*The following is the text of a report, prepared for the purpose of inclusion in this prospectus, received from the independent reporting accountants, RSM Nelson Wheeler, Certified Public Accountants, Hong Kong.*

RSM Nelson Wheeler
中瑞岳華(香港)會計師事務所
Certified Public Accountants

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

12 February 2010

The Board of Directors
**Z-Obee Holdings Limited**
**SinoPac Securities (Asia) Limited**

Dear Sirs,

We set out below our report on the financial information (the "Financial Information") of Z-Obee Holdings Limited (the "Company") and its subsidiaries (hereinafter collectively referred to as the "Group") for each of the three years ended 31 March 2009 and the six months ended 30 September 2009 (the "Relevant Periods") for inclusion in the prospectus dated 12 February 2010 issued by the Company (the "prospectus") in connection with the listing of the shares of the Company on the Main Board of The Stock Exchange of Hong Kong Limited by way of placing and public offer.

The Company was incorporated in Bermuda on 30 January 2007 under the Companies Act 1981 of Bermuda as an exempted company with limited liability and its shares have been listed on the Mainboard of the Singapore Exchange Securities Trading Limited (the "SGX-ST") since 21 November 2007. Through a corporate restructuring as detailed in the section headed "Business-History and Development" in the prospectus and note 2 to the Financial Information below, the Company became the holding company of the Group since 28 March 2007.

As at the date of this report, the Company has direct and indirect interests in the subsidiaries as set out in note 20 to the Financial Information.

All the companies now comprising the Group have adopted 31 March as their financial year end date, except for 深圳市杰特電信控股有限公司 (Zeus Telecommunication Technology Holdings Ltd.) ("Zeus"), 上海風凌通訊技術有限公司 (Shanghai PhoneLink Communications Technology Co., Ltd.) ("PhoneLink"), 久宜通信技術(深圳)有限公司 (CCDH Technology (Shenzhen) Limited) ("CCDH") and 統慶通信設備(深圳)有限公司 (Tongqing Communication Equipment (Shenzhen) Co., Ltd.) ("Tongqing") which adopts 31 December as their financial year end date as required by the relevant laws in the People's Republic of China (the "PRC"). We acted as one of the joint-auditors of the Company and the sole auditor of all the remaining companies now comprising the Group for the years ended 31 March 2007, 2008 and 2009 except as disclosed below.

The statutory financial statements of Zeus, CCDH and Tongqing have been prepared in accordance with the relevant accounting principles and financial regulations applicable to companies established in the PRC and were audited by the following certified public accountants registered in the PRC.

| Name of company | Financial year/period | Name of auditors |
|---|---|---|
| 深圳市杰特電信控股有限公司 (Zeus Telecommunication Technology Holdings Ltd.) | 31 December 2006 and 31 December 2007 | 深圳財智會計師事務所 (Shenzhen Caizhi Public Certified Accountants) |
| | 31 December 2008 | 深圳國邦會計師事務所 (Shenzhen Guobang Certified Public Accountants) |
| 久宜通信技術(深圳)有限公司 (CCDH Technology (Shenzhen) Limited) | 31 December 2006 and 31 December 2007 | 深圳財智會計師事務所 (Shenzhen Caizhi Public Certified Accountants) |
| | 31 December 2008 | 深圳國邦會計師事務所 (Shenzhen Guobang Certified Public Accountants) |
| 統慶通信設備(深圳)有限公司 (Tongqing Communication Equipment (Shenzhen) Co., Ltd.) | 20 March 2007 (date of incorporation) to 31 December 2007 | 深圳財智會計師事務所 (Shenzhen Caizhi Public Certified Accountants) |
| | 31 December 2008 | 深圳國邦會計師事務所 (Shenzhen Guobang Certified Public Accountants) |

No statutory audited financial statements of PhoneLink for each of the three years ended 31 December 2008 have been issued up to the date of this report.

No audited financial statements of Max Pixel Limited have been issued as no business was conducted since its incorporation and up to the date of disposal by the Group on 10 February 2009.

No audited financial statements of Elastic Glory Investment Limited ("Elastic Glory"), CCDH Technology Limited, Finet Enterprises Limited and Finet Technology Limited have been prepared for the Relevant Periods, while no audited financial statements of State Tech International Limited ("State Tech") have been prepared for the year ended 31 March 2009 as there is no statutory audit requirement in their respective countries of incorporation.

The directors of the Company have prepared the consolidated financial statements of the Group for the Relevant Periods in accordance with International Financial Reporting Standards ("IFRSs") (the "IFRS Financial Statements").

We have performed our independent audit on the IFRS Financial Statements in accordance with International Standards on Auditing and have examined the IFRS Financial Statements in accordance with Auditing Guideline 3.340 "prospectuses and the Reporting Accountant" issued by the Hong Kong Institute of Certified Public Accountants.

The Financial Information has been prepared from the IFRS Financial Statements in accordance with IFRSs and on the basis of preparation set out in note 2 to the Financial Information. No adjustments were considered necessary for the purpose of preparing our report for inclusion in the prospectus.

The directors of the Company are responsible for the preparation of the IFRS Financial Statements and the contents of the prospectus in which this report is included. It is our responsibility to compile the Financial Information set out in this report from the IFRS Financial Statements, to form an independent opinion on the Financial Information and to report our opinion to you.

The directors of the Company have prepared the comparative financial information of the Group for the six months ended 30 September 2008 (the "Comparative Financial Information") in accordance with IFRSs and on the basis of preparation set out in note 2 to the Financial Information. We have reviewed the Comparative Financial Information in accordance with International Standard on Review Engagements 2410 "Review of Interim Financial Information Performed by the Independent Auditor of the Entity". A review consists principally of making enquiries of the Group's management and applying analytical procedures to the Comparative Financial Information and, based thereon, assessing whether the accounting policies and presentation have been consistently applied unless otherwise disclosed. A review excludes audit procedures such as tests of controls and verification of assets, liabilities and transactions. It is substantially less in scope than an audit and therefore provides a lower level of assurance than an audit. Accordingly we do not express an audit opinion on the Comparative Financial Information.

On the basis of our review which does not constitute an audit, we are not aware of any material modifications that should be made to the Comparative Financial Information.

In our opinion, for the purpose of this report and on the basis of preparation set out in note 2 to the Financial Information, the Financial Information gives a true and fair view of the state of affairs of the Company and of the Group as at 31 March 2007, 2008 and 2009 and 30 September 2009 and of the Group's results and cash flows for the Relevant Periods.

## CONSOLIDATED INCOME STATEMENTS

| | | For the year ended 31 March | | | For the six months ended 30 September | |
|---|---|---|---|---|---|---|
| | | 2007 | 2008 | 2009 | 2008 | 2009 |
| | *Note* | *US$* | *US$* | *US$* | *US$* | *US$* |
| | | | | | (unaudited) | |
| **Revenue** | *7* | 46,261,331 | 119,594,116 | 103,623,852 | 72,848,930 | 54,780,243 |
| Cost of goods sold | | (35,836,026) | (103,419,592) | (95,116,448) | (66,726,032) | (49,873,560) |
| Gross profit | | 10,425,305 | 16,174,524 | 8,507,404 | 6,122,898 | 4,906,683 |
| Other income | *8* | 38,578 | 576,463 | 1,256,790 | 580,060 | 244,639 |
| Selling and distribution costs | | (6,913) | (1,309) | (47,291) | (15,428) | (12,239) |
| Administrative expenses | | (1,993,813) | (5,773,361) | (5,103,964) | (2,709,373) | (2,606,322) |
| **Profit from operations** | | 8,463,157 | 10,976,317 | 4,612,939 | 3,978,157 | 2,532,761 |
| Finance costs | *10* | (139,236) | (792,127) | (543,701) | (211,118) | (183,899) |
| Share of profit of a jointly controlled entity | *21* | 999,800 | 743,595 | 434,886 | 446,146 | – |
| **Profit before tax** | | 9,323,721 | 10,927,785 | 4,504,124 | 4,213,185 | 2,348,862 |
| Income tax expense | *12* | (446,076) | (810,000) | (593,608) | (308,008) | (347,500) |
| **Profit for the year/period** | *13* | 8,877,645 | 10,117,785 | 3,910,516 | 3,905,177 | 2,001,362 |
| **Profit for the year/ period attributable to:** | | | | | | |
| Owners of the Company | | 8,948,047 | 10,180,710 | 3,959,401 | 3,936,993 | 2,001,362 |
| Minority interests | | (70,402) | (62,925) | (48,885) | (31,816) | – |
| | | 8,877,645 | 10,117,785 | 3,910,516 | 3,905,177 | 2,001,362 |
| **Earnings per share** | | | | | | |
| Basic (US cents) | *16* | 2.18 | 2.31 | 0.80 | 0.79 | 0.40 |

