit after taxation of Viva Champion for the financial year ended 31 December 2012 shall not be less than RMB6,500,000 (equivalent to approximately HK$7,995,000) (the "Profit Guarantee 2012").

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

As of 16 November 2011 (date of completion of the Viva Champion Acquisition) and 31 March 2012, the fair value of the promissory note valued by BMI was estimated to be approximately HK$1,200,000.

As of 31 March 2013, the fair value of the promissory note is adjusted to approximately HK$986,000 because of the removal of the contingent element after the non-fulfillment of Profit Guarantee 2012.

25. PROMISSORY NOTES *(Continued)*

(iii) Acquisition of 50.1% equity interest in China Optic BVI

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

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

As a security for the Profit Guarantee 2011, the promissory note was escrowed by the Company and would only be released to the vendor upon fulfillment of the Profit Guarantee 2011. In case the Profit Guarantee 2011 is not fulfilled, all or part of the promissory note would be set off against to make up any shortfall which is calculated at 50.1% of the difference between the Profit Guarantee 2011 and the audited consolidated net profit after taxation of China Optic BVI for the year ended 31 December 2011 (the “Shortfall 2011”). In case if there is a loss, the profit should be treated as zero. If the principal amount of the promissory note is insufficient to cover the Shortfall 2011, the vendor should pay to the Group in cash the remaining Shortfall 2011.

In May 2012, the Company fully repaid the promissory note.

26. OTHER NON-CURRENT LIABILITIES

The amount represented loan from a key management personnel of the Group, who has subsequently been appointed as the Executive Director and the Chief Executive Officer of the Company on 13 May 2013, for the purpose of the reorganisation of Boomtech prior to the Boomtech Acquisition. The amount due is unsecured, interest-free and repayable on 30 December 2016.

27. SHARE CAPITAL

	Note	Group and Company No. of shares	Group and Company HK$'000
Authorised:			
At 1 April 2011 and 31 March 2012, ordinary shares of HK$0.05 each		**4,000,000,000**	**200,000**
Share reorganisation by subdivision from HK$0.05 each to HK$0.01 each	*(ii)*	**16,000,000,000**	**–**
At 31 March 2013, ordinary share of HK$0.01 each		**20,000,000,000**	**200,000**
Issued and fully paid:			
At 1 April 2011, ordinary shares of HK$0.05 each		627,647,828	31,381
Shares issued upon open offer		627,647,828	31,383
Issue of consideration shares		125,500,000	6,275
At 31 March 2012, ordinary shares of HK$0.05 each		**1,380,795,656**	**69,039**
Issue of consideration shares	*(i)*	**345,000,000**	**17,250**
Share reorganisation and capital reduction	*(ii)*	**–**	**(69,031)**
Shares issued upon exercise of unlisted warrants	*(iii)*	**270,000,000**	**2,700**
Shares issued upon open offer	*(iv)*	**997,897,828**	**9,979**
Shares issued upon top-up placing	*(v)*	**345,000,000**	**3,450**
At 31 March 2013, ordinary shares of HK$0.01 each		**3,338,693,484**	**33,387**

Note:

(i) In May 2012, the Company acquired 55% equity interest in Boomtech at a consideration of HK$75,305,000 satisfied by cash of HK$28,000,000, allotment and issue of 345,000,000 ordinary shares of the Company of HK$0.05 each at a fair value of HK$0.119 each in the amount of HK$41,055,000 and the issue of promissory note with a fair value of HK$6,250,000. The transaction was completed on 23 May 2012.

(ii) Pursuant to special resolution passed in a special general meeting ("SGM") held on 21 November 2012, the following steps on capital reorganisation had been taken place:

- Reduction of issued share capital and share premium amounted to HK$69,031,000 and HK$163,511,000 respectively through a cancellation of the paid-up capital of the Company to the extent of HK$0.04 on each of issued shares so that the nominal value of each issued share has been reduced from HK$0.05 to HK$0.01;

- Share subdivision of each of the one authorised share of HK$0.05 each into 5 new shares of HK$0.01 each; and

- Transfer of credit arising from the capital reorganisation totaling HK$232,542,000 to the contributed surplus account of the Company.

27. SHARE CAPITAL *(Continued)*

Note: (Continued)

(iii) Details and movements of the Company's unlisted warrants are included in note 29 to the consolidated financial statements.

