雲博產業

YUNBO
DIGITAL SYNERGY GROUP LIMITED
雲博產業集團有限公司

(incorporated in the Cayman Islands with limited liability)

Stock Code : 8050

ANNUAL REPORT
2014

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

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

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

Hong Kong Exchanges and Clearing Limited and the Stock Exchange take no responsibility for the contents of this report, make no representation as to its accuracy or completeness and expressly disclaim any liability whatsoever for any loss howsoever arising from or in reliance upon the whole or any part of the contents of this report.

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

CONTENTS

CORPORATE INFORMATION

EXECUTIVE DIRECTORS
Mr. Wang Chaoyong (appointed on 7 April 2014)
Mr. Yau Hoi Kin
Mr. Kwong Wai Ho, Richard
Dr. Huang Youmin

NON-EXECUTIVE DIRECTOR
Mr. Hsu Chia-Chun

INDEPENDENT NON-EXECUTIVE DIRECTORS
Dr. Chow Ka Ming, Jimmy
Mr. Ngan Yu Loong (appointed on 2 December 2013)
Dr. Wong Wing Lit
Mr. Liu Zhiquan (resigned on 19 December 2013)

COMPANY SECRETARY
Mr. Tung Tat Chiu, Michael
A practicing solicitor in Hong Kong
China-Appointed Attesting Officer

COMPLIANCE OFFICER
Mr. Kwong Wai Ho, Richard

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

AUDIT COMMITTEE
Mr. Ngan Yu Loong *(Chairman)*
Dr. Chow Ka Ming, Jimmy
Dr. Wong Wing Lit

REMUNERATION COMMITTEE
Dr. Chow Ka Ming, Jimmy *(Chairman)*
Mr. Ngan Yu Loong
Dr. Wong Wing Lit

NOMINATION COMMITTEE
Mr. Ngan Yu Loong *(Chairman)*
Dr. Chow Ka Ming, Jimmy
Dr. Wong Wing Lit

AUDITORS
Grant Thornton Hong Kong Limited
Certified Public Accountants

PRINCIPAL BANKERS
Standard Chartered Bank

HEAD OFFICE AND PRINCIPAL PLACE OF BUSINESS
Room 1602, 16/F, AXA Centre
151 Gloucester Road
Wanchai, Hong Kong

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

COMPANY HOMEPAGE
www.ybds.com.hk

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

HONG KONG BRANCH SHARE REGISTRAR AND TRANSFER OFFICE
Tricor Secretaries Limited
Level 22, Hopewell Centre
183 Queen's Road East
Hong Kong

STOCK CODE
8050

EXECUTIVE DIRECTOR'S STATEMENT

On behalf of the board (the "Board") of Directors, I hereby present the results of the Company and its subsidiaries (collectively the "Group") for the year ended 31 March 2014.

During the year ended 31 March 2014, the Group recorded a revenue of approximately HK$36,572,000, representing a decrease of approximately 32% when compared with the last corresponding year. The significant decrease in revenue was principally due to a drop in the trading volume of Gigabit-Passive Optical Network ("G-PON") equipment in which the Group have generated revenue approximately HK$5,523,000 during the year. Loss attributable to owners for the year ended 31 March 2014 was approximately HK$10,481,000 as compared to a loss of approximately HK$11,860,000 for the year ended 31 March 2013.

The general business and operating environment during the reporting period continues to be affected by the spillover effects of global economic conditions even for markets which historically have recorded high growth rates such as the market in the People's Republic of China ("PRC"). Although the overall momentum for the PRC market remains positive, slower macro-economic growth, and greater and more complex competition have made the telecommunications industry in the PRC more challenging.

When we assumed management control of the Company in early 2012, a new corporate strategy was adopted in hope of being able to broaden the Group's income base and strengthen its growth potential. In this regard, we steered the Company to focus on the telecommunications industry in the PRC market by concentrating our strengths on business and product development to trade high-tech software and hardware equipment; develop and establish online platforms to distribute mobile products and provide value-added services; and set up joint ventures with multinational companies to introduce and procure mobile application products and services, among others. To facilitate the Group's future business endeavors, we established 廣州韻博信息科技有限公司 (Guangzhou YBDS IT Co., Ltd.*) ("Guangzhou YBDS") and 北京韻博港信息科技有限公司 (Beijing YBDS IT Co., Ltd.*) ("Beijing Yunbo") in 2012, both of which are wholly foreign owned enterprises in the PRC.

To ensure the Company is financially stable with sufficient financial resources to implement our proposed projects, the Company, on 5 August 2013, allotted and issued 450,000,000 new shares to Happy On Holdings Limited ("Happy On"), the Group's single largest shareholder, raising net proceeds of about HK$100 million. Immediately after the completion of the subscription, Happy On holds 987,888,771 shares of the Company, representing approximately 72.83% of the total issued share capital of the Company.

In spite of the ever challenging operating environment in the PRC, the Group has made great strides over the past two years in its business development. In the area of software deployment, the Company had teamed up with ChinaSoft International Limited (中軟國際有限公司) (stock code: 354) ("ChinaSoft"), and together we will submit a tender bid for specific parts of the Wireless City, a project sponsored and undertaken by China Mobile Group Guangdong Company Limited ("Guangdong Mobile"), a subsidiary of China Mobile Limited (stock code: 941) ("China Mobile"), which had been embarked on Wireless City in 2012 aspiring to develop and construct a wireless infrastructure network for PRC cities such that everyone in these cities will be able to have free Wi-Fi access.

The relationship between the Company and ChinaSoft will be strengthened through further collaborations as the two parties continue to work together in bidding for other projects sponsored by the PRC's telecommunications operators. In March 2014, the parties together submitted another tender for the construction of phase I of the unified payment system and for the contracted work relating to the repair and maintenance and operations of the Fetion (飛信) platform and its related social products and services offering.

EXECUTIVE DIRECTOR'S STATEMENT

Predicated on the three principles of "centralization, standardization, unification", China Mobile is cooperating with commercial banks in the PRC to establish a national unified payment system platform, offering unified access and uniformed rules and regulations to all payment services at a flat rate. Phase I of the project aims to unify the national payment system at all levels through electronic payment channels and connects China Mobile onto a platform that offers payment services and bill settlement functions. Once implemented, all mobile phone users will concurrently be able to deposit monetary value onto their mobile phone accounts for the purchase of goods and services. The national unified payment system platform will be one of China Mobile's strategic projects to transform itself from a mobile phone services operator into an internet based services enterprise.

Fetion is a critical part of China Mobile's mobile internet business strategy which currently has over 320 million registered users. It is already a major mobile internet platform connecting a large number of users between PCs and mobile phones in the PRC.

On 7 April 2014, the Company and ChinaSoft entered into a project implementation agreement with respect to the contracted work for Fetion. As the consideration for due performance of its obligations under the formal agreement, ChinaSoft has agreed to pay the Company a total sum of RMB15 million (equivalent to about HK$18.75 million) in three instalments.

In the area of online platforms, Guangzhou YBDS and the Guangdong Branch of China Telecom Corporation Limited (中國電信股份有限公司) (stock code: 728) ("Guangdong Telecom") had entered into an agreement to combine their resources by collaborating with each other to develop, establish, and operate an integrated online education platform (the "Online Education Platform") to support the open policies of Guangdong's education department. It is the Education Department's intention to standardize the education programs taught in primary and secondary schools such that students in rural areas will be able to enjoy the same quality of education as those in the urban areas. One means of achieving this objective is making education virtual. Once completed, the Online Education Platform, capable of serving up to 6 million subscribers, will be able to serve all education administration and research institutions, and more than 20,000 primary and secondary schools, 890,000 teachers, and over 18,000,000 students in Guangdong Province. During the reporting period, the Company has completed the design, construction and testing of a prototype of the over-the-top network system for the Online Education Platform.

In the area of hi-tech hardware, the Company had commenced the trading of G-PON equipment in the 4th quarter of 2012. For the year ended 31 March 2014, the Group recorded a drop in the trading of G-PON equipment and only generated revenue of approximately HK$5.52 million (HK$35.05 million for the year ended 31 March 2013). Additionally, during the reporting period, the Group had supplied 天翼電子商務有限公司 (China Telecom Bestpay E-commerce Ltd.*) ("China Telecom Bestpay") with 1,600 sets of Points of Sales ("POS") terminals for a total contract sum of RMB1.89 million, or approximately HK$2.38 million.

The Group's system integration services and other value-added technical consultation services and hardware-related business in Hong Kong continue to be principally facilitated by Norray Professional Computer Limited, an indirect non wholly-owned subsidiary of the Company.

In other areas of business development, Guangzhou YBDS had, on 21 March 2014, entered into an agency framework agreement with Aspire Information Technologies (Beijing) Co., Ltd. (卓望信息技術(北京)有限公司) ("Aspire") under which Guangzhou YBDS was appointed as Aspire's agent, on a non-exclusive basis, to promote and distribute Aspire's unified communications businesses, irrespective of whether such businesses are operated by Aspire or not, and provide relevant customer service and support thereunder in each province of the PRC. Aspire, an indirect subsidiary of Aspire Holdings Limited ("Aspire Holdings"), was established in 2004 to provide operation and support services for the value added data businesses of China Mobile and is responsible for the operation and support of the central portal monternet.

EXECUTIVE DIRECTOR'S STATEMENT

Aspire Holdings, a direct non wholly-owned subsidiary of China Mobile, is the pioneer developer of data products and services for China Mobile. Aspire Holdings actively assists China Mobile to explore, expand, and facilitate businesses in areas of information and communication technology and the internet. It has developed various super-large business platforms such as Mobile Information Service Centre ("MISC") and Service Information Management System ("SIMS"). Aspire also assists China Mobile in the operation and support of mobile newspaper and reading. In addition, through Personal Information Management ("PIM"), Aspire facilitates the development of China Mobile's 139 community, mobile micro-blog, and i-Contact under which its social network brand "Fetion" has a subscriber base of over 320 million registered users. Moreover, it has helped China Mobile to establish the first mobile market for carriers and the Center of Mobile Certificate Authority in the PRC.

The link up with Aspire marks a milestone in the Company's history. Cooperation with large-scale state-owned telecommunications operators and upstream/downstream partners in the industry enables the Company to develop and provide new products and services, re-defining and enhancing our business model.

On 31 March 2014, Guangzhou YBDS entered into a strategic cooperation agreement with BesTV New Media Co., Ltd. ("BesTV") to collaborate on exploring and developing new media technology and contents on Internet protocol television ("IPTV"), mobile television, internet television, mobile internet, multimedia stage design and production, and digital media platform research and development, offering such products and services through the 4 screens.

BesTV is a new media corporation controlled by Radio and Television Shanghai and Shanghai Media Group whose shares are listed on The Shanghai Stock Exchange (stock code: 600637). Its business scope includes research, exploration, design, construction, management, maintaining entire network systems, interactive media application platform, and provision of network-related software and hardware in the field of technology development, technical consulting, technology transfer, technical services, network video production and operations, messaging, network equipment design, leasing, and sales and service. As at the year ended 2012, BesTV had over 16 million IPTV subscribers.

The Directors believe that with the dawning of 4G networks, a new economy driven by new visual media is about to commence. The onset of unified communications will alter how traditional Internet OTT businesses operate. Moreover, mobile users will be able to access more convenient and colorful content benefited from the high bandwidth and low latency characteristics of 4G networks. Similarly, the cooperation with BesTV to develop and operate 4G new media businesses enables the Company to preempt the mainstream of 4G new media businesses onto the 4 Screens' users.

Given our ambitions in the telecommunications industry in the PRC, Mr. Ni Guang Nan ("Mr. Ni") was appointed as the Chief Science and Technology Advisor of the Company. He will focus to advise the Company on its business activities in the areas of information and telecommunications technology. Set out below is the biography of Mr. Ni.

Mr. Ni, aged 75, is a fellow of the Chinese Academy of Engineering. He is a specialist in computer architecture and algorithms, and was previously the chief science and technology officer of the Lenovo Group. Mr. Ni graduated from the Nanjing Institute of Technology (now Southeast University in Nanjing) in 1961. After graduation, he was employed with the Institute of Computing Technology Chinese Academy of Sciences and has extensive experience in foundation research and product development in computing technology and its related fields. Mr. Ni pioneered the inputting of Chinese characters in computer applications. In 1994, he was among the first group of people selected to join the Chinese Academy of Engineering.

EXECUTIVE DIRECTOR'S STATEMENT

Furthermore, the Directors believe the growth in mobile internet has brought forward intense competition across all market segments of the telecommunications industry into an era driven largely by the volume of data throughput. In hindsight, the Group re-defines its core business. Key businesses of the Group have been expanded to include big data, unified communications, cloud computing, network security SDN, 4G new media, top-level designs for e-finance, the software and hardware maintenance and operation in respect of the back end network support systems, design, development, production and manufacturing of the network front end products as well as the business operation of the online and offline payment. As such, the Group is accelerating its efforts in strategic transformation and capacity enhancement to maintain and create its competitive advantages.

The Directors believe that accelerating in strategic transformation is part and parcel to the Group's new corporate strategy in broadening its income base and enhancing its growth potential.

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

Yau Hoi Kin
Executive Director

Hong Kong, 12 May 2014

* for identification only

MANAGEMENT DISCUSSION AND ANALYSIS

BUSINESS REVIEW

The general business and operating environment during the reporting period continues to be affected by the spillover effects of global economic conditions even for those markets which historically have recorded high growth rates such as the market in the PRC. Although the overall momentum for the PRC market remains positive, slower macro-economic growth, and greater and more complex competition have made the telecommunications industry in the PRC more challenging.

The development of the global internet technology and applications have come to an effectual period of "consolidation and fission". Emerging production elements such as big data, cloud computing, unified communications, 4G mobile new media, network security SDN and e-finance have been transformed into the "production tools" of the "new economic generation". At this moment, the economic entities of the traditional global industries have entered into a turbulent period in respect of the transformation from old to new entities. A tide of tremendous changes in global economic entities is approaching. It indicates that an era of bell for a thorough reform in global economic entities has been ringing! All nations around the world will welcome the incoming big era of "Yunbo Digital Synergy".