## CONSOLIDATED STATEMENTS OF COMPREHENSIVE INCOME

| | | For the year ended 31 March | | | For the six months ended 30 September | |
|---|---|---|---|---|---|---|
| | | 2007 | 2008 | 2009 | 2008 | 2009 |
| | *Note* | *US$* | *US$* | *US$* | *US$* | *US$* |
| | | | | | (unaudited) | |
| **Profit for the year/period** | | 8,877,645 | 10,117,785 | 3,910,516 | 3,905,177 | 2,001,362 |
| **Other comprehensive income** | | | | | | |
| Exchange differences on translating foreign operations | | 38,834 | 1,303,781 | 502,617 | 495,653 | – |
| Release of foreign currency translation reserve directly associated with disposal group classified as held for sale | *41(c)* | – | – | – | – | 64,366 |
| **Other comprehensive income for the year/period, net of tax** | | 38,834 | 1,303,781 | 502,617 | 495,653 | 64,366 |
| **Total comprehensive income for the year/period** | | 8,916,479 | 11,421,566 | 4,413,133 | 4,400,830 | 2,065,728 |
| **Total comprehensive income for the year/period attributable to:** | | | | | | |
| Owners of the Company | | 8,986,881 | 11,467,356 | 4,462,018 | 4,432,646 | 2,065,728 |
| Minority interests | | (70,402) | (45,790) | (48,885) | (31,816) | – |
| | | 8,916,479 | 11,421,566 | 4,413,133 | 4,400,830 | 2,065,728 |

## CONSOLIDATED STATEMENTS OF FINANCIAL POSITION

| | | | At 31 March | | At 30 September |
|---|---|---|---|---|---|
| | | 2007 | 2008 | 2009 | 2009 |
| | *Note* | *US$* | *US$* | *US$* | *US$* |
| **Non-current assets** | | | | | |
| Property, plant and equipment | *17* | 543,474 | 8,216,115 | 7,845,441 | 7,361,013 |
| Intangible assets | *18* | 955,890 | 1,253,878 | 83,673 | 2,158,317 |
| Goodwill | *19* | 1,041,434 | 1,187,434 | 1,480,086 | 1,480,086 |
| Interest in a jointly controlled entity | *21* | 2,048,108 | 2,505,338 | – | – |
| Financial asset at fair value through profit or loss | *22* | – | – | – | 642,673 |
| Available-for-sale financial asset | *23* | – | 2,120,823 | 2,178,663 | 2,178,663 |
| | | 4,588,906 | 15,283,588 | 11,587,863 | 13,820,752 |
| **Current assets** | | | | | |
| Inventories | *24* | 2,073,209 | 6,470,727 | 3,594,946 | 6,870,356 |
| Trade receivables | *25* | 3,886,598 | 24,041,113 | 19,086,865 | 20,887,985 |
| Prepayments, deposits and other receivables | *26* | 2,262,342 | 1,280,182 | 3,620,978 | 8,018,574 |
| Derivative financial instruments | *27* | – | 91,460 | 285,831 | 132,000 |
| Assets of disposal group classified as held for sale | *28* | – | – | 1,726,321 | – |
| Jointly controlled entity classified as held for sale | *21* | – | – | 3,005,224 | 3,005,224 |
| Due from a jointly controlled entity/jointly controlled entity classified as held for sale | *45(b)* | – | 706,941 | – | – |
| Due from related parties | *45(b)* | 656,440 | – | – | – |
| Current tax refundable | | 25,652 | 25,652 | – | – |
| Restricted bank balances | *29* | 715,000 | 3,010,995 | 6,299,692 | 3,330,352 |
| Bank and cash balances | *29* | 5,906,121 | 20,411,008 | 28,186,543 | 25,960,125 |
| | | 15,525,362 | 56,038,078 | 65,806,400 | 68,204,616 |

| | | At 31 March | | | At 30 September |
|---|---|---|---|---|---|
| | | 2007 | 2008 | 2009 | 2009 |
| | *Note* | *US$* | *US$* | *US$* | *US$* |
| **Current liabilities** | | | | | |
| Trade and bills payables | *30* | 475,194 | 9,662,135 | 3,305,326 | 6,977,308 |
| Due to directors | *45(b)* | 81,232 | – | – | – |
| Due to a related party | *45(b)* | 8,446 | – | – | – |
| Accruals and other payables | *31* | 326,650 | 1,495,409 | 2,678,755 | 2,202,219 |
| Derivative component of convertible loans | *35* | 105,152 | – | – | – |
| Bank loans | *32* | 1,463,514 | 1,269,396 | 4,638,218 | 2,798,804 |
| Other loans | *33* | – | – | – | 435,733 |
| Trust receipt loans | *34* | 715,000 | 1,775,829 | 8,172,422 | 8,730,138 |
| Derivative financial instruments | *27* | – | 136,460 | – | – |
| Finance lease payables | *36* | – | 1,054,169 | 1,178,969 | 1,205,562 |
| Current tax liabilities | | 563,600 | 1,373,600 | 346,120 | 531,000 |
| Liabilities directly associated with disposal group classified as held for sale | *28* | – | – | 1,268,600 | – |
| | | 3,738,788 | 16,766,998 | 21,588,410 | 22,880,764 |
| **Net current assets** | | 11,786,574 | 39,271,080 | 44,217,990 | 45,323,852 |
| **Total assets less current liabilities** | | 16,375,480 | 54,554,668 | 55,805,853 | 59,144,604 |
| **Non-current liabilities** | | | | | |
| Bank loans | *32* | – | – | – | 1,882,156 |
| Convertible loans | *35* | 3,653,568 | – | – | – |
| Finance lease payables | *36* | – | 2,946,329 | 1,868,795 | 1,259,662 |
| | | 3,653,568 | 2,946,329 | 1,868,795 | 3,141,818 |
| **NET ASSETS** | | 12,721,912 | 51,608,339 | 53,937,058 | 56,002,786 |
| **Capital and reserves** | | | | | |
| Share capital | *38* | 2,570,694 | 3,980,590 | 3,980,590 | 3,980,590 |
| Reserves | | 10,012,181 | 47,534,502 | 49,956,468 | 52,022,196 |
| Equity attributable to the owners of the Company | | 12,582,875 | 51,515,092 | 53,937,058 | 56,002,786 |
| Minority interests | | 139,037 | 93,247 | – | – |
| **TOTAL EQUITY** | | 12,721,912 | 51,608,339 | 53,937,058 | 56,002,786 |