(iv) In February 2013, the Company entered into an underwriting agreement to raise approximately HK$24,948,000, before expenses, by way of open offer of 997,897,828 shares at a subscription price of HK$0.025 per offer share on the basis of one offer share for every two shares held on the record date and payable in full on acceptance. The expense of approximately HK$1,831,000 arising from the open offer was recognised in the share premium account of the Company.

(v) In February 2013, the Company entered into a subscription agreement to raise approximately HK$24,840,000, before expenses, by way of top-up placing of 345,000,000 shares at the top-up placing price of HK$0.072 per top-up placing share on a basis of placing the top-up placing shares to not less than six Placees who and whose ultimate beneficial owners are independent third parties. The expense of approximately HK$771,000 arising from the top-up placing was recognised in the share premium account of the Company.

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

28. RESERVES

Company

	Note	**Share premium** HK$'000	**Contributed surplus** HK$'000	**Employee share-based payment reserve** HK$'000	**Warrant reserve** HK$'000	**Accumulated losses** HK$'000	**Total** HK$'000
At 1 April 2011		135,870	252,576	2,785	240	(316,702)	74,769
Issue of shares upon open offer		(1,686)	–	–	–	–	(1,686)
Issue of consideration shares		5,522	–	–	–	–	5,522
Forfeit of share options		–	–	(482)	–	482	–
Cancellation of share options		–	–	(2,303)	–	2,303	–
Loss for the year and total comprehensive loss for the year		–	–	–	–	(25,232)	(25,232)
At 31 March 2012 and at 1 April 2012		139,706	252,576	–	240	(339,149)	53,373
Issue of consideration shares	*27(i)*	23,805	–	–	–	–	23,805
Share consolidation and capital reduction	*27(ii)*	(163,511)	232,542	–	–	–	69,031
Issue of unlisted warrants	*29(ii)*	–	–	–	1,350	–	1,350
Issue of shares upon exercise of unlisted warrants	*29(ii)*	21,600	–	–	(1,350)	–	20,250
Issue of shares upon open offer	*27(iv)*	13,138	–	–	–	–	13,138
Issue of shares upon top-up placing	*27(v)*	20,619	–	–	–	–	20,619
Loss for the year and total comprehensive loss for the year		–	–	–	–	(88,916)	(88,916)
At 31 March 2013		**55,357**	**485,118**	**-**	**240**	**(428,065)**	**112,650**

28. RESERVES *(Continued)*

Company *(Continued)*

Note:

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

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

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

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

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

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

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

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

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

In December 2012, the Group reversed HK$643,000 from statutory reserve due to the Deemed Disposal of China Optic BVI.

During the year, the subsidiaries in the PRC had transferred profits of HK$17,000 *(2012: HK$643,000)* to the statutory reserve.

(viii) As at 31 March 2013, the reserves of the Company available for distribution to the equity holders of the Company amounted to HK$57,053,000 subject to the requirements of the Companies Act of Bermuda.

As at 31 March 2012, the Company did not have any reserves available for distribution to the equity holders of the Company.

29. WARRANTS

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

Upon the share consolidation and capital reduction in January 2011, the open offer in September 2011 and the open offer in February 2013, pursuant to the terms and conditions of the warrants, the subscription price of the outstanding warrants had been adjusted to HK$0.448 per share as at 31 March 2013 *(31 March 2012: HK$0.591)*.

During the year ended 31 March 2013 and 2012, no unlisted warrants were exercised.

As of 31 March 2013 there were 32,499,998 unlisted warrants *(31 March 2012: 24,636,209)* remained outstanding.

On 11 April 2013, the existing outstanding unlisted warrants expired and were cancelled.

(ii) In July 2012, the Company as issuer entered into four warrant subscription agreements with each of the subscribers and each of the guarantors pursuant to which the subscribers or their respective nominees have conditionally agreed to subscribe for and the Company has conditionally agreed to place in aggregate 270,000,000 warrants in cash at an issue price of HK$0.005 per warrant. The warrants entitle the subscribers or their respective nominees to subscribe for the shares of the Company at the subscription price of HK$0.085 per new share for a period of 3 years commencing from the date of issue of the warrants which will expire on 12 July 2015. Each warrant carries the right to subscribe for one new share.

During the year ended 31 March 2013, 270,000,000 unlisted warrants were fully exercised for a total cash consideration, before expenses, of HK$24,300,000.