"雲" is the Chinese character standing for "cloud", which represents the forms of development in respect of the "cloud network" in the internet cloud computing, which indicates the general integration of network structure and 4 screens' interconnection (PCs, mobile phones, televisions and iPads). The forms of development refer to the cloud forms of interconnected applications such as cloud space, cloud service, cloud search, cloud community, cloud browsing.

Cloud service is the realization of interconnection between various end devices. The operating terminals of PCs, mobile phones, televisions and iPads no longer require strong processing capabilities. All the resources used by the users are provided by a cloud back-office complex with powerful storage and processing capabilities.

"博" is the Chinese character having the meaning of "rich and extensive", which represents big data, unified communications, cloud computing, network security SDN, e-finance, 4G based new media, etc. It covers all the contents of internet technological development and applications in different stages.

The rising of the era of big data, which shocks the foundations of all the traditional industries, has been blended with the blood of the individuals, enterprises, nations and global economic entities and has become a new productivity in this generation. The excavation and use of the substantial amount of data foreshadow the growth of the production rate in this new generation and the trend of consumers' surplus.

In early 2012, there was a change of leadership in the Company. The new senior management having carefully evaluated the Company's situation decided to adopt a new corporate strategy in the hopes of being able to broaden the Group's income base and strengthen its growth potential. The re-defined direction steered the Company into the telecommunications industry in the PRC market to focus on the Company's strengths in business and product development particularly in the areas of trading of ancillary high-tech software and hardware; developing and establishing integrated online platforms for the distribution of mobile products and provision of value-added services; and setting up joint ventures with multinational companies to introduce and procure mobile application products and services, among others.

To facilitate the Group's future business endeavors and potential joint cooperations, two wholly foreign owned enterprises, Guangzhou YBDS and Beijing Yunbo were established in the PRC in 2012.

MANAGEMENT DISCUSSION AND ANALYSIS

Guangzhou YBDS

Guangzhou YBDS was approved for establishment on 13 August 2012 while its business license was issued on 18 September 2012. The entire equity interest of Guangzhou YBDS is held by Pacific Honour Development Limited, a wholly owned subsidiary of the Company. Guangzhou YBDS' initial total investment and registered capital was RMB40 million and RMB20 million, respectively. On 11 November 2013, the Bureau of Foreign Trade and Economic Cooperation of Guangzhou Municipality (廣州市對外貿易經濟合作局) granted its approval for Guangzhou YBDS to increase its total investment from RMB40 million to RMB80 million, and its registered capital from RMB20 million to RMB40 million. As at the date of this report, approximately 60.84% of its registered capital (or the equivalent to approximately RMB24.33 million) has been paid up with the remaining 39.16% (or the equivalent to approximately RMB15.67 million) being due and payable on or before 13 November 2014. Guangzhou YBDS's business scope includes computer software or hardware system integration, external equipment, financial and electronic equipment, automated control systems and related equipment, new models of electronic devices, smart modems, research and development of educational software and hardware, sale of computer software, hardware and ancillary equipment, electronic products, general machinery equipment, specialized equipment, and provision of technical services and support.

Beijing Yunbo

Beijing Yunbo was approved for establishment on 21 November 2012 while its business license was issued on 19 December 2012. The entire equity interest of Beijing Yunbo is held by Able Bloom Technology Limited, a wholly-owned subsidiary of the Company. Beijing Yunbo's total investment and registered capital are RMB40 million and RMB20 million, respectively. As at the date of this report, 20% of the registered capital or RMB4 million has been paid up with the remaining 80% or RMB16 million due to be paid on or before 18 December 2014. Beijing Yunbo's business scope includes technology development and system integration of computer hardware and software, communication system, network system and automatic control system, educational software development, sale of proprietary products, technical services and technical consultancy.

To ensure the Company is financially stable with sufficient financial resources to continue the development of its proposed projects. The Company on 5 August 2013, allotted and issued 450,000,000 new shares of the Company having a par value of HK$0.10 each in the capital of the Company at a subscription price of HK$0.225 each to Happy On, the Group's single largest shareholder, raising net proceeds of about HK$100 million. Immediately after the completion of the subscription, Happy On holds 987,888,771 shares of the Company, representing approximately 72.83% of the total issued share capital of the Company.

In spite of the ever challenging operating environment in the PRC, the Group has made great strides over the past two years in its business development after having entered into the telecommunications industry in the PRC market.

In the area of software deployment, the Company had teamed up with ChinaSoft. In our first venture together, the two parties entered into a non-legally binding letter of intent on 2 August 2012 whereby both agreed to collaborate with each other to submit a tender bid for specific parts of a wireless infrastructure project Wireless City* (無線城市). Wireless City is a project sponsored and undertaken by Guangdong Mobile, a subsidiary of China Mobile. China Mobile had embarked on the Wireless City project in 2012 as it aspires to develop and construct a wireless infrastructure network for PRC cities such that everyone in these cities will be able to have free Wi-Fi access.

MANAGEMENT DISCUSSION AND ANALYSIS

On 7 May 2013, MMIM Info. Technology Co., Ltd.* (北京掌中無限信息技術有限公司) ("MMIM"), a wholly-owned subsidiary of ChinaSoft, had submitted open tender documents for specific parts of the Wireless City project to Guangdong Mobile. Excellent Master Investments Limited, a wholly-owned subsidiary of the Company, ChinaSoft International (Hong Kong) Limited, a wholly-owned subsidiary of ChinaSoft, the Company and ChinaSoft concurrently entered into a project implementation agreement to implement the specific parts of the Wireless City project in the event that the bid is successful (in which case, MMIM and Guangdong Mobile will enter into a formal project agreement).

The close relationship between the Company and ChinaSoft will continue to be strengthened with further collaborations in 2014 as the two parties worked together hand in hand to bid for other projects sponsored by PRC's leading telecommunications operators.

In March 2014, the Company and ChinaSoft entered into a non-legally binding letter of intent to submit a tender for the construction of phase I of the unified payment system (統一支付系統一期工程), a project to be implemented by China Mobile for the establishment of a national unified payment platform in the PRC. The Company and Chinasoft were also working together to submit a bid for contracted work relating to the repair and maintenance and operations of China Mobile's Fetion platform and its related social products and services offering.

Based on the principles of "centralization, standardization, unification", China Mobile is cooperating with commercial banks in the PRC to establish a national unified payment system platform, offering unified access and uniformed rules and regulations to all payment services at a flat rate. Phase I of the national unified payment system will connect China Mobile with electronic payment channels at all levels onto a platform that offers payment services and bill settlement functions. All mobile phone users will concurrently be able to store monetary value onto their mobile phone accounts for the purchase of goods and services. The national unified payment system platform will be one of China Mobile's strategic projects to transform itself from a mobile phone services operator into an internet based services enterprise.

Fetion is currently estimated to have over 320 million registered users, and is a critical part of China Mobile's mobile internet business strategy. It is already a major mobile internet platform connecting a large number of users between PCs and mobile phones in the PRC.

On 7 April 2014, the Company and ChinaSoft entered into a project implementation agreement with respect to the contracted work for Fetion. As the consideration for due performance of its obligations under the formal agreement, ChinaSoft has agreed to pay the Company a total sum of RMB15 million (equivalent to about HK$18.75 million) in three instalments.

When collaborating with ChinaSoft, typically if our tender is successful, ChinaSoft would first enter into a formal project agreement with the relevant company of telecommunications operator, and the Company (or its nominee) will then enter into a project agreement with ChinaSoft to determine the implementation costs as well as setting out the detailed terms of each party's participation in the relevant project. In general, ChinaSoft shall, at its own costs (but in any event such costs shall not exceed the amount to be stipulated under the project agreement), be responsible for all the technical and construction works of the relevant project (including but not limited to the development, manufacture, testing, construction of the hardware, middleware and software systems necessary for completion, technical services and support etc.); whereas the Company shall, at its own costs, provide business analysis and integrated works in connection with the relevant project.

In the area of establishing integrated online platforms, Guangzhou YBDS and Guangdong Telecom entered into a collaboration agreement to combine their resources and cooperate with each other to develop, establish, and operate the Online Education Platform to support the open policies of Guangdong's education department.

MANAGEMENT DISCUSSION AND ANALYSIS

The Department of Education of Guangdong Province (the "Education Department") had, on 30 August 2012, issued "The Development of Informationization in Education in Guangdong Province "12th 5-Year" Plan*" (廣東省教育信息化發展「十二五」規劃) to promulgate its intention to expedite current movements to raise the standard level of education in Guangdong through advancements of technology. The Education Department intends to standardize the education programs taught in primary and secondary schools such that students in rural areas will be able to enjoy the same quality of education as those in the urban areas. One of the means of achieving this objective was to make education virtual.

Under the collaboration agreement, Guangdong Telecom is responsible for constructing a specific network dedicated to the Online Education Platform to facilitate the stable transmission of information and content and covering all education administration and research institutions as well as primary and secondary schools within Guangdong Province. Guangdong Telecom will operate and maintain this dedicated network, which include upgrading and testing of the access terminals and access terminal equipment, installation services, as well as provision of technical support. Guangzhou YBDS is responsible for the investment of an amount up to RMB700 million to construct the Online Education Platform, and provided it with overall management and operation services which include technical services, software and hardware, studios and work space for video recording as well as project implementation, market demand analysis, system integration, computing technology, technical support, network testing and liaising with the various education administration departments.

Once completed, the Online Education Platform, capable of serving up to 6 million subscribers, will be able to serve all education administration and research institutions, and more than 20,000 primary and secondary schools, 890,000 teachers, and over 18,000,000 students in Guangdong Province.

During the reporting period, the Company has completed the design, construction and testing of a prototype of the over-the-top network system for the Online Education Platform.

In the area of trading ancillary high-tech software and hardware equipment, the Company had commenced the trading of G-PON equipment in the 4th quarter of 2012. For the year ended 31 March 2014, the Group generated revenue of approximately HK$5.52 million in the trading of G-PON equipment (HK$35.05 million for the year ended 31 March 2013).

Additionally, to be able to submit tenders to supply POS terminals, Guangzhou YBDS had entered into an agreement with Fujian Newland Computer Co., Ltd. (福建新大陸電腦股份有限公司) ("Newland") with Guangzhou YBDS being appointed as a sales and marketing agent for POS terminals manufactured by Newland. The POS terminal is the modern replacement of the cash register that, when connected to a POS system, can record and track customer orders, process credit and debit cards, connect to other systems in a network, and manage inventory. In short, it is a computer which is provided with application-specific programs and I/O devices for the particular environment in which it serves.

During the reporting period, the Group had supplied China Telecom Bestpay with 1,600 sets of POS terminals for a total contract sum of RMB1.89 million, or approximately HK$2.38 million.

The Group's system integration services and other value-added technical consultation services and hardware-related business in Hong Kong continue to be principally facilitated by Norray Professional Computer Limited, a subsidiary of the Company.

MANAGEMENT DISCUSSION AND ANALYSIS

FINANCIAL REVIEW

For the year ended 31 March 2014, the Group recorded a revenue of approximately HK$36,572,000, representing an decrease of approximately 32% when compared with the last corresponding year. The significant decrease in revenue was principally due to a drop of business volume in the trading of G-PON equipment in which the Group having generated revenue approximately HK$5,523,000 during the year. Loss attributable to owners of the Company for the year ended 31 March 2014 was approximately HK$10,481,000 as compared to a loss of approximately HK$11,860,000 for the year ended 31 March 2013.

SEGMENTAL INFORMATION

Business segments

During the year under review, revenue generated from hardware sales decreased by approximately 45%, revenue from maintenance services increased by approximately 14% while revenue from consultancy services increased by HK$6,350,000. Additionally, revenue from software sales decreased by approximately 5%.

Geographical segments

The provision of system integration services and other value-added technical consultation services and hardware-related business mainly caters for the PRC market. Revenue from the Hong Kong segment represented approximately 79% of the total revenue (2013: 35%).

FINANCIAL RESOURCES AND LIQUIDITY

As at 31 March 2014, the shareholders' funds of the Group amounted to approximately HK$122,635,000. Current assets were approximately HK$129,246,000, mainly comprising cash and cash equivalents of approximately HK$112,112,000 and trade and other receivables of approximately HK$17,134,000. Current liabilities mainly comprised trade and other payables of approximately HK$8,870,000 and bank borrowings of nil. The net asset value per share was approximately HK$0.090. The Group's gearing ratio, expressed as a percentage of bank borrowings and long-term debts over total equity, was nil. The liquidity ratio of the Group, determined as a ratio of current assets over current liabilities, was 14.57:1 (as at 31 March 2013: 2.04:1).

EXPOSURE TO EXCHANGE RATE FLUCTUATION

For the year ended 31 March 2014, the Group was only exposed to limited currency exchange rate fluctuation risks as virtually all of the Group's monetary assets and liabilities were denominated in Hong Kong dollars as it conducts its business transactions principally in this currency. The currency exchange rate risk of the Group is therefore considered to be immaterial, and the Group did not engage in any hedging activity.

COMMITMENTS

As at 31 March 2014, the Group had operating lease commitments in respect of rented premises, online platform and equipment of approximately HK$39,716,000 (2013: HK$883,000). As at 31 March 2014 and 2013, the Group had no significant capital commitment.

CONTINGENT LIABILITIES

As at 31 March 2014 and 2013, the Group had no material contingent liabilities.

CHARGES ON THE GROUP'S ASSETS

As at 31 March 2014 and 2013, the Group had no charges on the Group's assets.

EMPLOYEES AND REMUNERATION POLICIES

As at 31 March 2014, the Group had 44 employees (including 7 Directors) (2013: 26 employees (including 7 Directors)). The total remuneration paid to employees, including Directors, for the year ended 31 March 2014 was approximately HK$11,364,000 (2013: HK$9,036,000). Remuneration is determined by reference to market terms and the performance, qualification and experience of each individual employee. Annual year-end double pay is paid based on each individual employee's performance as recognition of and reward for their contributions. Other benefits accruing to the employees include contributions made to statutory mandatory provident fund scheme and a group medical scheme.

SIGNIFICANT INVESTMENTS

For the year ended 31 March 2014, the Group had no significant investment.

FUTURE PROSPECTS AND PLANS FOR MATERIAL INVESTMENTS OR CAPITAL ASSETS

In line with the Department of Education of Guangdong Province's medium to long term strategic plan to standardize the education programs taught in primary and secondary schools such that students in rural areas will be able to enjoy the same quality of education as those in the urban areas, on 22 April 2013, Guangzhou YBDS and Guangdong Telecom decided to combine their resources by collaborating with each other to develop, establish, and operate the Online Education Platform.