## STATEMENTS OF FINANCIAL POSITION

| | | At 31 March | | | At 30 September |
|---|---|---|---|---|---|
| | | 2007 | 2008 | 2009 | 2009 |
| | *Note* | *US$* | *US$* | *US$* | *US$* |
| **Non-current assets** | | | | | |
| Investment in a subsidiary | *20* | 2,570,694 | 2,570,694 | 2,570,694 | 2,570,694 |
| **Current assets** | | | | | |
| Prepayments, deposits and other receivables | *26* | 117,180 | – | – | – |
| Due from subsidiaries | *20* | 3,418,146 | 27,742,047 | 29,688,113 | 29,322,003 |
| Bank and cash balances | *29* | 60,567 | 39,691 | 34,892 | 26,994 |
| | | 3,595,893 | 27,781,738 | 29,723,005 | 29,348,997 |
| **Current liabilities** | | | | | |
| Accruals and other payables | *31* | – | 436,911 | 462,777 | 717,321 |
| Derivative component of convertible loans | *35* | 105,152 | – | – | – |
| | | 105,152 | 436,911 | 462,777 | 717,321 |
| **Net current assets** | | 3,490,741 | 27,344,827 | 29,260,228 | 28,631,676 |
| **Total assets less current liabilities** | | 6,061,435 | 29,915,521 | 31,830,922 | 31,202,370 |
| **Non-current liabilities** | | | | | |
| Convertible loans | *35* | 3,653,568 | – | – | – |
| **NET ASSETS** | | 2,407,867 | 29,915,521 | 31,830,922 | 31,202,370 |
| **Capital and reserves** | | | | | |
| Share capital | *38* | 2,570,694 | 3,980,590 | 3,980,590 | 3,980,590 |
| Reserves | *39(b)* | (162,827) | 25,934,931 | 27,850,332 | 27,221,780 |
| **TOTAL EQUITY** | | 2,407,867 | 29,915,521 | 31,830,922 | 31,202,370 |

## CONSOLIDATED STATEMENTS OF CHANGES IN EQUITY

| | Attributable to owners of the Company | | | | | | | | |
|---|---|---|---|---|---|---|---|---|---|
| | Share capital | Share premium (Note 39 (c)(i)) | Merger reserve (Note 39 (c)(ii)) | Foreign currency translation reserve * (Note 39 (c)(iii)) | Retained profits | Reserve funds* (Note 39 (c)(iv)) | Total | Minority interests | Total equity |
| | *US$* | *US$* | *US$* | *US$* | *US$* | *US$* | *US$* | *US$* | *US$* |
| At 1 April 2006 | – | – | 1,000 | – | 1,282,369 | – | 1,283,369 | – | 1,283,369 |
| Total comprehensive income for the year | – | – | – | 38,834 | 8,948,047 | – | 8,986,881 | (70,402) | 8,916,479 |
| Capital contribution from the then shareholders of a subsidiary | 2,569,694 | – | – | – | – | – | 2,569,694 | – | 2,569,694 |
| Arising on the restructuring exercise | 1,000 | – | (1,000) | – | – | – | – | – | – |
| Acquisition of a subsidiary *(note 41(b))* | – | – | – | – | – | – | – | 373,571 | 373,571 |
| Acquisition of minority interests in a subsidiary | – | – | – | – | – | – | – | (164,132) | (164,132) |
| Transfer to reserve funds | – | – | – | – | (127,016) | 127,016 | – | – | – |
| Interim dividend distributed to the then shareholders *(note 15)* | – | – | – | – | (257,069) | – | (257,069) | – | (257,069) |
| Changes in equity for the year | 2,570,694 | – | (1,000) | 38,834 | 8,563,962 | 127,016 | 11,299,506 | 139,037 | 11,438,543 |
| At 31 March 2007 and 1 April 2007 | 2,570,694 | – | – | 38,834 | 9,846,331 | 127,016 | 12,582,875 | 139,037 | 12,721,912 |
| Total comprehensive income for the year | – | – | – | 1,286,646 | 10,180,710 | – | 11,467,356 | (45,790) | 11,421,566 |
| Issue of shares | 252,114 | 1,328,127 | – | – | – | – | 1,580,241 | – | 1,580,241 |
| Conversion of convertible loans | 453,782 | 8,328,145 | – | – | – | – | 8,781,927 | – | 8,781,927 |
| Issue of shares upon listing | 704,000 | 18,598,693 | – | – | – | – | 19,302,693 | – | 19,302,693 |
| Transfer to reserve funds | – | – | – | – | (215,448) | 215,448 | – | – | – |
| Dividends paid *(note 15)* | – | – | – | – | (2,200,000) | – | (2,200,000) | – | (2,200,000) |
| Changes in equity for the year | 1,409,896 | 28,254,965 | – | 1,286,646 | 7,765,262 | 215,448 | 38,932,217 | (45,790) | 38,886,427 |

| | Attributable to owners of the Company | | | | | | | | |
|---|---|---|---|---|---|---|---|---|---|
| | Share capital | Share premium *(Note 39 (c)(i))* | Merger reserve *(Note 39 (c)(ii))* | Foreign currency translation reserve * *(Note 39 (c)(iii))* | Retained profits | Reserve funds* *(Note 39 (c)(iv))* | Total | Minority interests | Total equity |
| | *US$* | *US$* | *US$* | *US$* | *US$* | *US$* | *US$* | *US$* | *US$* |
| At 31 March 2008 and 1 April 2008 | 3,980,590 | 28,254,965 | – | 1,325,480 | 17,611,593 | 342,464 | 51,515,092 | 93,247 | 51,608,339 |
| Total comprehensive income for the year | – | – | – | 502,617 | 3,959,401 | – | 4,462,018 | (48,885) | 4,413,133 |
| Acquisition of minority interests in a subsidiary | – | – | – | – | – | – | – | (44,362) | (44,362) |
| Transfer to reserve funds | – | – | – | – | (1,233,698) | 1,233,698 | – | – | – |
| Dividends paid *(note 15)* | – | – | – | – | (2,040,052) | – | (2,040,052) | – | (2,040,052) |
| Changes in equity for the year | – | – | – | 502,617 | 685,651 | 1,233,698 | 2,421,966 | (93,247) | 2,328,719 |
| At 31 March 2009 and 1 April 2009 | 3,980,590 | 28,254,965 | – | 1,828,097 | 18,297,244 | 1,576,162 | 53,937,058 | – | 53,937,058 |
| Total comprehensive income for the period | – | – | – | 64,366 | 2,001,362 | – | 2,065,728 | – | 2,065,728 |
| Changes in equity for the period | – | – | – | 64,366 | 2,001,362 | – | 2,065,728 | – | 2,065,728 |
| At 30 September 2009 | 3,980,590 | 28,254,965 | – | 1,892,463 | 20,298,606 | 1,576,162 | 56,002,786 | – | 56,002,786 |
| At 1 April 2008 | 3,980,590 | 28,254,965 | – | 1,325,480 | 17,611,593 | 342,464 | 51,515,092 | 93,247 | 51,608,339 |
| Total comprehensive income for the period (unaudited) | – | – | – | 495,653 | 3,936,993 | – | 4,432,646 | (31,816) | 4,400,830 |
| Dividends paid (unaudited) | – | – | – | – | (2,040,052) | – | (2,040,052) | – | (2,040,052) |
| Changes in equity for the period (unaudited) | – | – | – | 495,653 | 1,896,941 | – | 2,392,594 | (31,816) | 2,360,778 |
| At 30 September 2008 (unaudited) | 3,980,590 | 28,254,965 | – | 1,821,133 | 19,508,534 | 342,464 | 53,907,686 | 61,431 | 53,969,117 |

* The balances at 31 March 2009 include equity directly associated with disposal group classified as held for sale and a jointly controlled entity classified as held for sale amounted to a debit balance of US$64,366 and a credit balance of US$938,100 respectively.

The balance at 30 September 2009 includes equity directly associated with a jointly controlled entity classified as held for sale amounted to a credit balance of US$938,100.