30. SHARE OPTION SCHEME

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

New Scheme

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

The maximum number of unexercised share options currently permitted to be granted under the New Scheme, upon their exercise may not be in aggregate exceed 10% of the shares of the Company in issue at any time. The maximum number of shares issuable under share options to each eligible participant in the New Scheme within any 12-month period up to the date of grant, is limited to 1% of the shares of the Company in issue at that date of grant. Any further grant of share options in excess of this limit is subject to shareholders' approval in a general meeting. As at 31 March 2013, 333,869,348 shares of the Company, representing 10% of its issued capital, are available for issue under the New Scheme.

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

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

30. SHARE OPTION SCHEME *(Continued)*

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

	Number of options	
	2013	2012
At beginning of the reporting period	**–**	15,504,000
Cancelled during the year	**–**	(12,144,000)
Forfeited during the year	**–**	(3,360,000)
At end of the reporting period	**–**	–

During the year ended 31 March 2013 and 2012, no shares options were granted. As at 31 March 2013 and 2012, no share options remained outstanding.

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

Grant date	Exercise period	Exercise Price HK$	Outstanding at 1 April 2011	Forfeited during the year	Cancelled during the year	Outstanding at 31 March 2012
Directors						
14 Aug 2007	14 Aug 2007 to 13 Aug 2017	2.1665	2,640,000	–	(2,640,000)	–
21 Dec 2007	21 Dec 2007 to 20 Dec 2017	1.9375	2,736,000	–	(2,736,000)	–
			5,376,000	–	(5,376,000)	–
Employees						
17 Dec 2007	17 Dec 2007 to 16 Dec 2017	1.8875	4,560,000	(1,920,000)	(2,640,000)	–
21 Dec 2007	21 Dec 2007 to 20 Dec 2017	1.9375	768,000	–	(768,000)	–
			5,328,000	(1,920,000)	(3,408,000)	–
Consultants						
17 Dec 2007	17 Dec 2007 to 16 Dec 2017	1.8875	4,800,000	(1,440,000)	(3,360,000)	–
			15,504,000	(3,360,000)	(12,144,000)	–
Exercisable at end of reporting period						–
Weighted average exercise price		HK$	1.9463	1.8876	1.9626	–

31. RETIREMENT BENEFITS SCHEME

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

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

During the year, the amount of employer's contributions made by the Group in respect of continuing and discontinued operations to the defined contribution plans was approximately HK$2,331,000 *(2012: HK$1,477,000)*.

32. DEFERRED TAXATION

Unrecognised deferred tax assets arising from

	Group	
	2013	2012
	HK$'000	HK$'000
Deductible temporary differences	**28,623**	45,767
Tax losses	**27,426**	25,052
At end of reporting period	**56,049**	70,819

At 31 March 2013, tax losses of HK$16,745,000 *(2012: HK$16,744,000)* arising in Hong Kong have no expiry date under current tax legislation. The tax losses of HK$10,681,000 *(2012: HK$8,308,000)* arising in the PRC can be used to offset against future taxable profits of the respective subsidiaries for a maximum of 5 years. The Group has not recognised deferred tax assets in respect of these tax losses and deductible temporary differences because it is uncertain that future taxable profits will be available against which the Group can utilise the benefits therefrom.

32. DEFERRED TAXATION *(Continued)*

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

	Group	
	2013	2012
	HK$'000	HK$'000
Year of expiry		
2013	**–**	–
2014	**–**	–
2015	**–**	1,036
2016	**3,999**	7,272
2017	**6,682**	–
	10,681	8,308

At 31 March 2013, no deferred tax has been recognised for withholding taxes that would be payable on the unremitted earnings of the Group's subsidiaries established in the PRC. In the opinion of the directors, it is probable that the earnings will not be distributed in the foreseeable future. Unremitted earnings totalled HK$6,174,000 at 31 March 2013 *(2012: HK$38,908,000)*.

33. OPERATING LEASE COMMITMENTS

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

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

	Group	
	2013	2012
	HK$'000	HK$'000
Within one year	**526**	1,011

34. RELATED PARTY TRANSACTIONS

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

		Group	
Related party relationship	**Nature of transaction**	**2013**	2012
		HK$'000	HK$'000
Key management personnel (excluding directors)	Salaries, allowances and benefits in kind	**658**	528
	Contribution to defined contribution scheme	**15**	12
		673	540

35. ACQUISITION OF SUBSIDIARIES

Acquisition during the year ended 31 March 2013

In May 2012, the Group acquired 55% equity interests of Boomtech. The principal activities of Boomtech and its subsidiaries (together "Boomtech Group") are the provision of lightening electromagnetic pulse protection business in the PRC.