The Online Education Platform is an integrated platform that enables its subscribers to access educational content through data-streaming for a monthly subscription fee. An additional fee is charged for viewing access to special programs made available by video on demand. When completed, it will have the capacity to serve up to 6 million subscribers targeting all education administration and research institutions, and more than 20,000 primary and secondary schools, 890,000 teachers, and over 18,000,000 students in Guangdong Province.

Under the collaboration agreement, Guangzhou YBDS is responsible for the investment up to RMB700 million to construct the Online Education Platform, and project implementation by providing the necessary technical services, including developing the various software applications for content distribution, data streaming, video on demand, content compression, management of the subscribers base, and an information and data control center, developing a comprehensive content delivery/distribution network or a large distributed system of several thousand servers deployed in multiple data centers across the Internet capable of supporting up to 6 million subscribers, and manufacture of required amount of encoders or set-up boxes equipped with wireless remote controls and headphone capability, setting up offices as well as studios and work space for video recording (it anticipates to lease up to 6,600 square meters of space in Guangzhou, and up to 500 square meters of space in the other 20 satellite offices in cities within Guangdong Province), renovation work, all heating, ventilation and air-conditioning, office furniture, computer equipment, related video recording equipment, staffing of up to 1,100 people consisting of professionals, technicians as well as service and maintenance personnel, among others, project implementation, computing technology, market demand analysis, system integration, technical support, and network testing as well as liaising with the various education administration departments in Guangdong Province.

Guangdong Telecom is responsible for construction of a specific network dedicated to the Online Education Platform to facilitate the stable transmission of educational information and content covering all education administration and research institutions as well as primary and secondary schools within Guangdong Province. Guangdong Telecom will operate and maintain this dedicated network, which include upgrading and testing of access terminals and access terminal equipment, installation services, as well as provision of technical support.

MANAGEMENT DISCUSSION AND ANALYSIS

Guangzhou YBDS, on 21 March 2014, entered into an agency framework agreement with Aspire pursuant to which Aspire has appoint Guangzhou YBDS as its non-exclusive agent to promote and distribute their unified communications business, irrespective of whether such businesses are operated by Aspire or not, and provide relevant customer service and support thereunder in each province of the PRC.

Aspire, an indirect wholly-owned subsidiary of Aspire Holdings, was established in 2004 to provide operation and support services for value added data business of China Mobile and is responsible for the operation and support of the central portal Monternet.

Aspire Holdings, a direct non wholly-owned subsidiary of China Mobile, is the pioneer developer of data products and services for China Mobile. Aspire Holdings actively assists China Mobile in exploring, expanding, and facilitating businesses in areas such as information and communication technology and the internet. It has developed various super-large business platforms such as MISC and SIMS providing services nationwide. Aspire also assists China Mobile in the operation and support of mobile data businesses such as mobile newspaper and mobile reading. And through PIM, Aspire facilitates the development of China Mobile's Internet businesses such as 139 community, mobile micro-blog, and i-Contact under which its social network brand Fetion has a subscriber base of over 320 million users. In addition, it helped China Mobile to establish the first mobile market for carriers and the Center of Mobile Certificate Authority in the PRC.

The link-up with Aspire marks a milestone in the Company's history. Cooperation with large-scale state-owned telecommunications operators and upstream/downstream partners in the industry enables the Company to develop and provide new products and services, re-defining and enhancing our business model.

The premise of our cooperation with Aspire together with Fetion's estimated over 320 million registered users creates a solid foundation for the Company and Aspire to jointly develop front end module businesses.

On 31 March 2014, Guangzhou YBDS entered into a strategic cooperation agreement with BesTV to collaborate on exploring and developing new media technology and contents on IPTV, mobile television, internet television, mobile internet, multimedia stage design and production, and digital media platform research and development, offering such products and services through smart phones, PCs, television, and iPads (collectively, the "4 Screens").

BesTV is a new media corporation controlled by Radio and Television Shanghai and Shanghai Media Group whose shares are listed on The Shanghai Stock Exchange (stock code: 600637). Its business scope includes research, exploration, design, construction, management, maintaining entire network systems, interactive media application platform, and provision of network-related software and hardware in the field of technology development, technical consulting, technology transfer, technical services, network video production and operations, messaging, network equipment design, leasing, and sales and service. As at the year ended 2012, BesTV had over 16 million IPTV subscribers.

The Directors believe that with the dawning of 4G networks, a new economy driven by new visual media is about to commence. The onset of unified communications will alter how traditional Internet businesses operate. Moreover, mobile users will be able to access more convenient and colorful content benefited from the high bandwidth and low latency characteristics of 4G networks. Similarly, the cooperation with BesTV to develop and operate 4G new media businesses enable the Company to preempt the mainstream of 4G new media businesses onto the 4 screens.

MANAGEMENT DISCUSSION AND ANALYSIS

The Directors believe that the exponential growth in mobile Internet has brought forward intense competition across all market segments of the telecommunications industry into an era driven largely by the volume of data throughput. In hindsight, the Group re-defined our core business. Key businesses of the Group have been expanded to include big data, unified communications, cloud computing, network security SDN, 4G new media, top-level designs for e-finance, the software and hardware maintenance and operation in respect of the back end network support systems, design, development, production and manufacturing of the network front end products as well as the business operation of the online and offline payment. In hindsight, the Group is therefore accelerating its efforts in strategic transformation and capacity enhancement to maintain and create its competitive advantages.

Given our ambitions in the telecommunications industry in the PRC, Mr. Ni Guang Nan was appointed as the Company's chief science and technology advisor of the Company on 7 April 2014. He will focus on advising the Company on its business activities in information and telecommunications technology. Set out below is the biography of Mr. Ni.

Mr. Ni, aged 75, is a fellow of the Chinese Academy of Engineering. He is a specialist in computer architecture and algorithms, and was previously the chief science and technology officer of the Lenovo Group. Mr. Ni graduated from the Nanjing Institute of Technology (now Southeast University in Nanjing) in 1961. After graduation, he was employed with the Institute of Computing Technology Chinese Academy of Sciences and has extensive experience in foundation research and product development in computing technology and its related fields. Mr. Ni pioneered the inputting of Chinese characters in computer applications. In 1994, he was among the first group of people selected to join the Chinese Academy of Engineering.

Mr. Ni was previously a fellow of the Institute of Computing Technology Chinese Academy of Sciences, a fellow of the Chinese Academy of Engineering. He has also served as the fifth and sixth Chairman of the Chinese Information Processing Society of China, a deputy director of the Cloud Computing Specialists Committee of the Chinese Institute of Electronics, a deputy director of the Internet of Things Specialists Committee of the Chinese Institute of Electronics, a deputy director of the Internet of Things Specialists Committee of the China Electronics Chamber of Commerce, a Deputy Director of Specialists Advisory Committee within the Administrative Committee of the Zhongguancun Haidian Science Park, a Deputy Director of Specialists Advisory Committee of the Chinese Academy of Governance, a Member of the Specialists Committee of the Chinese Electronic Records Management Centre. He also held various capacities such as the Specialists Committee of the Chinese Information Technology Security Evaluation Center, a representative of the 8th National People's Congress, a member of the 8th and 9th National Committee of the Chinese People's Political Consultative Conference and an honorary member of the 5th All-China Youth Federation.

The Directors believe the entering into of the agency framework agreement with Aspire and strategic cooperation agreement with BesTV is in line with the Group's strategy enabling it to expand its existing services and revenue base and enhance its growth potential. Accordingly, the Directors consider the agency framework agreement and strategic cooperation agreement are in the interest of the Company and its shareholders as a whole.

CORPORATE GOVERNANCE REPORT

CORPORATE GOVERNANCE PRACTICES

The Company has adopted the code provisions set out in the Corporate Governance Code and Corporate Governance Report (the "Code") as set out in Appendix 15 to the GEM Listing Rules. The Company has complied with the code provisions set out in the Code throughout the year ended 31 March 2014 except for the deviations from code provisions A.1.8 and A.2.1 of the Code as explained as follows:

Code provision A.1.8

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

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

Code provision A.2.1

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

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

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

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

In 2014, the Company continued to implement and follow up on those suggestions and recommendations made by Zhonghui Anda Risk Services Limited as part of their 2013 comprehensive review on the internal controls of the Group. As such, the Group's internal supervision and risk prevention measures continue to improve.

COMPLIANCE OF CODE FOR DIRECTORS' SECURITIES TRANSACTION

The Company has adopted a code of conduct regarding securities transactions by directors on terms no less exacting than the required standard of dealings set out in Rules 5.48 to 5.67 of the GEM Listing Rules. Having made specific enquiry, all Directors of the Company have complied with the required standard of dealings and the code of conduct regarding securities transactions by directors adopted by the Company throughout the year ended 31 March 2014.

EFFECTIVE AND EXPERIENCED BOARD

Board Composition

The Board comprised the following members during the year:

Executive Directors:

Mr. Wang Chaoyong *(appointed on 7 April 2014)*
Mr. Yau Hoi Kin
Mr. Kwong Wai Ho, Richard
Dr. Huang Youmin

Non-executive Director:

Mr. Hsu Chia-Chun

Independent Non-executive Directors:

Dr. Chow Ka Ming, Jimmy
Mr. Ngan Yu Loong *(appointed on 2 December 2013)*
Dr. Wong Wing Lit
Mr. Liu Zhiquan *(resigned on 19 December 2013)*

Board Meeting

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

Details of the attendance of the Board are as follows:

		Attendance/Number of Board meetings held during the year	Attendance/Number of General meetings held during the year
Mr. Wang Chaoyong	*(appointed on 7 April 2014)*	–/–	–/–
Mr. Yau Hoi Kin		13/13	1/2
Mr. Kwong Wai Ho, Richard		13/13	2/2
Dr. Huang Youmin		12/13	2/2
Mr. Hsu Chia-Chun		7/13	0/2
Mr. Ngan Yu Loong	*(appointed on 2 December 2013)*	3/3	0/0
Dr. Chow Ka Ming, Jimmy		11/13	2/2
Dr. Wong Wing Lit		10/13	1/2
Mr. Liu Zhiquan	*(resigned on 19 December 2013)*	7/10	1/2

Functions of the Board

The Board is responsible for formulating the Group's overall strategy, considering and approving financial statements, material contracts and transactions as well as other significant policy and financial matters. The Board delegates the day to day operation and administration functions to the executive Directors and management, while preserving the right to finally approve key matters and strategic decisions. When the Board delegates certain aspects of its management and administration functions to management, it gives clear directions as to the powers of management, in particular, with respect to the circumstances where management should report back and obtain prior approval from the Board before making decisions or entering into any commitments on behalf of the Company. The Directors do not have any financial, business, family or other material/relevant relationships with each other.

Practices and Conduct of Meetings

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

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

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

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

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

Appointment, Re-election and Removal of Directors

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

According to the Code Provision A.4.1 of the CG Code, non-executive Directors should be appointed for a specific term of service. On 21 June 2012, two of the current independent non-executive Directors, namely Dr. Chow Ka Ming, Jimmy and Dr. Wong Wing Lit, entered into an appointment letter with the Company for a term of three years and are subject to retirement by rotation as they shall offer themselves for re-election in accordance with the Company's articles of association. Mr. Ngan Yu Loong has been appointed as an independent non-executive Director of the Company with effect from 2 December 2013. Mr. Liu Zhiquan resigned as an independent non-executive Director with effect from 19 December 2013 due to personal reasons.

INDEPENDENT NON-EXECUTIVE DIRECTORS

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

TERM OF OFFICE OF NON-EXECUTIVE DIRECTOR

The term of office for Mr. Hsu Chia-Chun, the non-executive Director, is for a period of one year commencing from 24 August 2013.

CHAIRMAN AND CHIEF EXECUTIVE OFFICER

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

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

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

AUDIT COMMITTEE

The Audit Committee was established in May 2000, and the Company had adopted a revised specific terms of reference as of 2 December 2013 in accordance with Rules 5.28 to 5.33 of the GEM Listing Rules.

During the year, the Audit Committee comprised Mr. Ngan Yu Loong, Dr. Chow Ka Ming, Jimmy and Dr. Wong Wing Lit, all of whom are independent non-executive Directors. Mr. Ngan Yu Loong is the current chairman of the Audit Committee. He was appointed as a member of the Audit Committee with effect from 2 December 2013. Mr. Liu Zhiquan had resigned as the chairman of the Audit Committee with effect from 19 December 2013 due to personal reasons. Following his resignation, Mr. Ngan Yu Loong, an independent non-executive Director, was appointed as chairman of the Audit Committee with effect from 19 December 2013.

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

The Audit Committee has reviewed the audited consolidated results of the Group for the year ended 31 March 2014 and the internal control system of the Group.

During the year, the Group's unaudited quarterly and half-yearly results and audited annual results for the year ended 31 March 2014 have been reviewed by the Audit Committee and have opined such financial statements complied with the applicable accounting standards and that adequate disclosures have been made.

During the year under review, four meetings of the Audit Committee were held. Details of the members' attendance of the Audit Committee meetings are as follows:

		Attendance/Number of Audit Committee meetings held during the year
Mr. Ngan Yu Loong *(Chairman)*	*(appointed on 2 December 2013)*	1/1
Dr. Chow Ka Ming, Jimmy		3/4
Dr. Wong Wing Lit		4/4
Mr. Liu Zhiquan *(Chairman)*	*(resigned on 19 December 2013)*	3/3

REMUNERATION COMMITTEE

The Remuneration Committee was established in November 2005 and the Company had adopted a revised specific terms of reference as of 2 December 2013 in accordance with Rules 5.34 to 5.36 of the GEM Listing Rules and the requirements set out under Code Provision.

During the year, the Remuneration Committee comprised Dr. Chow Ka Ming, Jimmy, Mr. Ngan Yu Loong, and Dr. Wong Wing Lit, all of whom are independent non-executive Directors. Dr. Chow Ka Ming is the current chairman of the Remuneration Committee. Mr. Ngan Yu Loong was appointed as a member of the Remuneration Committee with effect from 2 December 2013. Mr. Liu Zhiquan had resigned as a member of the Remuneration Committee with effect from 19 December 2013 due to personal reasons.