## CONSOLIDATED STATEMENTS OF CASH FLOWS

| | For the year ended 31 March | | | For the six months ended 30 September | |
|---|---|---|---|---|---|
| | 2007 | 2008 | 2009 | 2008 | 2009 |
| | *US$* | *US$* | *US$* | *US$* | *US$* |
| | | | | (unaudited) | |
| **CASH FLOWS FROM OPERATING ACTIVITIES** | | | | | |
| Profit before tax | 9,323,721 | 10,927,785 | 4,504,124 | 4,213,185 | 2,348,862 |
| Adjustments for: | | | | | |
| Finance costs | 139,236 | 792,127 | 543,701 | 211,118 | 183,899 |
| Share of profit of a jointly controlled entity | (999,800) | (743,595) | (434,886) | (446,146) | – |
| Interest income | (21,904) | (106,134) | (178,480) | (96,448) | (168,672) |
| Impairment of trade receivables | – | – | 844,667 | – | – |
| Impairment of prepayments, deposits and other receivables | – | 141,387 | – | – | – |
| Impairment of assets of disposal group classified as held for sale | – | – | 447,397 | – | – |
| Fair value losses on derivative component of convertible loans | 78,143 | 234,063 | – | – | – |
| Fair value losses/(gains) on derivative financial instruments, net | – | 45,000 | (330,831) | 50,000 | 153,831 |
| Depreciation of property, plant and equipment | 84,289 | 608,270 | 1,081,979 | 379,592 | 576,728 |
| Amortisation of intangible assets | 255,351 | 489,826 | 496,128 | 327,057 | 427,796 |
| Loss on disposals of property, plant and equipment | 253 | – | 6,930 | – | 27,379 |
| Loss on disposals of disposal group classified as held for sale | – | – | – | – | 64,366 |
| Share-based payments | – | 370,696 | – | – | – |
| Operating profit before working capital changes | 8,859,289 | 12,759,425 | 6,980,729 | 4,638,358 | 3,614,189 |
| (Increase)/decrease in inventories | (1,861,773) | (4,378,722) | 2,888,311 | 4,109,386 | (3,275,410) |
| (Increase)/decrease in trade receivables | (2,299,158) | (20,084,565) | 2,654,228 | (16,818,921) | (1,801,120) |
| (Increase)/decrease in prepayments, deposits and other receivables | 1,189,207 | 130,466 | (2,313,045) | (844,163) | (6,439,875) |
| (Increase)/decrease in amounts due from related parties | (650,761) | 656,440 | – | – | – |
| Increase/(decrease) in trade and bills payables | 184,382 | 9,127,052 | (6,393,395) | (1,212,553) | 3,671,982 |

| | For the year ended 31 March | | | For the six months ended 30 September | |
|---|---|---|---|---|---|
| | 2007 | 2008 | 2009 | 2008 | 2009 |
| | *US$* | *US$* | *US$* | *US$* | *US$* |
| | | | | (unaudited) | |
| Increase/(decrease) in amounts due to directors | 1,070,867 | (81,232) | – | – | – |
| Increase/(decrease) in an amount due to a related party | 8,446 | (8,446) | – | – | – |
| Increase/(decrease) in accruals and other payables | (378,024) | 1,119,492 | 1,163,304 | 1,055,515 | (448,536) |
| Exchange realignment | – | 505,147 | – | (35,703) | – |
| Cash generated from/(used in) operations | 6,122,475 | (254,943) | 4,980,132 | (9,108,081) | (4,678,770) |
| Interest on bank loans and bank overdraft | (56,485) | (148,075) | (330,672) | (122,831) | (146,940) |
| Finance lease charges paid | – | (167,110) | (177,920) | (88,287) | (63,638) |
| Other finance costs | – | (36,516) | (27,109) | – | (1,321) |
| Income tax paid, net | (25,652) | – | (326,836) | (158,008) | (162,620) |
| Net cash generated from/(used in) operating activities | 6,040,338 | (606,644) | 4,117,595 | (9,477,207) | (5,053,289) |
| **CASH FLOWS FROM INVESTING ACTIVITIES** | | | | | |
| Interest received | 21,904 | 106,134 | 178,480 | 96,448 | 168,672 |
| Dividends received from a jointly controlled entity | – | 561,365 | – | – | – |
| Purchases of property, plant and equipment *(note 41(d)(iv))* | (572,765) | (2,881,812) | (317,268) | (425,176) | (119,679) |
| Deposits paid for purchases of property, plant and equipment | (830,355) | – | – | – | – |
| Purchases of intangible assets *(note 41(d)(vii))* | (1,162,491) | (786,552) | (5,674) | (4,832) | (2,440) |
| Purchase of financial asset at fair value through profit or loss | – | – | – | – | (642,673) |
| Purchase of an available-for-sale financial asset | – | (2,120,823) | – | – | – |
| Acquisition of a subsidiary *(note 41(a))* | (2,493,200) | – | – | – | – |
| Piece meal acquisition of a subsidiary *(note 41(b))* | 4,666 | – | – | – | – |
| Acquisition of minority interests in a subsidiary | (247,124) | – | (305,014) | – | – |

| | For the year ended 31 March | | | For the six months ended 30 September | |
|---|---|---|---|---|---|
| | 2007 | 2008 | 2009 | 2008 | 2009 |
| | *US$* | *US$* | *US$* | *US$* | *US$* |
| | | | | (unaudited) | |
| Proceeds from disposals of property, plant and equipment | – | – | 2,774 | – | – |
| (Loans to)/repayment from a jointly controlled entity | – | (706,941) | 726,221 | 59,406 | – |
| (Increase)/decrease in time deposits | (642,674) | 642,674 | (15,706,874) | – | 1,182,452 |
| (Increase)/decrease in restricted bank balances | (715,000) | (2,295,995) | (3,288,697) | (8,239,516) | 2,969,340 |
| Net cash (used in)/generated from investing activities | (6,637,039) | (7,481,950) | (18,716,052) | (8,513,670) | 3,555,672 |
| **CASH FLOWS FROM FINANCING ACTIVITIES** | | | | | |
| Bank loans raised | 1,908,931 | 1,269,396 | 12,135,139 | 11,126,207 | 4,827,763 |
| Other loans raised | – | – | – | – | 435,733 |
| Repayment of bank loans | (445,417) | (1,463,514) | (8,766,317) | (1,489,459) | (4,785,021) |
| Repayment of finance lease payables | – | (539,799) | (1,121,606) | (551,441) | (582,540) |
| Increase in trust receipt loans | 715,000 | 1,060,829 | 6,396,593 | 4,288,411 | 557,716 |
| Dividends paid | – | (2,200,000) | (2,040,052) | (2,040,052) | – |
| Net proceeds from issue of convertible loans | 3,597,826 | 4,368,718 | – | – | – |
| Net proceeds from issue of shares | – | 20,512,238 | – | – | – |
| Net cash generated from financing activities | 5,776,340 | 23,007,868 | 6,603,757 | 11,333,666 | 453,651 |
| **NET INCREASE/(DECREASE) IN CASH AND CASH EQUIVALENTS** | 5,179,639 | 14,919,274 | (7,994,700) | (6,657,211) | (1,043,966) |
| Effect of foreign exchange rate changes | 37,784 | 228,287 | 63,361 | 251,103 | – |
| **CASH AND CASH EQUIVALENTS AT BEGINNING OF YEAR/PERIOD** | 46,024 | 5,263,447 | 20,411,008 | 20,411,008 | 12,479,669 |
| **CASH AND CASH EQUIVALENTS AT END OF YEAR/PERIOD** | 5,263,447 | 20,411,008 | 12,479,669 | 14,004,900 | 11,435,703 |
| **ANALYSIS OF CASH AND CASH EQUIVALENTS** | | | | | |
| Bank and cash balances *(note 29)* | 5,263,447 | 20,411,008 | 12,479,669 | 14,004,900 | 11,435,703 |

## NOTES TO THE FINANCIAL INFORMATION

### 1. GENERAL INFORMATION

The Company (Registration No. 39519) was incorporated in Bermuda on 30 January 2007 under the Companies Act 1981 of Bermuda as an exempted company with limited liability. The registered office of the Company is located at Clarendon House, 2 Church Street, Hamilton HM 11, Bermuda. Its principal place of business is located at Room 401, Building 14, West Park of Software Park Hi-Tech Park, Second Road Nanshan, Shenzhen, the People's Republic of China (the "PRC"). The Company's shares are listed on the SGX-ST.

The Company is an investment holding company. For the purpose of listing of the Company's shares on the SGX-ST, the Company and its subsidiaries has undertaken a restructuring exercise (the "Restructuring Exercise") which was completed on 28 March 2007. The Restructuring Exercise is more fully explained in the section headed "Business – History and Development" in the prospectus and note 2 to the Financial Information below.