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

35. ACQUISITION OF SUBSIDIARIES *(Continued)*

Acquisition during the year ended 31 March 2013 *(Continued)*

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

	HK$'000
Consideration:	
Cash paid	**28,000**
Shares issued, at fair value	**41,055**
Contingent consideration – Promissory note	**6,250**
Total consideration transferred	**75,305**
Recognised amounts of identifiable assets acquired and liabilities assumed:	
Property, plant and equipment	**75**
Cash and cash equivalents	**1,716**
Trade and other receivables	**3,564**
Trade and other payables	**(10,796)**
Tax payables	**(319)**
Total identifiable net liabilities	**(5,760)**
Non-controlling interests	**2,592**
Goodwill arising on acquisition	**78,473**
	75,305
Net cash outflow on acquisition:	
Cash and cash equivalents acquired	**1,716**
Consideration paid in cash	**(28,000)**
	(26,284)

The contingent consideration requires the Group to issue a promissory note with a principal amount of HK$8,250,000 to a vendor as part of the consideration transferred if the profitability condition is satisfied. A detailed discussion of the arrangement and measurement basis of the contingent consideration is set out in note 25 to the consolidated financial statements.

The Company issued 345,000,000 ordinary shares as part of the consideration transferred for the acquisition. The fair value of the shares issued was based on the published share price available at the date of acquisition.

The transaction costs of HK$621,000 have been excluded from the consideration transferred and included in the "administrative expenses" line item in the consolidated statement of comprehensive income.

35. ACQUISITION OF SUBSIDIARIES *(Continued)*

Acquisition during the year ended 31 March 2013 *(Continued)*

In respect of the acquired subsidiaries, the fair value of trade and other receivables acquired included trade receivables and other receivables with a fair value of HK$3,020,000 and HK$544,000 respectively. The total gross contractual amount of the trade receivables and other receivables is HK$3,020,000 and HK$544,000 respectively, of which no balance is expected to be uncollectible.

The goodwill arising from the acquisition is attributable to the growth and profit potential as a result of benefiting from the growing demand for protective measures that shield information network systems from lightning strike. Besides, the business of Boomtech Group is expected to complement with the Group's existing business in the PRC. None of the goodwill recognised is expected to be deductible for income tax purposes.

Since acquisition, the acquired business has contributed HK$16,090,000 and HK$7,096,000 to the revenue and profit of the Group respectively. If the business combination effected during the year had been taken up at the beginning of the year, the revenue and loss of the Group would have been approximately HK$59,113,000 and HK$67,079,000 respectively.

Acquisition during the year ended 31 March 2012

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

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

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

In March 2012, the Group acquired 100% equity interest in Xiang Yu at an aggregate consideration of HK$1,235,000.

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

35. ACQUISITION OF SUBSIDIARIES *(Continued)*

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

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

	Acquisition of 51% equity interest in Viva Champion	Acquisition of 100% equity interest in Xiang Yu	Total
	HK$'000	HK$'000	HK$'000
Consideration:			
Cash paid during the year ended 31 March 2012	16,000	–	16,000
Cash paid during the year ended 31 March 2013	–	1,235	1,235
Shares issued, at fair value	11,797	–	11,797
Contingent consideration – Promissory note	1,200	–	1,200
Total consideration transferred	28,997	1,235	30,232
Recognised amounts of identifiable assets acquired and liabilities assumed:			
Property, plant and equipment	314	–	314
Cash and cash equivalents	407	112	519
Trade and other receivables	8,442	708	9,150
Trade and other payables	(3,355)	(152)	(3,507)
Total identifiable net assets	5,808	668	6,476
Non–controlling interests	(2,846)	–	(2,846)
Goodwill arising on acquisition	26,035	567	26,602
	28,997	1,235	30,232

	HK$'000
Net cash outflow on acquisition of Xiang Yu paid in cash during the year ended 31 March 2013	(1,235)

	HK$'000
Net cash outflow on acquisitions during the year ended 31 March 2012:	
Cash and cash equivalents acquired	519
Consideration paid in cash	(16,000)
	(15,481)

35. ACQUISITION OF SUBSIDIARIES *(Continued)*

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

The contingent consideration requires the Group to issue a promissory note with a principal amount of HK$4,000,000 to a vendor as part of the consideration transferred if the profitability condition is satisfied. A detailed discussion of the arrangement and measurement basis of the contingent consideration is set out in note 25 to the consolidated financial statements.