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

During the year ended 31 March 2014, the Remuneration Committee has performed its duties to review the remuneration of Board members and make recommendations to the Board on the remuneration package of Mr. Ngan Yu Loong and Mr. Hsu Chia-Chun.

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

		Attendance/Number of Remuneration Committee meetings held during the year
Dr. Chow Ka Ming, Jimmy *(Chairman)*		4/4
Mr. Ngan Yu Loong	*(appointed on 2 December 2013)*	–/–
Dr. Wong Wing Lit		3/4
Mr. Liu Zhiquan	*(resigned on 19 December 2013)*	3/4

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

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

NOMINATION COMMITTEE

The Nomination Committee was established in May 2011 and the Company had adopted a revised specific written terms of reference as of 2 December 2013 in compliance with the Code Provision A.5.

The Nomination Committee comprised Mr. Ngan Yu Loong, Dr. Chow Ka Ming, Jimmy, and Dr. Wong Wing Lit, all of whom are independent non-executive Directors. Mr. Ngan Yu Loong is the current chairman of the Nomination Committee. He was appointed as a member of the Nomination Committee with effect from 2 December 2013. Mr. Liu Zhiquan had resigned as the chairman of Nomination Committee with effect from 19 December 2013 due to personal reasons. Following his resignation, Mr. Ngan Yu Loong, an independent non-executive Director, was appointed as the chairman of the Nomination Committee with effect from 19 December 2013.

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

During the year ended 31 March 2014, the Nomination Committee has performed its duties to identify Mr. Ngan Yu Loong as a candidate of independent non-executive Director to the Board and has also made recommendations to the Board on the re-appointment of Mr. Hsu Chia-Chun as non-executive Director.

Pursuant to code provision A.5.6 of the Code, the Board has adopted a board diversity policy and the Nomination Committee is responsible for monitoring the achievement of the measurable objectives set out in the policy.

The Company recognizes and seizes the benefits of having a diverse Board to enhance the quality of its performance. With a view to achieving a sustainable and balanced development, the Company sees increasing diversity at the Board level as an essential element in supporting the attainment of its strategic objectives and its sustainable development.

In designing the Board's composition, Board diversity has been considered from a number of aspects, including but not limited to gender, age, cultural and educational background, professional experience, skills and knowledge. All Board appointments will be based on merit, and candidates will be considered against objective criteria, having due regard for the benefits of diversity on the Board.

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

		Attendance/Number of Nomination Committee meetings held during the year
Mr. Ngan Yu Loong *(Chairman)*	*(appointed on 2 December 2013)*	1/1
Dr. Chow Ka Ming, Jimmy		3/4
Dr. Wong Wing Lit		3/4
Mr. Liu Zhiquan *(Chairman)*	*(resigned on 19 December 2013)*	3/4

DIRECTORS' TRAINING

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

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

During the financial year ended 31 March 2014, an individual training record of each Director is set out below:

Name of Director		Attending or Participating in courses/seminars/ conference/workshops relevant to rules and regulations and the Group's business/ directors' duties	Reading materials relating to rules and regulations and discharge of directors' duties and Responsibilities
Executive Directors			
Mr. Wang Chaoyong	*(appointed on 7 April 2014)*	–	–
Mr. Yau Hoi Kin		✓	✓
Mr. Kwong Wai Ho, Richard		✓	✓
Dr. Huang Youmin		✓	✓
Non-executive Director			
Mr. Hsu Chia-Chun		✓	✓
Independent Non-executive Directors			
Dr. Chow Ka Ming, Jimmy		✓	✓
Dr. Wong Wing Lit		✓	✓
Mr. Ngan Yu Loong	*(appointed on 2 December 2013)*	✓	✓
Mr. Liu Zhiquan	*(resigned on 19 December 2013)*	–	–

COMPANY SECRETARY

The Company engaged an external service provider, Mr. Tung Tat Chiu, Michael ("Mr. Tung") as its company secretary. Although Mr. Tung is accessible by all executive Directors and senior management, Mr. Yau Hoi Kin and Mr. Kwong Wai Ho Richard, our executive Directors, are the principal persons with whom Mr. Tung liaises with. For the year ended 31 March 2014, Mr. Tung has received relevant professional training of not less than 15 hours to update his skills and knowledge.

AUDITORS' REMUNERATION

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

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

Type of Services	HK$'000
Audit services	180
Non-audit services	70
Total	250

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

INTERNAL CONTROL

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

In 2014, the Company continued to implement and follow up on those suggestions and recommendations made by Zhonghui Anda Risk Services Limited as part of their 2014 comprehensive review on the internal controls of the Group. As such, the Group's internal supervision and risk prevention measures continue to improve.

DIRECTORS' AND AUDITORS' ACKNOWLEDGEMENT

All Directors acknowledge their responsibilities for preparing the audited consolidated financial statements for the year ended 31 March 2014.

The auditors of the Company acknowledge their reporting responsibilities in the auditors' report contained in this annual report for the year ended 31 March 2014.

SHAREHOLDER'S RIGHTS

How shareholders can convene an extraordinary general meeting

Pursuant to Article 58 of the articles of association of the Company, any one or more Members holding at the date of deposit of the requisition not less than one-tenth of the paid up capital of the Company carrying the right of voting at general meetings of the Company shall at all times have the right, by written requisition to the Board or the Secretary of the Company, to require an extraordinary general meeting to be called by the Board for the transaction of any business specified in such requisition.

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

Shareholders may send their enquiries and concerns to the Board by addressing them to the principal place of business of Company in Hong Kong at Room 1602, 16/F, AXA Centre, 151 Gloucester Road, Wanchai, Hong Kong by post for the attention of the Board.

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

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

INVESTOR RELATIONS

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

There are no significant charges in the Company's memorandum and articles of association during the year ended 31 March 2014.

BIOGRAPHICAL INFORMATION OF DIRECTORS AND SENIOR MANAGEMENT

DIRECTORS

Executive Directors

Mr. Wang Chaoyong (汪超湧) ("Mr. Wang"), aged 49, was appointed as an executive Director on 7 April 2014. He is also the founder, chairman and chief executive officer of ChinaEquity Group, one of the leading private equity and venture capital investment firms in China. Founded in 1999, the ChinaEquity Group focuses on high-tech, consumer & retail, media & education, cleantech, and healthcare sectors with over one billion US dollars of assets under management. Mr. Wang is also chairman of Origo Partner Plc, an investment fund listed on the London Stock Exchange (LSE: OPP), an independent director of The 9 Limited, a company listed on NASDAQ (NCTY) and a director of several private companies in China. He graduated from Huazhong University of Science and Technology majoring in information management engineering and received his MBA degree jointly from Tsinghua University and Rutgers University. He has over 27 years of working experience in the investment and financial services industry and was previously employed by JP Morgan Chase, Standard & Poor, Morgan Stanley and the China Development Bank. In addition, Mr. Wang has extensive experience in the specialized areas of securitization, initial public offerings, cross-border mergers and acquisitions, privatization and restructuring, private equity and venture capital investments. He has spearheaded over 70 investment projects including Baidu, Sohu, Huayi Brothers as well as other pre-IPO projects such as Tony Studio, Tongji Pharmaceuticals, China Cheng Xin International Credit Rating, Longwen Education, among others. Mr. Wang is an inaugural member of the Yale Asia Development Council, an executive director of WRSA, a director of the China Entrepreneurship Club, among others.

Mr. Wang had previously served as an investment advisor to State Development Bank of China, as an advisor to World Bank on the GEF China Energy Project, the investment & finance sub-committee of the Chinese Academy of Sciences, the Economic & Trade Commission of the Beijing City Government, as a Board Governor and secretary general of the China Venture Capital Association (for the years from 2002 to 2005), as vice chairman of second session of the Council of China Overseas-Educated Scholars Development Foundation, as vice chairman of the WRSA Entrepreneur Alliance and Hubei Chamber of Commerce, as a director of the China Entrepreneur Club, as vice chairman of the China Association for Promoting International Economic & Technical Cooperation, as a director of the China Entrepreneur Yabuli Forum, and as executive chairman of China Sports Marketing Forum.

Mr. Wang is the recipient of numerous accolades including the "Top 20 Most Active Venture Capitalists in China," "Top 10 Most Successful Western Returned Entrepreneur in China," and "Great Contribution to Industry in 2012" from the Hurun Report, "Aspen 7 in Brainstorm 2004" from FORTUNE, "Top 50 Best Investors in China 2012" from CBN Weekly, Marine Contribution Award by China Cup 2013 and Title of Knight by Sailing spirit Grand Ceremony 2013. He is an active speaker and a panelist for the global fortune conference, Asia Society as well as many of the domestic and international investment symposiums.

Mr. Wang found the China Team, the first Chinese team ever to compete in the history of the America's Cup, and is an investor of the China Grand Rally. In philanthropy, he started the Lishizhen Education Charity Fund and is a contributor to the Tsinghua University Endowment Fund and other social entrepreneurship projects.

Save as disclosed above, Mr. Wang does not hold any positions in the Company or any of its subsidiaries and does not hold any directorships in any public companies the securities of which are listed on any securities market in Hong Kong or overseas in the last three years. Save as disclosed above, Mr. Wang is not connected with any Directors, senior management, substantial shareholders or controlling shareholders of the Company.

BIOGRAPHICAL INFORMATION OF DIRECTORS AND SENIOR MANAGEMENT

Mr. Yau Hoi Kin (游海建) ("Mr. Yau"), aged 47, was appointed as an executive Director on 30 January 2012 and re-elected on 12 April 2012. He was also appointed as a director of a number of subsidiaries within the Group. Mr. Yau has a wealth of practical experience and extensive knowledge of the business practices, and of the legal and regulatory frameworks in the PRC. He had previously held senior positions in major international houses and spearheaded the listing of various State- and privately owned companies in the PRC. Before that, Mr. Yau was an executive with the investment window company of the Guangzhou City Municipal Government. He had previously held an executive director position at a company listed in Hong Kong. Mr. Yau graduated with a degree in industrial enterprises management from 武漢水運工程學院 (now known as 武漢理工大學 or Wuhan University of Technology) and received his post-graduate certificate in business administration from the Hong Kong Open University. Save as disclosed above, Mr. Yau does not hold any positions in the Company or any of its subsidiaries and does not hold any directorships in any public companies the securities of which are listed on any securities market in Hong Kong or overseas in the last three years. Save as disclosed above, Mr. Yau is not connected with any Directors, senior management, substantial shareholders or controlling shareholders of the Company.

Mr. Kwong Wai Ho, Richard (鄺偉豪) ("Mr. Kwong"), aged 50, was appointed as an executive Director on 30 January 2012 and re-elected on 12 April 2012. He was also appointed as a director of a number of subsidiaries within the Group. Mr. Kwong has expertise and extensive experience in the banking, international finance, and project advisory fields. Previously at a major international bank, he was instrumental in sourcing funding for many large scale infrastructure projects undertaken by window companies of the Guangzhou City Municipal Government, among others. Prior to joining the Company, he was a financial advisor to a number of private and listed companies in the Asia Pacific Region. Mr. Kwong had previously held executive director positions for companies listed in Hong Kong. Mr. Kwong graduated from New York University with a degree of Bachelor of Science in finance. Save as disclosed above, Mr. Kwong does not hold any positions in the Company or any of its subsidiaries and does not hold any directorships in any public companies the securities of which are listed on any securities market in Hong Kong or overseas in the last three years. Save as disclosed above, Mr. Kwong is not connected with any Directors, senior management, substantial shareholders or controlling shareholders of the Company.

Dr. Huang Youmin (黃友民) ("Dr. Huang"), aged 64, was appointed as an executive Director on 30 January 2012 and reelected on 8 July 2013. He was also appointed as a director of a number of subsidiaries within the Group. Prior to joining the Company, Dr. Huang was the principal investor and managing partner of a joint venture with the Ministry of Electronics Industry in the PRC. He spearheaded the research and development of automatic fare collection systems with embedded security features uniquely designed for the PRC's various public transport systems. Dr. Huang previously held various senior managerial positions in window companies of the Guangzhou City Municipal Government that invested and operated large scale infrastructure projects in telecommunications, highways and airports. Before that, he taught chemistry at his alma mater. Dr. Huang graduated from Jinan University with a Bachelor's degree in organic chemistry. He went to study at the University of California, Los Angeles before earning his Philosophy of Doctorate degree in physical organic chemistry at The University of Hong Kong. Save as disclosed above, Dr. Huang does not hold any positions in the Company or any of its subsidiaries and does not hold any directorships in any public companies the securities of which are listed on any securities market in Hong Kong or overseas in the last three years. Save as disclosed above, Dr. Huang is not connected with any Directors, senior management, substantial shareholders or controlling shareholders of the Company.

Non-executive Director

Mr. Hsu Chia-Chun (徐嘉駿) ("Mr. Hsu"), aged 30, was appointed as a non-executive Director on 24 August 2012 and reelected on 8 July 2013. He is engaged in film, television, and media-related production in both PRC and United States. He has been a producer of a 3D movie in Los Angeles while pursuing postgraduate studies of Cinematic Arts Film and Television Production at University of Southern California in United States. Mr. Hsu obtained his Bachelor of Arts Degree in English and Chinese Literature from College of Liberal Arts of National Central University in Taiwan. Save as disclosed above, Mr. Hsu does not hold any positions in the Company or any of its subsidiaries and does not hold any directorships in any public companies the securities of which are listed on any securities market in Hong Kong or overseas in the last three years. Save as disclosed above, Mr. Hsu is not connected with any Directors, senior management, substantial shareholders or controlling shareholders of the Company.

Independent Non-executive Directors

Dr. Chow Ka Ming, Jimmy (周嘉明) ("Dr. Chow"), aged 39, was appointed as an independent non-executive Director on 30 January 2012 and re-elected on 8 July 2013. He is currently the Chairman of the Hong Kong Information and System Security Professional Association, and also a member of the British Computer Society. Dr. Chow has more than 10 years of managerial experience in the information technology, engineering and education fields. His current research interests include mobile robotics, soft-computing, computer networking and Information security and he has published a number of international journal papers in his research fields. Dr. Chow received his BEng (Hons) in Electrical Engineering (First Class Honor) and Doctor of Philosophy in Electrical Engineering from The Hong Kong Polytechnic University in 1997 and 2001 respectively. He was also one of the awardees of the Sir Edward Youde Memorial Scholarships and Sir Edward Youde Memorial Fellowships during his undergraduate and doctoral degree studies respectively. Save as disclosed above, Dr. Chow does not hold any positions in the Company or any of its subsidiaries and does not hold any directorships in any public companies the securities of which are listed on any securities market in Hong Kong or overseas in the last three years. Save as disclosed above, Dr. Chow is not connected with any Directors, senior management, substantial shareholders or controlling shareholders of the Company.