The principal activities of its subsidiaries are set out in note 20 to the Financial Information.

### 2. THE RESTRUCTURING EXERCISE AND BASIS OF PREPARATION

#### (a) Restructuring Exercise

In connection with the listing of the Company's shares on the SGX-ST on 21 November 2007, the Group underwent a restructuring exercise (the "Restructure Exercise") on 28 March 2007. Pursuant to the Restructure Exercise on 28 March 2007, the Company entered into a restructuring agreement with Mr. Wang Shih Zen and Ms. Wang Tao in respect of their shareholdings in Elastic Glory (collectively, the "Elastic Glory Vendors"), which was the intermediate holding company of the other subsidiaries comprising the Group, to acquire in aggregate 2,570,694 fully paid-up ordinary shares of US$1 each in the capital of Elastic Glory from the Elastic Glory Vendors comprising the entire issued and paid-up share capital of Elastic Glory.

In consideration thereof and in exchange therefore, the Company

(i) credited as fully paid at par the one ordinary share that was previously issued nil paid to Mr. Wang Shih Zen, upon incorporation of the Company as initial subscriber; and

(ii) allotted and issued 2,570,693 new ordinary shares of US$1 each, credited as fully paid to the Elastic Glory Vendors.

Upon completion of the above-mentioned share swaps, the Company became the ultimate holding company of Elastic Glory on 28 March 2007, and 55% and 45% shareholding interests of the Company were then owned by Mr. Wang Shih Zen and Ms. Wang Tao respectively.

The Restructuring Exercise is more fully explained in the section headed "Business – History and Development" in the prospectus.

#### (b) Basis of preparation

The Restructuring Exercise involved companies which are under common control since all of the entities which took part in the Restructuring Exercise were controlled by the same ultimate shareholders before and immediately after the Restructuring Exercise. Consequently, immediately after the Restructuring Exercise, there was a continuation of the risks and benefits to the two ultimate shareholders, Mr. Wang Shih Zen and Ms. Wang Tao, that existed prior to the Restructuring Exercise.

The Restructuring Exercise had been accounted for using the pooling of interests method, under which the Company had been treated as the holding company of its subsidiaries during the Relevant Periods or since their respective dates of incorporation or acquisition whichever was shorter. Accordingly, the consolidated income statement, consolidated statement of comprehensive income, consolidated statement of changes in equity and consolidated statement of cash flows for the year ended 31 March 2007 included the results of operations and cash flows of the Company and its subsidiaries as if the structure of the Group on 31 March 2007 had been in existence throughout the year ended 31 March 2007, except for companies newly set up during the year ended 31 March 2007 and companies accounted for using purchase method of accounting were included in the Financial Information since their respective dates of incorporation or acquisition whichever was shorter.

**3. ADOPTION OF NEW AND REVISED INTERNATIONAL FINANCIAL REPORTING STANDARDS**

During the Relevant Periods, the Group has adopted all the new and revised International Financial Reporting Standards ("IFRSs") that are relevant to its operations and effective for accounting periods beginning on 1 April 2009. IFRSs comprise International Financial Reporting Standards; International Accounting Standards ("IAS"); and Interpretations.

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

**4. SIGNIFICANT ACCOUNTING POLICIES**

The Financial Information has been prepared in accordance with IFRSs and the applicable disclosure required by the Rules Governing the Listing of Securities on The Stock Exchange of Hong Kong Limited and by the Hong Kong Companies Ordinance.

The Financial Information has been prepared under the historical cost convention, as modified by the financial asset at fair value through profit or loss, the derivative financial instruments and the derivative component of convertible loans which are carried at their fair values.

The preparation of the Financial Information in conformity with IFRSs requires the use of certain key assumptions and estimates. It also requires the directors to exercise its judgements in the process of applying the accounting policies. The areas involving critical judgements and areas where assumptions and estimates are significant to the Financial Information, are disclosed in note 5 to the Financial Information.

The significant accounting policies applied in the preparation of the Financial Information are set out below.

**(a) Consolidation**

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

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

The gain or loss on the disposal of a subsidiary represents the difference between the proceeds of the sale and the Group's share of its net assets together with any remaining goodwill relating to the subsidiary and also any related accumulated foreign currency translation reserve.

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

Minority interests represent the interests of minority shareholders in the operating results and net assets of subsidiaries. Minority interests are presented in the consolidated statements of financial position and consolidated statements of changes in equity within equity. Minority interests are presented in the consolidated income statements and consolidated statements of comprehensive income as an allocation of profit or loss for the year/period between minority interests and owners of the Company ("majority interests"). Losses applicable to the minority in excess of the minority interests in the subsidiary's equity are allocated against the majority interests except to the extent that the minority has a binding obligation and is able to make an additional investment to cover the losses. If the subsidiary subsequently reports profits, such profits are allocated to the majority interests until the minority interests' share of losses previously absorbed by majority has been recovered.

In the Company's statements of financial position the investment in a subsidiary is stated at cost less allowance for impairment losses. The result of the subsidiary is accounted for by the Company on the basis of dividends received and receivable.

**(b) Business combination (other than Restructuring Exercise) and goodwill**

The purchase method of accounting is used to account for the acquisition of subsidiaries by the Group. The cost of an acquisition is measured as the fair value of the assets given, equity instruments issued and liabilities incurred or assumed at the date of exchange, plus costs directly attributable to the acquisition. Identifiable assets, liabilities and contingent liabilities of the subsidiary in an acquisition are measured at their fair values at the acquisition date.

The excess of the cost of acquisition over the Group's share of the net fair value of the subsidiary's identifiable assets, liabilities and contingent liabilities is recorded as goodwill. Any excess of the Group's share of the net fair value of the identifiable assets, liabilities and contingent liabilities over the cost of acquisition is recognised in the consolidated income statements.

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

The interests of minority shareholders in the subsidiary is initially measured at the minority's proportion of the net fair value of the subsidiary's identifiable assets, liabilities and contingent liabilities at the acquisition date.

**(c) Joint venture**

A joint venture is a contractual arrangement whereby the Group and other parties undertake an economic activity that is subject to joint control. Joint control is the contractually agreed sharing of control over the economic activity when the strategic financial and operating decisions relating to the activity require the unanimous consent of the parties sharing control (the "venturers").

A jointly controlled entity is a joint venture that involves the establishment of a separate entity in which each venturer has an interest.

Investment in a jointly controlled entity is accounted for in the Financial Information by the equity method of accounting and is initially recognised at cost. Identifiable assets, liabilities and contingent liabilities of the jointly controlled entity in an acquisition are measured at their fair values at the acquisition date.

The Group's share of the jointly controlled entity's post-acquisition profits or losses is recognised in the consolidated income statements, and its share of the post-acquisition movements in reserves is recognised in the consolidated reserves. The cumulative post-acquisition movements are adjusted against the carrying amount of the investment. When the Group's share of losses in the jointly controlled entity equals or exceeds its interest in the jointly controlled entity, including any other unsecured receivables, the Group does not recognise further losses, unless it has incurred obligations or made payments on behalf of the jointly controlled entity.

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

**(d) Foreign currency translation**

*(i) Functional and presentation currency*

Items included in the financial statements of each of the Group's entities are measured using the currency of the primary economic environment in which the entity operates (the "functional currency"). The Financial Information is presented in United States dollar ("US$"), which is the Company's functional and presentation currency.

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

Transactions in foreign currencies are translated into the functional currency using the exchange rates prevailing on the transaction dates. Monetary assets and liabilities in foreign currencies are translated at the exchange rates at the end of each reporting period. Gains and losses resulting from this translation policy are included in consolidated income statements.

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

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

*(iii) Translation on consolidation*

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

– Assets and liabilities for each statement of financial position presented are translated at the closing rate at the date of that statement of financial position;

– Income and expenses for each income statement are translated at average exchange rates (unless this average is not a reasonable approximation of the cumulative effect of the rates prevailing on the transaction dates, in which case income and expenses are translated at the exchange rates on the transaction dates); and

– All resulting exchange differences are recognised in the foreign currency translation reserve.