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

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

36. DEEMED DISPOSAL OF SUBSIDIARIES

On 15 December 2012, China Optic BVI, a non-wholly owned subsidiary of the Company allotted and issued its subscription shares to an independent third party. The Group's equity interest in China Optic BVI was diluted from 50.1% to 47.67% and resulted in loss of control over China Optic BVI. This transaction is regarded as the deemed disposal of subsidiaries. China Optic BVI and its subsidiaries have become associates of the Group from 15 December 2012.

	HK$'000
Net assets disposed of:	
Property, plant and equipment	2,626
Inventories	2,637
Trade receivables	34,941
Prepayment, deposit and receivables	15,361
Cash and cash equivalents	3,055
Trade payables	(4,887)
Accruals and other payables	(5,258)
Due to fellow subsidiary	(177)
Due to a shareholder	(90)
Tax payable	(13,476)
Net assets value	34,732
Non–controlling interests	(17,615)
Release of exchange reserve	(384)
Goodwill	14,875
	31,608
Investment retained in the former subsidiary at fair value	(20,164)
Loss on deemed disposal of subsidiaries	11,444
Consideration	–

36. DEEMED DISPOSAL OF SUBSIDIARIES *(Continued)*

The loss on deemed disposal of subsidiaries is included in profits for the year from the discontinued operations in the consolidated statement of comprehensive income.

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

	HK$'000
Cash and bank balances in subsidiaries disposed of and net outflow of cash and cash equivalents on disposal	(3,055)

37. DISPOSAL OF SUBSIDIARIES

On 2 March 2012, the Group entered into agreements to sell 55% equity interest in Great Plan Group Limited ("Great Plan"), which held subsidiaries engaged in mobile payment gateway business. The disposal of Great Plan and its subsidiaries was completed on 2 March 2012.

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

37. DISPOSAL OF SUBSIDIARIES *(Continued)*

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

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

38. FINANCIAL RISK MANAGEMENT OBJECTIVES AND POLICIES

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

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

	Loans and receivables at amortised cost			
	Group		**Company**	
	2013 **HK$'000**	2012 HK$'000	**2013** **HK$'000**	2012 HK$'000
Financial assets				
Trade and other receivables	**23,928**	47,917	**73**	73
Due from subsidiaries	**–**	–	**76,905**	88,078
Bank balances and cash	**79,985**	55,041	**77,687**	45,784
Total	**103,913**	102,958	**154,665**	133,935

	Financial liabilities at fair value		**Financial liabilities at amortised cost**			
	Group and Company		**Group**		**Company**	
	2013 **HK$'000**	2012 HK$'000	**2013** **HK$'000**	2012 HK$'000	**2013** **HK$'000**	2012 HK$'000
Financial liabilities						
Trade and other payables	**–**	–	**15,058**	15,927	**850**	1,163
Due to subsidiaries	**–**	–	**–**	–	**2,419**	4,160
Promissory notes	**5,359**	6,200	**–**	–	**–**	–
Other non-current liabilities	**–**	–	**2,469**	–	**–**	–
Total	**5,359**	6,200	**17,527**	15,927	**3,269**	5,323

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

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

Credit risk

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

A detailed discussion of the Group's credit risk in respect of trade receivables is set out in note 22 to the consolidated financial statements. The Group trades only with recognised and creditworthy third parties. Management closely monitors all outstanding debts and reviews the collectability of trade debtors periodically. The maximum exposure to credit risk is represented by the carrying amount of each financial asset in the consolidated statement of financial position. The Group does not hold any collateral over these assets.

At the end of the reporting period, the Group had a concentration of credit risk as 31% *(2012: 90%)* and 59% *(2012: 96%)* of the total trade receivables were made up by the Group's largest customer's and the five *(2012: two)* largest customers' outstanding balances respectively.

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

Interest rate risk

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

Liquidity risk

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

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

Liquidity risk *(Continued)*

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

Group

	2013					2012				
	Total carrying value HK$'000	Total contractual undiscounted cash flow HK$'000	On demand HK$'000	3–12 months HK$'000	Over 1 year HK$'000	Total carrying value HK$'000	Total contractual undiscounted cash flow HK$'000	On demand HK$'000	3–12 months HK$'000	Over 1 year HK$'000
Trade and other payables	15,058	15,058	15,058	–	–	15,927	15,927	15,927	–	–
Promissory notes	5,359	5,359	–	986	4,373	6,200	6,200	–	5,000	1,200
Other non-current liabilities	2,469	2,469	–	–	2,469	–	–	–	–	–
	22,886	22,886	15,058	986	6,842	22,127	22,127	15,927	5,000	1,200