Dr. Wong Wing Lit (黃榮烈) ("Dr. Wong"), aged 52, was appointed as an Independent non-executive Director on 17 February 2012 and re-elected on 12 April 2012. He is currently teaching actuary science and statistics in a university in Hong Kong. He is the Chairman of The Hong Kong Mathematical Olympiad Association, a statistician and associate actuary. Dr. Wong is a member of a number of professional bodies in Hong Kong including but not limited to Actuarial Society of Hong Kong and Hong Kong Statistical Society, and was conferred the title of Associate of The Society of Actuaries (ASA) in USA since 1993. Dr. Wong graduated from The Chinese University of Hong Kong with a Master of Philosophy degree and a Bachelor's degree in Statistics. He furthered his studies at the University of Pittsburgh, where he received his Doctorate and Master degree in Statistics and Mathematics. Save as disclosed above, Dr. Wong does not hold any positions in the Company or any of its subsidiaries and does not hold any directorships in any public companies the securities of which are listed on any securities market in Hong Kong or overseas in the last three years. Save as disclosed above, Dr. Wong is not connected with any Directors, senior management, substantial shareholders or controlling shareholders of the Company.

Mr. Ngan Yu Loong (顏裕龍) ("Mr. Ngan"), aged 51, was appointed as an independent non-executive Director on 2 December 2013 is a certified public accountant of the Hong Kong Institute of Certified Public Accountants. Mr. Ngan has 20 years of experience in accounting and finance. He has been the principal partner of Y. L. Ngan and Company Certified Public Accountants since 1 July 1996. Save as disclosed above, Mr. Ngan does not hold any positions in the Company or any of its subsidiaries and does not hold any directorships in any public companies the securities of which are listed on any securities market in Hong Kong or overseas in the last three years. Save as disclosed above, Mr. Ngan is not connected with any Directors, senior management, substantial shareholders or controlling shareholders of the Company.

REPORT OF THE DIRECTORS

The Directors submit herewith the annual report and the audited consolidated financial statements of the Group for the year ended 31 March 2014.

PRINCIPAL ACTIVITIES AND SEGMENT ANALYSIS OF OPERATIONS

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

During the year ended 31 March 2014, the Group focused to strengthen its business development in the area of trading of high-tech software and hardware equipment; develop and establish online platforms to distribute mobile products and provision of value-added services; and set up joint ventures with multinational companies to introduce and procure mobile application services, among others. There were no significant changes in the nature of the Group's principal activities during the year.

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

RESULTS AND DIVIDENDS

The results of the Group for the year ended 31 March 2014 are set out in the consolidated statement of comprehensive income on pages 35 and 36.

The Directors do not recommend the payment of a final dividend for the year ended 31 March 2014.

SUMMARY FINANCIAL INFORMATION

A summary of the published results and assets, liabilities and non-controlling interests of the Group for the last five financial years, as extracted from the audited consolidated financial statements and restated/reclassified as appropriate, is set out on page 32. This summary does not form part of the audited consolidated financial statements.

PRE-EMPTIVE RIGHTS

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

SHARE CAPITAL AND SHARE OPTIONS

Details of the Company's share capital and share options are set out in notes 22 and 23 to the consolidated financial statements respectively.

RESERVES

Details of movements in the reserves of the Group and of the Company during the year are set out in the consolidated statement of changes in equity on page 40 and note 24 to the consolidated financial statements respectively.

DISTRIBUTABLE RESERVES

As at 31 March 2014, in the opinion of the Directors, the Company's reserve available for distribution to shareholders (comprising share premium) amounted to approximately HK$101,852,000.

PROPERTY, PLANT AND EQUIPMENT

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

BANK BORROWINGS

Particulars of the borrowings of the Group as at 31 March 2014 are set out in note 21 to the consolidated financial statements.

PURCHASE, SALE OR REDEMPTION OF LISTED SHARES

Share placement

On 5 August 2013, the Company allotted and issued 450,000,000 new shares of the Company at a par value of HK$0.10 each in the capital of the Company at a subscription price of HK$0.225 each to Happy On raising net proceeds of about HK$100,000,000 pursuant to a subscription agreement dated 2 June 2013 entered into between the Company and Happy On. Immediately after the completion of the abovementioned subscription, Happy On holds 987,888,771 shares of the Company, representing approximately 72.83% of the total issued share capital of the Company.

Save as disclosed herein, neither the Company nor any of its subsidiaries purchased, sold or redeemed any of the Company's listed shares during the year ended 31 March 2014.

SHARE OPTION SCHEME

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

No options were granted under the share option scheme since its adoption by the Company or outstanding, lapsed, cancelled or exercised at any time during the year ended 31 March 2014.

DIRECTORS

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

Executive Directors:

Mr. Wang Chaoyong *(appointed on 7 April 2014)*
Mr. Yau Hoi Kin
Mr. Kwong Wai Ho, Richard
Dr. Huang Youmin

Non-executive Director:

Mr. Hsu Chia-Chun

Independent Non-executive Directors:

Dr. Chow Ka Ming, Jimmy
Dr. Wong Wing Lit
Mr. Ngan Yu Loong *(appointed on 2 December 2013)*
Mr. Liu Zhiquan *(resigned on 19 December 2013)*

Pursuant to Article 84 of the articles of association of the Company, Mr. Yau Hoi Kin and Dr. Wong Wing Lit shall retire by rotation at the forthcoming annual general meeting, and being eligible, will offer themselves for re-election.

Pursuant to Article 83 of the articles of association of the Company, Mr. Wang Chaoyong and Mr. Ngan Yu Loong shall hold office only until and shall retire at the forthcoming annual general meeting, and being eligible, will offer themselves for re-election.

DIRECTORS' SERVICE CONTRACTS

As at the date of this report, the Company has entered into (i) a service agreement with each of the current executive Directors, namely, Mr. Yau Hoi Kin, Mr. Kwong Wai Ho, Richard and Dr. Huang Youmin for a term of three years commencing from their respective dates of appointment, (ii) a letter of appointment with the non-executive Director, namely, Mr. Hsu Chia-Chun for a term of one year commencing from 24 August 2013, and (iii) a letter of appointment with each of the current independent non-executive Directors, namely, Dr. Chow Ka Ming, Jimmy, Mr. Ngan Yu Loong and Dr. Wong Wing Lit for a term of three years commencing from their respective dates of appointment.

Mr. Wang Chaoyong was appointed as an executive Director of the Company with effect on 7 April 2014. He presently does not have a fixed term of service with the Company but will be subject to retirement by rotation and re-election at the next following annual general meeting of the Company in accordance with the articles of association of the Company. The remuneration of Mr. Wang Chaoyong has not been fixed and will be determined with reference to his qualifications, experience and duties and responsibilities in the Group and prevailing market conditions.

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

BIOGRAPHICAL DETAILS OF DIRECTORS AND SENIOR MANAGEMENT

Biographical details of the Directors of the Company and the senior management of the Group are set out on pages 24 to 26.

DIRECTORS' REMUNERATION

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

REMUNERATION COMMITTEE

The Remuneration Committee was established in November 2005 and the Company had adopted a revised specific terms of reference as of 2 December 2013 in accordance with Rules 5.34 to 5.36 of the GEM Listing Rules and the requirements set out under Code Provision.

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

DIRECTORS' INTERESTS IN CONTRACTS

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

DIRECTORS' RIGHT TO ACQUIRE SHARES OR DEBENTURES

Save as disclosed above, as at 31 March 2014, at no time during the year were rights to acquire benefits by means of the acquisition of shares in or debentures of the Company granted to any Director or their respective spouses or minor children, or were any such rights exercised by them; or was the Company or any of its subsidiaries a party to any arrangement to enable the Directors to acquire such rights in any other body corporate.

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

As at 31 March 2014, none of the Directors or their respective associates and the chief executive of the Company had any interests or short positions in the shares and underlying shares of the Company or its associated corporations (within the meaning of Part XV of the Securities and Futures Ordinance ("SFO")) as recorded in the register required to be kept by the Company under Section 352 of the SFO or as otherwise notified to the Company and the Stock Exchange pursuant to the minimum standards of dealing by directors of the Company as referred to in Rule 5.46 of the GEM Listing Rules.

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

As at 31 March 2014, so far as the Directors are aware of and having made due enquires, the following persons had an interest or short position in the shares or underlying shares of the Company as recorded in the register required to be kept by the Company under Section 336 of the SFO and/or were directly or indirectly interested in 5% or more of the issued share capital carrying rights to vote in all circumstances at general meetings of any other members of the Group:

Name of shareholder	Capacity	Number of issued ordinary shares held (Note 2)	Approximate percentage of issued share capital as at 31 March 2014 (Note 3)
Happy On (Note 1)	Beneficial owner	987,888,771 (L)	72.83%
Mr. Chan Foo Wing ("Mr. Chan") (Note 1)	Interest in a controlled corporation	987,888,771 (L)	72.83%

Notes:

1. As Mr. Chan is the ultimate beneficial owner and the sole director of Happy On, by virtue of the SFO, Mr. Chan is deemed to be interested in the 987,888,771 shares held by Happy On.

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

3. Based on 1,356,250,000 shares of the Company in issue as at 31 March 2014.

MANAGEMENT CONTRACTS

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

MAJOR CUSTOMERS AND SUPPLIERS

During the year ended 31 March 2014, the largest and the five largest suppliers of the Group accounted for approximately 49% and 84% of the Group's total purchases respectively. Sales to the largest and the five largest customers of the Group accounted for approximately 21% and 66% of the Group's total sales respectively.

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

DIRECTORS' INTERESTS IN COMPETING BUSINESS

During the year ended 31 March 2014, none of the Directors or substantial shareholders or their respective associates (as defined in the GEM Listing Rules) of the Company had an interest in a business which competed with or might compete with the business of the Group.

CONNECTED TRANSACTION

On 2 June 2013, the Company and Happy On entered into a subscription agreement in relation to the subscription of 450,000,000 new shares of the Company having a par value of HK$0.10 each in the capital of the Company at a subscription price of HK$0.225 each. As Happy On held 537,888,771 shares of the Company, representing 59.35% of the issued share capital of the Company immediately before the execution of the subscription agreement, Happy On was a controlling shareholder and thus a connect person of the Company. Accordingly, the abovementioned subscription constitutes a non-exempt connected transaction of the Company under the GEM Listing Rules. The Company confirms that it has complied with the reporting, announcement and independent shareholders' approval requirements under the GEM Listing Rules. The subscription of shares of the Company was completed on 5 August 2013. Please refer to the paragraph headed "Purchase, Sale or Redemption of Listed Shares" in this report for details.

SUFFICIENCY OF PUBLIC FLOAT

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

AUDIT COMMITTEE

The Audit Committee was established in May 2000, and the Company had adopted a revised specific terms of reference as of 2 December 2013 in accordance with Rules 5.28 to 5.33 of the GEM Listing Rules.

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

CORPORATE GOVERNANCE

The Company's corporate governance principles and practices are set out in the corporate governance report on pages 15 to 23 of this annual report.

AUDITORS

The financial statement of the Company for the year ended 31 March 2012 was audited by HLB Hodgson Impey Cheng. During the year ended 2013, HLB Hodgson Impey Cheng retired as auditors of the Company and Grant Thornton Hong Kong Limited was appointed as the Company's auditors to fill the casual vacancy.

For the years ended 31 March 2013 and 2014, the financial statements of the Company had been audited by Grant Thornton Hong Kong Limited whose term of office will expire upon the forthcoming annual general meeting. A resolution to re-appoint Grant Thornton Hong Kong Limited as auditors of the Company will be proposed to the shareholders of the Company for approval at the forthcoming annual general meeting.

On behalf of the Board

Yau Hoi Kin
Executive Director

Hong Kong, 12 May 2014

SUMMARY FINANCIAL INFORMATION

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

FINANCIAL SUMMARY

For the year ended 31 March 2014

	2010 HK$'000	2011 HK$'000	2012 HK$'000	2013 HK$'000	2014 HK$'000
RESULTS					
Revenue	89,106	102,033	15,727	53,729	**36,572**
Profit/(Loss) before income tax	(12,867)	(6,762)	6,379	(11,865)	**(10,419)**
Income tax credit/(expense)	35	(1)	–	(31)	**(8)**
Profit/(Loss) for the year	(12,832)	(6,763)	6,379	(11,896)	**(10,427)**
Attributable to:					
Owners of the Company	(12,810)	(6,814)	6,233	(11,860)	**(10,481)**
Non-controlling interests	(22)	51	146	(36)	**54**
	(12,832)	(6,763)	6,379	(11,896)	**(10,427)**
ASSETS AND LIABILITIES					
Total assets	73,587	70,623	68,367	61,206	**131,505**
Total liabilities	(25,930)	(28,552)	(63,864)	(29,730)	**(8,870)**
	47,657	42,071	4,503	31,476	**122,635**
Attributable to:					
Owners of the Company	46,813	41,176	4,334	31,343	**122,448**
Non-controlling interests	844	895	169	133	**187**
	47,657	42,071	4,503	31,476	**122,635**

INDEPENDENT AUDITORS' REPORT

Grant Thornton
致同

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

We have audited the consolidated financial statements of Yunbo Digital Synergy Group Limited (the "Company") and its subsidiaries (together, the "Group") set out on pages 35 to 80, which comprise the consolidated and the Company statements of financial position as at 31 March 2014, and the consolidated statement of comprehensive income, the consolidated statement of changes in equity and the consolidated statement of cash flows for the year then ended, and a summary of significant accounting policies and other explanatory information.

DIRECTORS' RESPONSIBILITY FOR THE CONSOLIDATED FINANCIAL STATEMENTS

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

AUDITORS' RESPONSIBILITY

Our responsibility is to express an opinion on these consolidated financial statements based on our audit and to report our opinion solely to you, as a body, and for no other purpose. We do not assume responsibility towards or accept liability to any other person for the contents of this report.