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

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

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

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

Subsequent costs are included in the asset's carrying amount or recognised as a separate asset, as appropriate, only when it is probable that future economic benefits associated with the item will flow to the Group and the cost of the item can be measured reliably. All other repairs and maintenance are expensed in the consolidated income statements during the period in which they are incurred.

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

| | |
|---|---|
| Plant and machinery | 10% |
| Furniture, fixtures, equipment and motor vehicles | 20% – 25% |
| Leasehold improvements | 20% – 25% |

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

For acquisition and disposal during the Relevant Periods, depreciation is provided from the month of acquisition to the month before disposal. Fully depreciated property, plant and equipment are retained in the book of accounts until they are no longer in use.

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

**(f) Leases**

*(i) Operating leases*

Leases in which a significant portion of the risks and rewards of ownership are retained by the lessor are classified as operating leases. Lease payments (net of any incentives received from the lessor) are expensed on a straight-line basis over the lease term.

*(ii) Finance leases*

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

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

Assets under finance leases are depreciated the same as owned assets.

**(g) Research and development expenditure**

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

**(h) Computer software sublicense, license and CDMA software solutions**

Computer software sublicense, license and CDMA software solutions are measured initially at purchase costs and are amortised on a straight-line basis over their estimated useful lives of three years less impairment losses.

**(i) Jointly controlled entity and disposal group classified as held for sale**

Jointly controlled entity and disposal group are classified as held for sale if their carrying amounts will be recovered principally through a sale transaction rather than through continuing use. This condition is regarded as met only when the sale is highly probable and the jointly controlled entity and disposal group is available for immediate sale in their present conditions. The Group must be committed to the sale, which should be expected to qualify for recognition as a completed sale within one year from the date of classification.

Jointly controlled entity and disposal group classified as held for sale are measured at the lower of the interest in jointly controlled entity's and disposal group's previous carrying amount and fair value less costs to sell.

**(j) Inventories**

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

**(k) Recognition and derecognition of financial instruments**

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

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

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

**(l) Investments**

Investments are recognised and derecognised on a trade date basis where the purchase or sale of an investment is under a contract whose terms require delivery of the investment within the timeframe established by the market concerned, and are initially measured at fair value, plus directly attributable transaction costs except in the case of financial assets at fair value through profit or loss.

Investments are classified as either financial assets at fair value through profit or loss or available-for-sale financial assets.

*(i) Financial assets at fair value through profit or loss*

Financial assets at fair value through profit or loss are either investments held for trading or designated as at fair value through profit or loss upon initial recognition. These investments are subsequently measured at fair value. Gains or losses arising from changes in fair value of these investments are recognised in the income statement.

*(ii) Available-for-sale financial assets*

Available-for-sale financial assets are non-derivative financial assets not classified as trade and other receivables, held-to-maturity investments or financial assets at fair value through profit or loss. Available-for sale financial assets are subsequently measured at fair value. Gains or losses arising from changes in fair value of these investments are recognised directly in equity, until the investments are disposed of or are determined to be impaired, at which time the cumulative gains or losses previously recognised in equity are recognised in the income statement.

Impairment losses recognised in the income statement for equity investments classified as available-for sale financial assets are not subsequently reversed through the income statement.

For available-for-sale equity investments that do not have a quoted market price in an active market and whose fair value cannot be reliably measured, they are measured at cost less any identified impairment losses at the end of each reporting period subsequent to initial recognition. An impairment loss is recognised in income statement where there is objective evidence that the asset is impaired. The amount of the impairment loss is measured as the difference between the carrying amount of the asset and the present value of the estimated future cash flows discounted at the current market rate of return for a similar financial asset. Such impairment losses will not reverse in subsequent periods.

**(m) Trade and other receivables**

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

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

**(n) Cash and cash equivalents**

For the purpose of the consolidated statements of cash flows, cash and cash equivalents represent cash at bank and on hand, demand deposits with banks and other financial institutions, and short-term highly liquid investments which are readily convertible into known amounts of cash and subject to an insignificant risk of change in value.

**(o) Financial liabilities and equity instruments**

Financial liabilities and equity instruments are classified according to the substance of the contractual arrangements entered into and the definitions of a financial liability and an equity instrument under IFRSs. An equity instrument is any contract that evidences a residual interest in the assets of the Group after deducting all of its liabilities. The accounting policies adopted for specific financial liabilities and equity instruments are set out in note 4(p) to 4(t) below.

**(p) Borrowings**

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

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

**(q) Financial guarantees**

The Company has issued several guarantees to several banks for banking facilities granted to its subsidiaries. These guarantees are financial guarantees as they require the Company to reimburse the banks if the subsidiaries fail to make principal or interest payments when due in accordance with the terms of their facilities.

Financial guarantees are initially recognised at their fair values plus transaction costs in the Company's statement of financial position.

Financial guarantees are subsequently amortised to the income statement over the period of the subsidiaries' borrowings, unless it is probable that the Company will reimburse a bank for an amount higher than the unamortised amount. In this case, the financial guarantees shall be carried at the expected amount payable to the bank in the Company's statement of financial position.

**(r) Convertible loans**

Convertible loans which entitle the holder to convert the loans into equity instruments, other than into a fixed number of equity instruments at a fixed conversion price, are regarded as combined instruments consist of a liability and a derivative component. At the date of issue, the fair value of the derivative component is determined using an option pricing model; and this amount is carried as a derivative liability until extinguished on conversion or redemption. The remainder of the proceeds is allocated to the liability component and is carried as a liability at amortised cost using the effective interest method until extinguished on conversion or redemption. The derivative component is measured at fair value with gains and losses recognised in the income statement.

Transaction costs are apportioned between the liability and derivative components of the convertible loans based on the allocation of proceeds to the liability and derivative components on initial recognition.

**(s) Trade and other payables**

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

**(t) Equity instruments**

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

**(u) Derivative financial instruments**

Derivatives are initially recognised at fair value on the contract date and are subsequently measured at fair value.

Changes in the fair value of derivatives are recognised in the income statement as they arise.

The fair value of foreign exchange forward contracts is determined using forward exchange market rates at the end of the reporting period.

**(v) Dividends**

Final dividend proposed by the directors are not accounted for in owners' equity as an appropriation of retained profits, until they have been approved by the owners in a general meeting. When these dividends have been approved by the owners and declared, they are recognised as a liability.

Interim dividends are simultaneously proposed and declared, because of the Bye-laws of the Company grant the directors the authority to declare interim dividends. Consequently, interim dividends are recognised directly as a liability when they are proposed and declared.

**(w) Revenue recognition**

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

Revenue from the distribution and marketing of mobile handset and mobile handset components and assembly of mobile handset and surface mounting technology of printed circuit board are recognised on the transfer of significant risks and rewards of ownership, which generally coincides with the time when the goods are delivered and the title has passed to the customers.

Revenue from provision of design and production solution services for mobile handset is recognised on the following basis:

(i) the customer has accepted the solution packages together with significant risks and rewards of ownership in relation to provision of certain mobile handset solutions other than stated in (ii) below; or

(ii) by reference to the stage of completion, as measured by reference to services performed to date as a percentage of total services to be performed in relation to design and prescribed services as agreed with customers to be rendered in different phases.

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

**(x) Employee benefits**

*(i) Employee leave entitlements*

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

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

*(ii) Pension obligations*

The Group contributes to defined contribution retirement schemes which are available to all employees. Contributions to the schemes by the Group and employees are calculated as a percentage of employees' basic salaries. The retirement benefit scheme cost charged to the income statement represents contributions payable by the Group to the funds.

*(iii) Key management personnel*

Key management personnel are those persons having the authority and responsibility for planning, directing and controlling the activities of the Group, directly or indirectly, including any director (whether executive or otherwise) of that entity.

**(y) Share-based payments**

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

**(z) Borrowing costs**

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

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

All other borrowing costs are recognised in income statement in the period in which they are incurred.