Company

	2013					2012				
	Total carrying value HK$'000	Total contractual undiscounted cash flow HK$'000	On demand HK$'000	3–12 months HK$'000	Over 1 year HK$'000	Total carrying value HK$'000	Total contractual undiscounted cash flow HK$'000	On demand HK$'000	3–12 months HK$'000	Over 1 year HK$'000
Other payables	850	850	850	–	–	1,163	1,163	1,163	–	–
Due to subsidiaries	2,419	2,419	2,419	–	–	4,160	4,160	4,160	–	–
Promissory notes	5,359	5,359	–	986	4,373	6,200	6,200	–	5,000	1,200
	8,628	8,628	3,269	986	4,373	11,523	11,523	5,323	5,000	1,200

Fair value

The carrying amounts of the Group's and the Company's financial assets and liabilities carried at other than fair value are not materially different from their respective fair values as at 31 March 2013 and 2012.

39. FAIR VALUE DISCLOSURES

The following presents the carrying value of financial instruments measured at fair value at 31 March 2013 and 2012 across the three levels of the fair value hierarchy defined in HKFRS 7, *Financial Instruments: Disclosures*, with the fair value of each financial instrument categorised in its entirety based on the lowest level of input that is significant to that fair value measurement. The levels are defined as follows:

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

As at 31 March 2013 and 2012, no financial assets were measured at fair value. The only financial liabilities that are subsequently measured at fair value comprise the promissory notes for the acquisitions of Viva Champion and Boomtech. Such financial liabilities are classified as Level 3. The details of the measurement basis and movements are set out in note 25 to the consolidated financial statements.

	2013	2012
	HK$'000	HK$'000
Total gains (losses) included in profit or loss for the year	**2,091**	(300)

During the years ended 31 March 2013 and 2012, there were no transfers between Level 1 and Level 2 fair value measurements, and no transfers into and out of Level 3 fair value measurements.

40. CAPITAL MANAGEMENT

The objectives of the Group's capital management are to safeguard the Group's ability to continue as a going concern and to provide returns for shareholders. The Group manages its capital structure and makes adjustments, including payment of dividend to shareholders, return of capital to shareholders or issue of new shares or sale of assets to reduce debts. No changes were made in the objectives, policies or processes during the years ended 31 March 2013 and 2012.

41. EVENTS AFTER THE REPORTING PERIOD

(i) On 8 February 2013, Upper Power, a wholly-owned subsidiary of the Company entered into a non-legally binding memorandum of understanding (the "MOU") and the supplemental MOU, with independent third parties, in respect of the possible acquisition of equity interest of Hong Kong Automobile Restoration Group Limited (the "Target Company", together with its subsidiaries, the "Target Group") (the "Potential Acquisition"). The Target Group is principally engaged in motor vehicles beauty services including cars detailing, repairing and maintenance services in Hong Kong, Macau and Taiwan.

The consideration for the Potential Acquisition is subject to further negotiation between the parties to the MOU and the due diligence to be conducted on the Target Group. Pursuant to the supplemental MOU signed on 25 April 2013, Upper Power paid HK$5,500,000 as the deposit which will be refundable in full in the event that (i) the formal agreement is not entered into by the parties prior to the MOU expiry date, as extended by the supplemental MOU, which is on 24 July 2013; or (ii) the consideration stated in the formal agreement does not comprise any cash portion.

A legally binding formal agreement in relation to the Potential Acquisition is yet to be finalised as at the date of these consolidated financial statements and therefore, it is not practicable to reliably estimate the financial effect for the Potential Acquisition.

(ii) On 17 April 2013, the Company completed the placing of 349,480,000 placing shares at a price of HK$0.072 per placing share.

(iii) Pursuant to a special resolution passed in a SGM held on 13 May 2013, the Company effected a capital reorganisation which involves (i) the reduction of issued share capital of the Company through a cancellation of the paid-up capital of the Company to the extent of HK$0.009 on each of the issued shares so that the nominal value of each issued share would be reduced from HK$0.01 to HK$0.001; (ii) the cancellation of the entire sum standing to the credit of the Company's share premium account; (iii) the transfer of the credit arising from the capital reduction and the share premium reduction to the contributed surplus account of the Company; and (iv) the share consolidation of every ten shares of HK$0.001 each in the issued share capital of the Company immediately after the capital reduction into one new share of HK$0.01 in the issued share capital of the Company.