We conducted our audit in accordance with Hong Kong Standards on Auditing issued by the Hong Kong Institute of Certified Public Accountants. Those standards require that we comply with ethical requirements and plan and perform the audit to obtain reasonable assurance about whether the consolidated financial statements are free from material misstatement.

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

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

INDEPENDENT AUDITORS' REPORT

Grant Thornton
致同

OPINION

In our opinion, the consolidated financial statements give a true and fair view of the state of affairs of the Company and of the Group as at 31 March 2014, and of the Group's loss and cash flows for the year then ended in accordance with Hong Kong Financial Reporting Standards and have been properly prepared in accordance with the disclosure requirements of the Hong Kong Companies Ordinance.

Grant Thornton Hong Kong Limited
Certified Public Accountants
Level 12
28 Hennessy Road
Wanchai
Hong Kong

12 May 2014

Shaw Chi Kit
Practising Certificate No.: P04834

CONSOLIDATED STATEMENT OF COMPREHENSIVE INCOME

FOR THE YEAR ENDED 31 MARCH 2014

	Note	2014 HK$'000	2013 HK$'000
Revenue	5	**36,572**	53,729
Cost of sales and services		**(28,055)**	(50,300)
Gross profit		**8,517**	3,429
Other income	6	**419**	568
Distribution costs		**(720)**	(791)
Administrative expenses		**(18,622)**	(14,738)
Other operating expenses		**–**	(238)
Finance costs	7	**(13)**	(95)
Loss before income tax	8	**(10,419)**	(11,865)
Income tax expense	9	**(8)**	(31)
Loss for the year		**(10,427)**	(11,896)
Other comprehensive income			
Exchange differences arising on translation of foreign operations that will be reclassified subsequently to profit or loss		**336**	34
Other comprehensive income for the year, net of tax		**336**	34
Total comprehensive expense for the year		**(10,091)**	(11,862)

CONSOLIDATED STATEMENT OF COMPREHENSIVE INCOME

FOR THE YEAR ENDED 31 MARCH 2014

	Note	2014 HK$'000	2013 HK$'000
Loss for the year attributable to:			
Owners of the Company	10	**(10,481)**	(11,860)
Non-controlling interests		**54**	(36)
		(10,427)	(11,896)
Total comprehensive expense for the year attributable to:			
Owners of the Company		**(10,145)**	(11,826)
Non-controlling interests		**54**	(36)
		(10,091)	(11,862)
Loss per share attributable to the owners of the Company			
– Basic (in HK cents)	12	**(0.87)**	(1.78)
– Diluted (in HK cents)	12	**(0.87)**	(1.78)

The notes on page 41 to 80 are an integral part of these financial statements.

CONSOLIDATED STATEMENT OF FINANCIAL POSITION

AS AT 31 MARCH 2014

	Note	2014 HK$'000	2013 HK$'000
Non-current assets			
Property, plant and equipment	15	**1,234**	613
Intangible assets	16	**1,025**	–
		2,259	613
Current assets			
Trade and other receivables	18	**17,134**	32,435
Cash and cash equivalents	19	**112,112**	28,158
		129,246	60,593
Current liabilities			
Trade and other payables	20	**8,870**	19,699
Bank borrowings	21	**–**	10,000
Taxation payable		**–**	31
		8,870	29,730
Net current assets		**120,376**	30,863
Total assets less current liabilities		**122,635**	31,476
Net assets		**122,635**	31,476
Equity			
Equity attributable to the owners of the Company			
Share capital	22	**135,625**	90,625
Reserves		**(13,177)**	(59,282)
		122,448	31,343
Non-controlling interests		**187**	133
Total equity		**122,635**	31,476

Yau Hoi Kin
Director

Kwong Wai Ho, Richard
Director

The notes on page 41 to 80 are an integral part of these financial statements.

STATEMENT OF FINANCIAL POSITION

AS AT 31 MARCH 2014

	Note	2014 HK$'000	2013 HK$'000
Non-current assets			
Property, plant and equipment	15	**243**	78
Investments in subsidiaries	17	**29,050**	18,292
		29,293	18,370
Current assets			
Prepayments, deposits and other receivables	18	**113**	266
Cash and cash equivalents	19	**88,764**	20,722
		88,877	20,988
Current liabilities			
Other payables and accruals	20	**632**	642
		632	642
Net current assets		**88,245**	20,346
Total assets less current liabilities		**117,538**	38,716
Net assets		**117,538**	38,716
Equity			
Equity attributable to the owners of the Company			
Share capital	22	**135,625**	90,625
Reserves	24	**(18,087)**	(51,909)
Total equity		**117,538**	38,716

Yau Hoi Kin
Director

Kwong Wai Ho, Richard
Director

The notes on page 41 to 80 are an integral part of these financial statements.

CONSOLIDATED STATEMENT OF CASH FLOWS

FOR THE YEAR ENDED 31 MARCH 2014

	Note	2014 HK$'000	2013 HK$'000
Cash flows from operating activities			
Loss before income tax		**(10,419)**	(11,865)
Adjustments for:			
Depreciation of property, plant and equipment		**348**	62
Interest income		**(227)**	–
Interest expense		**13**	95
Operating loss before working capital changes		**(10,285)**	(11,708)
Decrease/(Increase) in trade and other receivables		**15,301**	(29,889)
(Decrease)/Increase in trade and other payables		**(10,829)**	15,835
Cash used in operations		**(5,813)**	(25,762)
Interest paid		**(13)**	(95)
Income tax paid		**(39)**	–
Net cash used in operating activities		**(5,865)**	(25,857)
Cash flows from investing activities			
Purchase of property, plant and equipment		**(960)**	(649)
Purchase of intangible assets		**(1,025)**	–
Interest received		**227**	–
Net cash used in investing activities		**(1,758)**	(649)
Cash flows from financing activities			
Proceeds from bank borrowings		**–**	15,000
Repayment of bank borrowings		**(10,000)**	(65,000)
Proceeds from issuance of share capital and warrants		**101,250**	38,835
Net cash generated from/(used in) financing activities		**91,250**	(11,165)
Net increase/(decrease) in cash and cash equivalents		**83,627**	(37,671)
Cash and cash equivalents at beginning of year		**28,158**	65,795
Effect on foreign exchange rate changes, on cash held		**327**	34
Cash and cash equivalents at end of year, represented by cash at banks and in hand	19	**112,112**	28,158

The notes on page 41 to 80 are an integral part of these financial statements.

CONSOLIDATED STATEMENT OF CHANGES IN EQUITY

FOR THE YEAR ENDED 31 MARCH 2014

	Attributable to the owners of the Company							
	Share capital HK$'000	Share premium HK$'000	Warrant reserve HK$'000	Translation reserve HK$'000	Accumulated losses HK$'000	Total HK$'000	Non-controlling interests HK$'000	Total equity HK$'000
As at 1 April 2012	60,000	36,375	–	–	(92,041)	4,334	169	4,503
Comprehensive expense								
Loss for the year	–	–	–	–	(11,860)	(11,860)	(36)	(11,896)
Other comprehensive income								
Exchange differences arising on translation of foreign operations	–	–	–	34	–	34	–	34
Total comprehensive income/(expense) for the year	–	–	–	34	(11,860)	(11,826)	(36)	(11,862)
Issue of shares	30,625	7,310	–	–	–	37,935	–	37,935
Issue of warrants	–	–	900	–	–	900	–	900
As at 31 March 2013 and 1 April 2013	**90,625**	**43,685**	**900**	**34**	**(103,901)**	**31,343**	**133**	**31,476**
Comprehensive expense								
Loss for the year	**–**	**–**	**–**	**–**	**(10,481)**	**(10,481)**	**54**	**(10,427)**
Other comprehensive income								
Exchange differences arising on translation of foreign operations	**–**	**–**	**–**	**336**	**–**	**336**	**–**	**336**
Total comprehensive income/(expense) for the year	**–**	**–**	**–**	**336**	**(10,481)**	**(10,145)**	**54**	**(10,091)**
Issue of shares	**45,000**	**56,250**	**–**	**–**	**–**	**101,250**	**–**	**101,250**
As at 31 March 2014	**135,625**	**99,935**	**900**	**370**	**(114,382)**	**122,448**	**187**	**122,635**

The notes on page 41 to 80 are an integral part of these financial statements.

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

1. GENERAL INFORMATION

Yunbo Digital Synergy Group Limited (the "Company") was incorporated in the Cayman Islands on 8 May 2000 as an exempted company with limited liability under the Companies Law of the Cayman Islands. The Company's registered office is situated at Cricket Square, Hutchins Drive, P.O. Box 2681, Grand Cayman KY1-1111, Cayman Islands. The Company's principal place of business is situated at Room 1602, 16/F, AXA Centre, 151 Gloucester Road, Wanchai, Hong Kong.

The Company's shares are listed on the Growth Enterprise Market ("GEM") of The Stock Exchange of Hong Kong Limited (the "Stock Exchange"). The Company and its subsidiaries (collectively referred to as the "Group") are principally engaged in the provision of system integration services and other value-added technical consultation services and hardware-related business. The Group has also expanded into the People's Republic of China (the "PRC") market in the areas of manufacturing of ancillary high-tech software and hardware products; developing and establishing integrated online platforms for distribution of mobile products and provision of value-added services; and setting up joint ventures with multinational companies to introduce and procure mobile application services, among others.

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

The financial statements for the year ended 31 March 2014 were approved for issue by the board of directors on 12 May 2014.

2. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

2.1 Basis of preparation

The financial statements on page 35 to 80 have been prepared in accordance with Hong Kong Financial Reporting Standards ("HKFRSs"), which collective term includes all applicable individual Hong Kong Financial Reporting Standards, Hong Kong Accounting Standards ("HKASs") and Interpretations issued by the Hong Kong Institute of Certified Public Accountants ("HKICPA") and the disclosure requirements of the Hong Kong Companies Ordinance. These financial statements also include the applicable disclosure requirements of the Rules Governing the Listing of Securities on the GEM of the Stock Exchange (the "GEM Listing Rules").

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

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

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

2. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued)

2.2 Basis of consolidation

The consolidated financial statements incorporate the financial statements of the Company and its subsidiaries (together referred to as "the Group") made up to 31 March each year.

Subsidiaries are entities controlled by the Group. The Group controls an entity when it is exposed, or has rights, to variable returns from its involvement with the entity and has the ability to affect those returns through its power over the entity. When assessing whether the Group has power, only substantive rights (held by the Group and other parties) are considered.

Subsidiaries are consolidated into the consolidated financial statements from the date that control commences until the date that control ceases.

Intra-group transactions, balances and unrealised gains and losses on transactions between group companies are eliminated in preparing the consolidated financial statements. Where unrealised losses on intra-group asset sales are reversed on consolidation, the underlying asset is also tested for impairment from the Group's perspective.

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

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

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

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

2. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued)

2.2 Basis of consolidation (continued)

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

2.3 Foreign currency translation

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

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

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

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

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

2. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued)

2.4 Property, plant and equipment

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

Cost includes expenditure that is directly attributable to the acquisition of the asset. Purchased software that is integral to the functionality of the related equipment is capitalised as part of that equipment.

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

Depreciation is calculated using the straight-line method to allocate their costs to their residual values over their estimated useful lives, at the following rates per annum:

Leasehold improvements	Over the lease term
Plant and machinery	20–50%
Furniture and fixtures	20–25%
Office equipments	20%

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

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

2.5 Intangible assets (other than goodwill)

Intangible assets that are acquired by the Group are stated at cost less accumulated amortisation (where the estimated useful life is finite) and impairment losses. Amortisation of intangible assets with finite useful lives is charged to profit or loss on a straight-line basis over the assets' estimated useful lives. The following intangible assets with finite useful lives are amortised from the date they are available for use and their estimated useful lives are as follows:

Capitalised development costs	5 years

Both the period and method of amortisation are reviewed annually.

Intangible assets are not amortised while their useful lives are assessed to be indefinite. Any conclusion that the useful life of an intangible asset is indefinite is reviewed annually to determine whether events and circumstances continue to support the indefinite useful life assessment for that asset. If they do not, the change in the useful life assessment from indefinite to finite is accounted for prospectively from the date of change and in accordance with the policy for amortisation of intangible assets with finite lives.

2. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued)

2.6 Financial assets

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

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

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

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

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

Impairment of financial assets

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

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

– Significant financial difficulty of the debtor;

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

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

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

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

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

2. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued)

2.6 Financial assets (continued)

Impairment of financial assets (continued)

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

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

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

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

2.7 Cash and cash equivalents

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

2. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued)

2.8 Financial liabilities

The Group's financial liabilities include trade and other payables and bank borrowings. They are recognised when the Group becomes a party to the contractual provisions of the instrument. All interest related charges are recognised in accordance with the Group's accounting policy for borrowing costs (see note 2.15).

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

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

Borrowings

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

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

Trade and other payables

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

2.9 Leases

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

(i) Classification of assets leased to the Group

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

(ii) Operating lease charges as the lessee

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

2. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued)

2.10 Provisions

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

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

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

2.11 Share capital

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

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

2.12 Revenue recognition

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

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

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

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

2. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued)

2.13 Impairment on non-financial assets

Property, plant and equipment, intangible assets and investments in subsidiaries are subject to impairment testing.

Intangible assets with indefinite useful life or those not yet available for use are tested for impairment at least annually, irrespective of whether there is any indication that they are impaired. All other assets are tested for impairment whenever there are indications that the asset's carrying amount may not be recoverable.

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

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

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

2.14 Employee benefits

Retirement benefits

Retirement benefits to employees are provided through defined contribution plans.

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

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

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

Short-term employee benefits

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

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

2. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued)

2.14 Employee benefits (continued)

Share-based employee compensation

All share-based payment arrangements are recognised in the financial statements. The Group operates equity-settled share-based compensation plans for remuneration of its employees.

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

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

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

2.15 Borrowing costs

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

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

2. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued)

2.16 Accounting for income taxes

Income tax comprises current tax and deferred tax.