**(aa) Taxation**

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

The tax currently payable is based on taxable profit for the year/period. Taxable profit differs from profit as reported in the income statement because it excludes items of income or expense that are taxable or deductible in other years and it further excludes items that are not taxable or deductible. The Group's liability for current tax is calculated using tax rates that have been enacted or substantively enacted by the end of each reporting period.

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

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

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

Deferred tax is calculated at the tax rates that are expected to apply in the period when the liability is settled or the asset is realised, based on tax rates that have been enacted or substantively enacted by the end of each reporting period. Deferred tax is recognised in the income statement, except when it relates to items recognised in other comprehensive income or directly in equity, in which case the deferred tax is also recognised in other comprehensive income or directly in equity.

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

**(ab) Related parties**

A party is related to the Group if:

(i) directly or indirectly through one or more intermediaries, the party controls, is controlled by, or is under common control with, the Group; has an interest in the Group that gives it significant influence over the Group; or has joint control over the Group;

(ii) the party is an associate;

(iii) the party is a joint venture;

(iv) the party is a member of the key management personnel of the Company or its parent;

(v) the party is a close member of the family of any individual referred to in (i) or (iv);

(vi) the party is an entity that is controlled, jointly controlled or significantly influenced by or for which significant voting power in such entity resides with, directly or indirectly, any individual referred to in (iv) or (v); or

(vii) the party is a post-employment benefit plan for the benefit of employees of the Group, or of any entity that is a related party of the Group.

**(ac) Impairment of assets**

At the end of each reporting period, the Group reviews the carrying amounts of its tangible and intangible assets except goodwill, available-for-sale financial asset, financial asset at fair value through profit or loss, derivative financial instruments, inventories, receivables and assets of disposal group and jointly controlled entity classified as held for sale to determine whether there is any indication that those assets have suffered an impairment loss. If any such indication exists, the recoverable amount of the asset is estimated in order to determine the extent of any impairment loss. Where it is not possible to estimate the recoverable amount of an individual asset, the Group estimates the recoverable amount of the cash-generating unit ("CGU") to which the asset belongs.

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

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

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

**(ad) Provisions and contingent liabilities**

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

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

**(ae) Events after the reporting period**

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

## 5. CRITICAL JUDGEMENTS AND KEY ESTIMATES

Key sources of estimation uncertainty

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

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

The Group's management determines the estimated useful lives and related depreciation charges for the Group's property, plant and equipment. This estimate is based on the historical experience of the actual useful lives of property, plant and equipment of similar nature and functions. The Group will revise the depreciation charge where useful lives are different to those previously estimated, or it will write-off or write-down technically obsolete or non-strategic assets that have been abandoned or sold.

### (b) Impairment of property, plant and equipment

The Group assesses annually whether property, plant and equipment have any indication of impairment in accordance with the accounting policy. The recoverable amounts of property, plant and equipment have been determined based on value-in-use calculations. These calculations require the use of judgement and estimates.

### (c) Intangible assets and amortisation

The Group determines the estimated useful lives and related amortisation for the Group's intangible assets. The useful lives of intangible assets are assessed to be either finite or indefinite, based on the expected usage and technical obsolescence from the changes in the market demands or services output from the assets. Intangible assets with finite useful lives are amortised over the expected useful economic lives and assessed for impairment whenever there is an indication that the intangible assets may be impaired. The amortisation period and the amortisation method for the intangible assets with a finite useful lives are reviewed by the management at least at the end of each reporting period.

### (d) Impairment of goodwill

The Group determines whether goodwill is impaired at least on an annual basis. This requires an estimation of the value in use of the CGU to which the goodwill is allocated. Estimating the value in use of the CGU requires the Group to make an estimate of the expected future cash flows from the CGU and also to choose a suitable discount rate in order to calculate the present value of those cash flows. The carrying amount of goodwill at 31 March 2007, 2008 and 2009 and 30 September 2009 was US$1,041,434, US$1,187,434, US$1,480,086 and US$1,480,086 respectively. Details are set out in note 19 to the Financial Information.

### (e) Impairment of available-for-sale financial asset

The Group determines whether the unlisted equity investment is impaired at least on an annual basis and based on the financial information available from the unlisted equity investment. Details are set out in note 23 to the Financial Information.

### (f) Impairment of investment in a subsidiary

Determining whether investment in a subsidiary is impaired requires an estimation of the value-in-use of that investment. The value-in-use calculation requires the Company to estimate the future cash flows expected from the CGUs and an appropriate discount rate in order to calculate the present value of the future cash flows. Management has evaluated the recoverability of the investment based on such estimates.

**(g) Impairment of trade and other receivables**

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

**(h) Allowance for obsolete inventories**

The Group makes allowance for obsolete inventories based on an assessment of the utilisation of the inventories. Allowance is applied to inventories where events or changes in circumstances indicate that the inventories may not be utilised. The identification of obsolete inventories requires the use of judgement and estimates. Where the expectation is different from the original estimate, such difference will have impact on the carrying value of inventories and allowance for obsolete inventories in the reporting period in which such estimate has been changed.

**(i) Income taxes**

The Group is subject to income taxes in several jurisdictions. Significant estimates are required in determining the provision for income taxes. There are many transactions and calculations for which the ultimate tax determination is uncertain during the ordinary course of business. Where the final tax outcome of these matters is different from the amounts that were initially recorded, such difference will impact the income tax and deferred tax provisions in the reporting period in which such determination is made.

**(j) Presentation of convertible loans and fair value of derivative component of convertible loans**

Convertible loans of the Group are allocated to the derivative component and the liability component of the convertible according to IAS 39. This requires an initial recognition of the derivative component at fair value and the liability component as the balancing amount.

The derivative component initially recognised and subsequently measured at fair value is determined by an option pricing model. The amount of liability component initially recognised is determined with reference to the net proceeds from the issuance of the convertible loans and the fair value of derivative component at initial recognition. The liability component is subsequently measured at amortised cost using the effective interest rate method until it is extinguished on conversion or redemption.

The fair value of the derivative component and the carrying amount of the liability component of convertible loans at 31 March 2007 was US$105,152 and US$3,653,568, respectively (note 35) and all of the convertible loans were converted into shares during the year ended 31 March 2008. The fair value loss of the derivative component of convertible loans for the years ended 31 March 2007 and 2008 amounted to US$78,143 and US$234,063 respectively.

## 6. FINANCIAL RISK MANAGEMENT

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

### (a) Foreign currency risk

The Group has minimal exposure to foreign currency risk as most of its business transactions, assets and liabilities are principally denominated in the functional currencies of respective subsidiaries. The Group currently does not have a foreign currency hedging policy in respect of foreign currency transactions, assets and liabilities. The Group will monitor its foreign currency exposure closely and will consider hedging significant foreign currency exposure should the need arise.

### (b) Credit risk

The carrying amount of the bank and cash balances, trade and other receivables, due from a jointly controlled entity/jointly controlled entity classified as held for sale and derivative financial instruments included in the consolidated statements of financial position represents the Group's maximum exposure to credit risk in relation to the Group's financial assets.

The Group has certain exposure to credit risk. It has policies in place to ensure that sales are made to customers with an appropriate credit history. The credit risk on amount due from a jointly controlled entity/jointly controlled entity classified as held for sale is closely monitored by the directors.

The credit risk on bank balances and derivative financial instruments is limited because the counterparties are banks with high credit-ratings assigned by international credit-rating agencies.