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

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

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

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

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

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

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

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

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

2. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued)

2.16 Accounting for income taxes (continued)

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

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

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

(i) the same taxable entity; or

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

2.17 Segment reporting

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

The Group has identified the following reportable segments:

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

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

2. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued)

2.18 Related parties

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

(i) has control or joint control over the Group;

(ii) has significant influence over the Group; or

(iii) is a member of the key management personnel of the Group or of the Group's parent.

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

(i) The entity and the Group are members of the same group (which means that each parent, subsidiary and fellow subsidiary is related to the others).

(ii) One entity is an associate or joint venture of the other entity (or an associate or joint venture of a member of a group of which the other entity is a member).

(iii) Both entities are joint ventures of the same third party.

(iv) One entity is a joint venture of a third entity and the other entity is an associate of the third entity.

(v) The entity is a post-employment benefit plan for the benefit of employees of either the Group or an entity related to the Group.

(vi) The entity is controlled or jointly controlled by a person identified in (a).

(vii) A person identified in (a)(i) has significant influence over the entity or is a member of the key management personnel of the entity (or of a parent of the entity).

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

3. ADOPTION OF NEW OR AMENDED HKFRSs

The HKICPA has issued a number of new HKFRSs and amendments to HKFRSs that are first effective for the current accounting period of the Group and the Company. Of these, the following developments are relevant to the Group's financial statements:

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

The Group has not applied any new standard or interpretation that is not yet effective for the current accounting period.

Amendments to HKAS 1 Presentation of items of other comprehensive income

The amendments to HKAS 1 require additional disclosures to be made in the other comprehensive income section such that items of other comprehensive income are grouped into two categories: (1) items that will not be reclassified subsequently to profit or loss; and (2) items that may be reclassified subsequently to profit or loss when specific conditions are met. Income tax on items of other comprehensive income is required to be allocated on the same basis. The Group's presentation of other comprehensive income has been modified accordingly.

HKFRS 10 Consolidated financial statements

HKFRS 10 replaces the requirements in HKAS 27, Consolidated and separate financial statements relating to the preparation of consolidated financial statements and HK-SIC 12, Consolidation – Special purpose entities. It introduces a single control model to determine whether an investee should be consolidated, by focusing on whether the entity has power over the investee, exposure or rights to variable returns from its involvement with the investee and the ability to use its power to affect the amount of those returns.

As a result of the adoption of HKFRS 10, the Group has changed its accounting policy with respect to determining whether it has control over an investee. The adoption does not change any of the control conclusions reached by the Group in respect of its involvement with other entities as at 1 April 2013.

HKFRS 12 Disclosure of interests in other entities

HKFRS 12 brings together into a single standard all the disclosure requirements relevant to an entity's investments in subsidiaries, joint arrangements, associates and unconsolidated structured entities. The disclosures required by HKFRS 12 are generally more extensive than those required by the respective standards. To the extent that the requirements are applicable to the Group, the Group has provided those disclosures in note 17.

3. ADOPTION OF NEW OR AMENDED HKFRSs (continued)

HKFRS 13 Fair value measurement

HKFRS 13 replaces existing guidance in individual HKFRSs with a single source of fair value measurement guidance. HKFRS 13 also contains extensive disclosure requirements about fair value measurements for both financial instruments and non-financial instruments. The adoption of HKFRS 13 does not have any material impact on the fair value measurements of the Group's assets and liabilities. To the extent that the requirements are applicable to the Group, the Group has provided those disclosures in note 28.

Amendments to HKFRS 7 Disclosure – Offsetting financial assets and financial liabilities

The amendments introduce new disclosures in respect of offsetting financial assets and liabilities. Those new disclosures are required for all recognised financial instruments that are set off under HKAS 32, Financial instruments: Presentation and those that are subject to an enforceable master netting arrangement or similar agreement that covers similar financial instruments and transactions, irrespective of whether the financial instruments are set off in accordance with HKAS 32.

The adoption of the amendments does not have an impact on the Group's consolidated financial statements because the Group has not offset financial instruments, nor has it entered into master netting arrangement or similar agreement which is subject to the disclosures of HKFRS 7 during the periods presented.

The following new standards, amendments and interpretations which have been issued by the HKICPA and may be relevant to the Group in future years but are not yet effective for the year ended 31 March 2014:

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

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

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

4. CRITICAL ACCOUNTING ESTIMATES AND JUDGEMENTS

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

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

Impairment of trade and other receivables

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

Revenue recognition

The Group recognises revenue once it has been determined that it is probable the economic benefits will flow to the Group. The Group estimates the likelihood of the recoverability of the consideration, in particular for those contracts with progress payments being long overdue or delayed progress billings.

5. REVENUE AND SEGMENT INFORMATION

	2014 **HK$'000**	2013 HK$'000
Revenue:		
Hardware	**28,345**	51,928
Software	**862**	909
Services	**7,365**	892
	36,572	53,729

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

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

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

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

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

5. REVENUE AND SEGMENT INFORMATION (continued)

The segment results for the year ended 31 March 2014 are as follows:

	Hardware HK$'000	Software HK$'000	Services HK$'000	Unallocated HK$'000	Total HK$'000
Revenue from external customers	**28,345**	**862**	**7,365**	**–**	**36,572**
Reportable segment (loss)/profit	**(5,093)**	**(625)**	**4,193**	**(9,300)***	**(10,825)**
Other income					**419**
Finance costs					**(13)**
Loss before income tax					**(10,419)**
Income tax expense (Note 9)					**(8)**
Loss for the year					**(10,427)**
Depreciation of property, plant and equipment	**–**	**–**	**–**	**348**	**348**
Addition to non-current assets	**–**	**–**	**1,025**	**960**	**1,985**

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

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

* Unallocated expenses mainly include operating lease charges in respect of rented premises and headquarter expenses.

5. REVENUE AND SEGMENT INFORMATION (continued)

The segment assets and liabilities as at 31 March 2014 are as follows:

	Hardware HK$'000	Software HK$'000	Services HK$'000	Total HK$'000
Segment assets	**13,537**	**238**	**1,193**	**14,968**
Unallocated assets*				**116,537**
Total assets				**131,505**
Segment liabilities	**5,208**	**50**	**378**	**5,636**
Unallocated liabilities*				**3,234**
Total liabilities				**8,870**

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

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

* Unallocated assets mainly include cash and cash equivalents as at 31 March 2014 and 2013. Unallocated liabilities mainly include accruals and bank borrowings as at 31 March 2014 and 2013 respectively.

5. REVENUE AND SEGMENT INFORMATION (continued)

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

	2014 HK$'000	2013 HK$'000
Revenue:		
Hong Kong	**29,016**	18,684
PRC	**7,556**	35,045
	36,572	53,729

Three (2013: One) single external customers contribute more than 10% revenue of the Group. Revenues of approximately HK$7,590,000, HK$6,350,000 and HK$5,523,000 are derived from customer A, customer B and customer C respectively, for the year ended 31 March 2014. These revenues are attributable to hardware (customer A and customer C) and services (customer B) segments respectively. For the year ended 31 March 2013, revenues of approximately HK$35,045,000 were derived from one single customer which were attributable to hardware segment.

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

	2014 HK$'000	2013 HK$'000
Non-current assets:		
Hong Kong	**1,281**	101
PRC	**978**	512
	2,259	613

6. OTHER INCOME

	2014 HK$'000	2013 HK$'000
Interest income on short-term bank deposits	**227**	–
Others	**192**	568
	419	568

7. FINANCE COSTS

	2014 HK$'000	2013 HK$'000
Interest on bank borrowings wholly repayable within one year	**13**	95

8. LOSS BEFORE INCOME TAX

Loss before income tax is arrived at after charging:

	2014 HK$'000	2013 HK$'000
Auditors' remuneration	**250**	250
Bad debts written off	**–**	238
Cost of inventories sold	**25,728**	49,354
Depreciation of property, plant and equipment	**348**	62
Employee benefit expense (Note 13)	**11,364**	9,036
Net foreign exchange loss	**24**	191
Operating lease charges in respect of rented premises	**1,849**	432
Operating lease charges in respect of rented equipment	**18**	18

9. INCOME TAX EXPENSE

No provision for Hong Kong profits tax or overseas income tax has been made for the year as the Group had incurred losses for taxation purpose (2013: Nil as the Group had incurred losses for taxation purpose). The PRC enterprise income tax has been provided at the rate of 25% (2013: 25%) on the estimated assessable profit for the year.

	2014 HK$'000	2013 HK$'000
PRC enterprise income tax		
Current year	8	31
Income tax expense	8	31

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

	2014 HK$'000	2013 HK$'000
Loss before income tax	(10,419)	(11,865)
Tax on loss before income tax, calculated at Hong Kong profits tax rate of 16.5% (2013: 16.5%)	(1,719)	(1,957)
Tax effect of non-deductible expenses	45	142
Tax effect of non-taxable income	(35)	–
Tax effect of unrecognised tax losses	1,949	1,856
Tax effect of unrecognised temporary differences	(147)	(20)
Utilisation of previously unrecognised tax losses	(88)	–
Effect of different tax rates of subsidiaries operating in other jurisdictions	3	10
Income tax expense	8	31

10. LOSS FOR THE YEAR ATTRIBUTABLE TO OWNERS OF THE COMPANY

The consolidated loss for the year attributable to owners of the Company includes a loss of approximately HK$22,428,000 (2013: loss of approximately HK$5,325,000) which has been dealt with in the financial statements of the Company.

11. DIVIDENDS

The board of directors does not recommend the payment of a final dividend for the year ended 31 March 2014 (2013: Nil).

12. LOSS PER SHARE

Basic loss per share for the year is calculated by dividing the loss attributable to owners of the Company of approximately HK$10,481,000 (2013: loss of approximately HK$11,860,000) by the weighted average number of 1,200,907,534 (2013: 667,565,068) ordinary shares in issue during the year.

Diluted loss per share for the years 2014 and 2013 equals to the basic loss per share as the potential ordinary shares on exercise of warrants were not included in the calculation of diluted loss per share because they are anti-dilutive.

Details of calculation of loss per share:

	2014	2013
Loss attributable to owners of the Company (HK$'000)	**(10,481)**	(11,860)
Weighted average number of ordinary shares in issue during the year (in thousands)	**1,200,908**	667,565
	HK cents	HK cents
Basic loss per share	**(0.87)**	(1.78)
Diluted loss per share	**(0.87)**	(1.78)

13. EMPLOYEE BENEFIT EXPENSE (INCLUDING DIRECTORS' EMOLUMENTS)

	2014 HK$'000	2013 HK$'000
Salaries, wages and other benefits	**11,177**	8,852
Pension costs – defined contribution schemes	**187**	184
	11,364	9,036

14. DIRECTORS' REMUNERATION AND SENIOR MANAGEMENT'S EMOLUMENTS

14.1 Directors' emoluments

The emoluments of each director are set out below:

	Fees HK$'000	Salaries, allowances and benefits in kind HK$'000	Employer's contribution to defined contribution schemes HK$'000	Total HK$'000
2014				
Executive directors				
Mr. Yau Hoi Kin	–	2,100	15	2,115
Mr. Kwong Wai Ho, Richard	–	2,100	15	2,115
Dr. Huang Youmin	–	1,120	15	1,135
Non-executive director				
Mr. Hsu Chia-Chun	96	–	–	96
Independent Non-executive directors				
Dr. Chow Ka Ming, Jimmy	108	–	–	108
Mr. Liu Zhiquan#	78	–	–	78
Dr. Wong Wing Lit	108	–	–	108
Mr. Ngan Yu Loong*	40	–	–	40
	430	5,320	45	5,795

* Appointed on 2 December 2013.

\# Resigned on 19 December 2013.

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

14.1 Directors' emoluments (continued)

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

During the year, no emoluments were paid by the Group to any of the directors of the Company as an inducement to join or upon joining the Group or as compensation for loss of office (2013: Nil). None of the directors waived or agreed to waive any remuneration during the year (2013: Nil).

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

14.2 Five highest paid individuals

The five individuals whose emoluments were the highest in the Group for the year include three (2013: three) directors whose emoluments are reflected in the analysis presented above. The emoluments payable to the remaining two (2013: two) individuals during the year are as follows:

	2014 HK$'000	2013 HK$'000
Salaries, allowances and benefits in kind	1,173	757
Employer's contributions to defined contribution schemes	30	29
	1,203	786

The emoluments fell within the following bands:

	Number of individuals	
	2014	2013
HK$		
Nil – HK$1,000,000	2	2

During the year, no emoluments were paid to the five highest paid individual as an inducement to join the Group or as compensation for loss of office (2013: Nil).

15. PROPERTY, PLANT AND EQUIPMENT

	Group				
	Leasehold improvements HK$'000	Plant and machinery HK$'000	Furniture and fixtures HK$'000	Office equipments HK$'000	Total HK$'000
At 1 April 2012					
Cost	–	164	1,047	–	1,211
Accumulated depreciation	–	(150)	(1,035)	–	(1,185)
Net book amount	–	14	12	–	26
Year ended 31 March 2013					
Opening net book amount	–	14	12	–	26
Additions	327	112	210	–	649
Depreciation	(34)	(23)	(5)	–	(62)
Closing net book amount	293	103	217	–	613
At 31 March 2013 and 1 April 2013					
Cost	327	276	1,257	–	1,860
Accumulated depreciation	(34)	(173)	(1,040)	–	(1,247)
Net book amount	293	103	217	–	613
Year ended 31 March 2014					
Opening net book amount	**293**	**103**	**217**	**–**	**613**
Exchange differences	**5**	**–**	**4**	**–**	**9**
Additions	**–**	**761**	**8**	**191**	**960**
Depreciation	**(166)**	**(113)**	**(48)**	**(21)**	**(348)**
Closing net book amount	**132**	**751**	**181**	**170**	**1,234**
At 31 March 2014					
Cost	**332**	**1,037**	**1,269**	**191**	**2,829**
Accumulated depreciation	**(200)**	**(286)**	**(1,088)**	**(21)**	**(1,595)**
Net book amount	**132**	**751**	**181**	**170**	**1,234**

15. PROPERTY, PLANT AND EQUIPMENT (continued)

	Company			
	Plant and machinery HK$'000	Office equipments HK$'000	Furniture and fixtures HK$'000	Total HK$'000
At 1 April 2012				
Cost	14	–	–	14
Accumulated depreciation	(1)	–	–	(1)
Net book amount	13	–	–	13
Year ended 31 March 2013				
Opening net book amount	13	–	–	13
Additions	81	–	–	81
Depreciation	(16)	–	–	(16)
Closing net book amount	78	–	–	78
At 31 March 2013 and 1 April 2013				
Cost	95	–	–	95
Accumulated depreciation	(17)	–	–	(17)
Net book amount	78	–	–	78
Year ended 31 March 2014				
Opening net book amount	**78**	**–**	**–**	**78**
Additions	**69**	**131**	**8**	**208**
Depreciation	**(29)**	**(13)**	**(1)**	**(43)**
Closing net book amount	**118**	**118**	**7**	**243**
At 31 March 2014				
Cost	**164**	**131**	**8**	**303**
Accumulated depreciation	**(46)**	**(13)**	**(1)**	**(60)**
Net book amount	**118**	**118**	**7**	**243**

16. INTANGIBLE ASSETS

	Group Development costs HK$'000
Year ended 31 March 2014	
Additions and closing net book amount	**1,025**
At 31 March 2014	
Cost	**1,025**
Accumulated amortisation	**–**
Net book amount	**1,025**

Note: Development costs mainly include online network systems and video software development costs. No amortisation was provided as no intangible assets were available for use as at 31 March 2014.

17. INVESTMENTS IN AND AMOUNTS DUE FROM SUBSIDIARIES – COMPANY

17.1 Investments in subsidiaries

	2014 **HK$'000**	2013 HK$'000
Unlisted shares, at cost	**1**	1
Less: Provision for impairment	**–**	–
	1	1
Amounts due from subsidiaries (Note 17.2)	**51,935**	18,291
Less: Provision for impairment (Note 17.2)	**(22,886)**	–
	29,049	18,291
	29,050	18,292

17. INVESTMENTS IN AND AMOUNTS DUE FROM SUBSIDIARIES – COMPANY (continued)

17.1 Investments in subsidiaries (continued)

Particulars of the principal subsidiaries at 31 March 2014 are as follows:

Name of company	Place of incorporation	Particulars of issued and paid up capital	Effective percentage holding 2014	Effective percentage holding 2013	Principal activities, place of operation
Subsidiaries held directly:					
Aion Investments Limited	The British Virgin Islands ("BVI")*	1 ordinary share of US$1 each	**100%**	100%	Investment holding in Hong Kong
Excellent Master Investments Limited	Hong Kong*	1 ordinary share of HK$1 each	**100%**	100%	Financing and provision for payroll and administrative services for group companies in Hong Kong
Huge Cyber Technology Limited	BVI*	1 ordinary share of US$1 each	**100%**	100%	Investment holding in Hong Kong
Joy Epoch Limited	BVI*	1 ordinary share of US$1 each	**100%**	100%	Investment holding in Hong Kong
YBDS Multi Media Company Limited	BVI*	1 ordinary share of US$1 each	**100%**	100%	Online network systems development in Hong Kong
Subsidiaries held indirectly:					
Norray Professional Computer Limited	Hong Kong*	200,000 ordinary shares of HK$1 each	**70%**	70%	Provision of system integration services and other value-added technical consultation services and hardware-related business in Hong Kong
Able Bloom Technology Limited	Hong Kong*	1 ordinary share of HK$1 each	**100%**	100%	Investment holding in Hong Kong
Pacific Honour Development Limited	Hong Kong*	1 ordinary share of HK$1 each	**100%**	100%	Investment holding in Hong Kong
Guangzhou YBDS IT Co., Ltd.	The People Republic of China ("PRC")**	RMB24,334,000	**100%**	100%	Provision of system integration services and other value-added technical consultation services and hardware-related business in the PRC
Beijing YBDS IT Co., Ltd.	PRC**	RMB4,040,000	**100%**	100%	Provision of system integration services and other value-added technical consultation services and hardware-related business in the PRC

* Limited liability company
** Wholly foreign owned enterprise

17. INVESTMENTS IN AND AMOUNTS DUE FROM SUBSIDIARIES – COMPANY (continued)

17.1 Investments in subsidiaries (continued)

The above table includes subsidiaries of the Company which, in the opinion of the directors, principally affected the results for the year or formed a substantial portion of the net assets of the Group.

The following table lists out the information relating to Norray Professional Computer Limited, the only subsidiary of the Group which has material non-controlling interest ("NCI"). The summarised financial information presented below represents the amounts before any inter-company elimination.

	2014 HK$'000	2013 HK$'000
NCI percentage	30%	30%
Non-current assets	7	13
Current assets	6,408	2,657
Non-current liabilities	–	–
Current liabilities	(6,635)	(3,397)
Net liabilities	(220)	(727)
Carrying amount of NCI	(66)	(218)
Revenue	23,909	18,683
Profit/(Loss) for the year	507	(121)
Total comprehensive income/(expense)	507	(121)
Profit/(Loss) allocated to NCI	152	(36)
Dividend paid to NCI	–	–
Cash flows from operating activities	4,473	115
Cash flows from investing activities	–	(5)
Cash flows from financing activities	–	–

17.2 Amounts due from subsidiaries

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

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

	2014 HK$'000	2013 HK$'000
At 1 April	–	–
Recognised during the year	22,886	–
At 31 March	22,886	–

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

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

18. TRADE AND OTHER RECEIVABLES

	Group		Company	
	2014	2013	**2014**	2013
	HK$'000	HK$'000	**HK$'000**	HK$'000
Trade receivables	**13,943**	31,983	**–**	–
Prepayments, deposits and other receivables	**3,191**	452	**113**	266
	17,134	32,435	**113**	266

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

	Group	
	2014	2013
	HK$'000	HK$'000
0–30 days	**847**	7,959
31–60 days	**384**	6,582
61–90 days	**135**	16,111
91–180 days	**4**	1,264
181–365 days	**12,566**	55
Over 365 days	**7**	12
	13,943	31,983

18. TRADE AND OTHER RECEIVABLES (continued)

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

	Group	
	2014	2013
	HK$'000	HK$'000
Neither past due nor impaired	**–**	12,838
1–30 days past due	**847**	4,365
31–60 days past due	**384**	14,262
61–90 days past due	**135**	298
91–180 days past due	**4**	153
181–365 days past due	**12,566**	55
Over 365 days past due	**7**	12
	13,943	19,145
	13,943	31,983

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

As at 31 March 2014 and 2013, no trade receivables were impaired and no provision for impairment was recognised for the years ended 31 March 2014 and 2013. The impairment was firstly assessed individually for individual significant or long outstanding balances, and the remaining balances were grouped for collective assessment according to their ageing and historical default rates as these customers were of similar credit risk characteristics.

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

	Group	
	2014	2013
	HK$'000	HK$'000
At 1 April	**–**	96
Amount written off during the year	**–**	(96)
At 31 March	**–**	–

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

19. CASH AND CASH EQUIVALENTS

	Group		Company	
	2014	2013	**2014**	2013
	HK$'000	HK$'000	**HK$'000**	HK$'000
Cash at banks and in hand	**112,112**	28,158	**88,764**	20,722

As at 31 March 2014, the Group had bank balances and cash of approximately HK$2,963,000 (2013: HK$1,653,000) which were denominated in Renminbi. The remittance of these funds out of the PRC is subject to the exchange control restrictions imposed by the PRC government.

20. TRADE AND OTHER PAYABLES

	Group		Company	
	2014	2013	**2014**	2013
	HK$'000	HK$'000	**HK$'000**	HK$'000
Trade payables	**4,818**	17,852	**–**	–
Other payables and accruals	**3,234**	1,546	**632**	642
Sales deposits received	**818**	301	**–**	–
	8,870	19,699	**632**	642

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

	Group	
	2014	2013
	HK$'000	HK$'000
0–30 days	**918**	7,496
31–60 days	**3,761**	384
61–90 days	**30**	9,826
91–180 days	**49**	77
181–365 days	**–**	9
Over 365 days	**60**	60
	4,818	17,852

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

21. BANK BORROWINGS – GROUP

	2014 HK$'000	2013 HK$'000
Bank loans-secured	–	10,000
Carrying amount repayable:		
Amounts due on demand or within one year shown under current liabilities	–	10,000

As at 31 March 2014, the Group did not have any banking facilities. As at 31 March 2013, the Group had banking facilities amounted to HK$100,000,000 secured by the ultimate holding company's bank deposits and carried interest at 1.3% per annum over HIBOR. As at 31 March 2013, the unutilised banking facilities amounted to HK$90,000,000.

As at 31 March 2013, all bank loans were denominated in Hong Kong dollars and the effective interest rate at the reporting date was 1.5% per annum. The carrying amounts of bank loans approximated their fair values, as the impact of discounting was not significant due to their short-term maturity.

22. SHARE CAPITAL

	Authorised **Ordinary shares of HK$0.10 each** **Number of shares (in thousands)**	**HK$'000**
As at 31 March 2013 and 31 March 2014	**2,000,000**	**200,000**

	Issued and fully paid **Ordinary shares of HK$0.10 each** **Number of shares (in thousands)**	**HK$'000**
As at 1 April 2012	600,000	60,000
Issue of shares	306,250	30,625
As at 31 March 2013 and 1 April 2013	**906,250**	**90,625**
Issue of shares (Note)	**450,000**	**45,000**
As at 31 March 2014	**1,356,250**	**135,625**

Note:

On 5 August 2013, the Company had completed an issuance of 450,000,000 new shares of HK$0.10 each in the capital of the Company at a subscription price of HK$0.225 each to Happy On pursuant to a subscription agreement dated on 2 June 2013.

30,000,000 warrants issued on 4 June 2012 and 60,000,000 warrants issued on 26 July 2012 have initial subscription prices of HK$0.185 per share and HK$0.141 per share respectively for one ordinary share of the Company exercisable for a period of five years. As at 31 March 2014, 90,000,000 warrants remained unexercised.

23. SHARE OPTIONS

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

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

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

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

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

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

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

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

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

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

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

No share options were granted by the Company or outstanding at any time during the year ended 31 March 2014.

24. RESERVES – COMPANY

	Share premium HK$'000	Warrant reserve HK$'000	Accumulated losses HK$'000	Total reserves HK$'000
As at 1 April 2012	38,292	–	(93,086)	(54,794)
Comprehensive expense				
Loss for the year	–	–	(5,325)	(5,325)
Total comprehensive expense for the year	–	–	(5,325)	(5,325)
Issue of shares	7,310	–	–	7,310
Issue of warrants	–	900	–	900
As at 31 March 2013 and 1 April 2013	45,602	900	(98,411)	(51,909)
Comprehensive expense				
Loss for the year	**–**	**–**	**(22,428)**	**(22,428)**
Total comprehensive expense for the year	**–**	**–**	**(22,428)**	**(22,428)**
Issue of shares	**56,250**	**–**	**–**	**56,250**
As at 31 March 2014	**101,852**	**900**	**(120,839)**	**(18,087)**

(a) Share premium

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

(b) Translation reserve

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

(c) Warrant reserve

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

(d) Distributable reserve

As at 31 March 2014, in the opinion of the directors, the Company's reserve available for distribution to owners amounted to approximately HK$101,852,000 (2013: HK$45,602,000).

25. DEFERRED INCOME TAX

Deferred income tax liabilities:

No deferred income tax liabilities have been recognised in the financial statements as the Group and the Company did not have material temporary differences arising between the tax bases of assets and liabilities and their carrying amounts as at 31 March 2014 and 2013.

Deferred income tax assets:

No deferred income tax assets have been recognised in the financial statements in respect of tax losses available to offset future profits due to the uncertainty of future profit streams against which the assets can be utilised. At the reporting dates, the unrecognised tax losses of the Group and the Company are as follows:

	Group		Company	
	2014	2013	**2014**	2013
	HK$'000	HK$'000	**HK$'000**	HK$'000
Tax losses	**39,508**	28,327	**21,220**	21,342

26. OPERATING LEASE COMMITMENTS

Group – as lessee

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

	2014	2013
	HK$'000	HK$'000
Within one year	**25,692**	574
In the second to fifth year inclusive	**14,024**	309
	39,716	883

The Group leases a number of premises, online platform and equipment under operating leases. The leases run for an initial period of one to five years, with an option to renew the leases and renegotiate the terms at the expiry date.

Company – as lessee

The Company does not have any significant operating lease commitments as lessee as at 31 March 2014 and 2013.

27. RELATED PARTY TRANSACTIONS

During the years ended 31 March 2014 and 2013, the Group has not entered into significant transactions with related parties.

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

28. FINANCIAL RISK MANAGEMENT AND FAIR VALUE MEASUREMENTS

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

28.1 Categories of financial assets and liabilities

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

	2014 HK$'000	2013 HK$'000
Financial assets		
Loans and receivables:		
Trade and other receivables	**15,122**	32,292
Cash and cash equivalents	**112,112**	28,158
	127,234	60,450
Financial liabilities		
Financial liabilities measured at amortised cost:		
Trade and other payables	**8,052**	19,398
Bank borrowings	**–**	10,000
	8,052	29,398

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

28.2 Foreign risk factors

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

28.2.1 Market Risk

(i) Foreign exchange risk

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

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

(ii) Price risk

The Group is not exposed to significant price risk.

(iii) Interest rate risk

Interest rate risk relates to the risk that the fair value or cash flows of a financial instrument will fluctuate because of changes in market interest rates. The Group does not have any significant exposure to interest rate risk as the Group currently has no financial assets and liabilities with floating interest rates.

28.2.2 Credit risk

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

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

28.2.3 Liquidity risk

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

The Group's financial liabilities principally comprise bank borrowings, trade payables and other financial liabilities included in other payables and accruals, all of which are expected to be settled within one year and are included in current liabilities. As at 31 March 2014, the Group did not have any derivative financial liabilities (2013: Nil).

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

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

28.3 Financial assets and liabilities measured at fair value

As at 31 March 2014 and 2013 and during the year ended 31 March 2014, the Group did not have any financial assets and liabilities measured at fair value.

28.4 Fair value of financial assets and liabilities carried at other than fair value

The carrying amounts of the financial instruments carried at amortised cost are not materially different from their fair values as at 31 March 2014 and 2013.

29. CAPITAL MANAGEMENT

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

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

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

As at 31 March 2014, the Group's gearing ratio was Nil (2013: 0.32 times).