### (c) Liquidity risk

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

The maturity analysis of the Group's financial liabilities based on contractual undiscounted cash flows is as follows:

| | **Less than 1 year** | **Between 1 and 2 years** | **Between 2 and 5 years** |
|---|---|---|---|
| | *US$* | *US$* | *US$* |
| **At 30 September 2009** | | | |
| Bank loans | 2,920,195 | 759,810 | 1,255,034 |
| Other loans | 435,733 | – | – |
| Trust receipt loans | 8,769,174 | – | – |
| Finance lease payables | 1,292,261 | 1,080,277 | 220,365 |
| Trade and bills payables | 6,977,308 | – | – |
| Accruals and other payables | 2,202,219 | – | – |

| | Less than 1 year US$ | Between 1 and 2 years US$ | Between 2 and 5 years US$ |
|---|---|---|---|
| **At 31 March 2009** | | | |
| Bank loans | 4,692,506 | – | – |
| Trust receipt loans | 8,219,608 | – | – |
| Finance lease payables | 1,292,261 | 1,292,261 | 654,497 |
| Trade and bills payables | 3,305,326 | – | – |
| Accruals and other payables | 2,678,755 | – | – |
| **At 31 March 2008** | | | |
| Bank loans | 1,315,221 | – | – |
| Trust receipt loans | 1,783,829 | – | – |
| Finance lease payables | 1,313,412 | 1,313,412 | 1,915,177 |
| Trade and bills payables | 9,662,135 | – | – |
| Accruals and other payables | 1,495,409 | – | – |
| Derivative financial instruments | 136,460 | – | – |
| **At 31 March 2007** | | | |
| Bank loans | 1,503,022 | – | – |
| Trust receipt loans | 715,000 | – | – |
| Convertible loans | – | 4,174,728 | – |
| Trade and bills payables | 475,194 | – | – |
| Accruals and other payables | 326,650 | – | – |
| Due to directors | 81,232 | – | – |
| Due to a related party | 8,446 | – | – |

**(d) Interest rate risk**

The Group's exposure to interest rate risk mainly arises from its bank balances, finance lease payables, trust receipt loans and bank loans. As at 31 March 2007, 2008 and 2009 and 30 September 2009, bank balances of US$5,966,487, US$12,673,623, US$9,640,980 and US$8,701,148 respectively; finance lease payables of Nil, US$4,000,498, US$2,912,661 and US$2,347,009 respectively; trust receipt loans of US$715,000, US$1,775,829, US$4,393,022 and US$8,730,138 respectively; and bank loans of Nil, US$1,269,396, US$4,638,218 and US$4,680,960 respectively bear interest at variable rates varied with the then prevailing market condition. The remaining balances at 31 March 2007, 2008 and 2009 and 30 September 2009, together with convertible loans at 31 March 2007 bear interests at fixed interest rates and therefore are subject to fair value interest rate risk.

The Group does not have significant exposure to interest rate risk.

**(e) Categories of financial instruments at the end of each reporting period**

| | | At 31 March | | At 30 September |
|---|---|---|---|---|
| | **2007** | **2008** | **2009** | **2009** |
| | *US$* | *US$* | *US$* | *US$* |
| **Financial assets:** | | | | |
| Financial assets at fair value through profit or loss | – | 91,460 | 285,831 | 774,673 |
| Loans and receivables (including cash and cash equivalents) | 11,584,329 | 48,883,896 | 53,619,015 | 50,507,863 |
| Available-for-sale financial asset | – | 2,120,823 | 2,178,663 | 2,178,663 |
| **Financial liabilities:** | | | | |
| Financial liabilities at fair value through profit or loss | 105,152 | 136,460 | – | – |
| Financial liabilities at amortised cost | 6,510,903 | 13,323,994 | 18,254,163 | 21,889,596 |

**(f) Fair values**

Except as disclosed in note 23 to the Financial Information, the carrying amounts of the Group's financial assets and financial liabilities as reflected in the consolidated statements of financial position approximate their respective fair values.

Financial assets and liabilities at fair value through profit or loss includes financial asset at fair value through profit or loss, derivative financial instruments and the derivative component of convertible loans. The fair value of the financial asset at fair value through profit or loss is measured by using the fair value quoted by the bank; the fair value of derivative financial instruments and the derivative component of convertible loans are measured by using valuation techniques based on market inputs that are observable for the assets and liabilities, either directly (i.e. as prices) or indirectly (i.e. derived from prices), other than quoted prices in active markets for identical assets or liabilities.

The total gains or losses recognised in consolidated income statements including those for assets held at the end of each reporting period.

## 7. REVENUE

| | For the year ended 31 March | | | For the six months ended 30 September | |
|---|---|---|---|---|---|
| | 2007 | 2008 | 2009 | 2008 | 2009 |
| | *US$* | *US$* | *US$* | *US$* | *US$* |
| | | | | (unaudited) | |
| Distribution and marketing of mobile handset and mobile handset components | 37,025,775 | 97,881,544 | 75,897,585 | 55,873,714 | 37,372,727 |
| Provision of design and production solution services for mobile handset | 9,235,556 | 12,109,181 | 7,289,224 | 4,041,752 | 1,886,536 |
| Assembly of mobile handset and surface mounting technology of printed circuit board | – | 9,603,391 | 20,437,043 | 12,933,464 | 15,520,980 |
| | 46,261,331 | 119,594,116 | 103,623,852 | 72,848,930 | 54,780,243 |

## 8. OTHER INCOME

| | For the year ended 31 March | | | For the six months ended 30 September | |
|---|---|---|---|---|---|
| | 2007 | 2008 | 2009 | 2008 | 2009 |
| | *US$* | *US$* | *US$* | *US$* | *US$* |
| | | | | (unaudited) | |
| Interest income | 21,904 | 106,134 | 178,480 | 96,448 | 168,672 |
| Foreign exchange gains | – | 428,796 | 207,377 | 374,095 | – |
| Fair value gains on derivative financial instruments, net | – | – | 870,933 | 109,517 | 75,967 |
| Sundry income | 16,674 | 41,533 | – | – | – |
| | 38,578 | 576,463 | 1,256,790 | 580,060 | 244,639 |

## 9. SEGMENT INFORMATION

The Group has three reportable segments as follows:

| | | |
|---|---|---|
| Distribution and Marketing | – | distribution and marketing of mobile handset and mobile handset components |
| Solution | – | provision of design and production solution services for mobile handset |
| Assembly | – | assembly of mobile handset and surface mounting technology of printed circuit board |

The Group's reportable segments are strategic business units that offer different products and services.

The accounting policies of the operating segments are the same as those described in note 4 to the Financial Information.

Segment profits and losses do not include the following items:

- Interest income and other income
- Corporate administrative expenses
- Share of profit of a jointly controlled entity
- Finance costs
- Income tax expense

Segment assets do not include the following items:

- Property, plant and equipment for general administrative use
- Interest in a jointly controlled entity/jointly controlled entity classified as held for sale
- Financial asset at fair value through profit or loss
- Available-for-sale financial asset
- Prepayments, deposits and other receivables for general administrative use
- Derivative financial instruments
- Assets of disposal group classified as held for sale
- Due from related parties/a jointly controlled entity
- Current tax refundable
- Restricted bank balances
- Bank and cash balances

Segment liabilities do not include the following items:

- Accruals and other payables for general administrative use
- Bank loans
- Other loans
- Trust receipt loans
- Derivative financial instruments
- Convertible loans and its derivative component
- Finance lease payables
- Current tax liabilities
- Due to directors/a related party
- Liabilities directly associated with disposal group classified as held for sale

Segment non-current assets do not include the following items:

- Property, plant and equipment for general administrative use
- Interest in a jointly controlled entity
- Financial asset at fair value through profit or loss
- Available-for-sale financial asset

Information about reportable segment profit or loss, assets and liabilities:

| | Distribution and Marketing | Solution | Assembly | Consolidated |
|---|---|---|---|---|
| | *US$* | *US$* | *US$* | *US$* |
| **Six months ended 30 September 2009** | | | | |
| Revenue from external customers | 37,372,727 | 1,886,536 | 15,520,980 | 54,780,243 |
| Segment profits | 1,386,257 | 1,452,541 | 1,981,035 | 4,819,833 |
| Interest income | | | | 168,672 |
| Other income (excluding interest income) | | | | 75,967 |
| Corporate administrative expenses | | | | (2,531,711) |
| Finance costs | | | | (183,899) |
| Income tax expense | | | | (347,500) |
| Profit for the period | | | | 2,001,362 |
| Depreciation and amortisation | 416,666 | 46,296 | 464,653 | 927,615 |
| **As at 30 September 2009** | | | | |
| Segment assets | 29,027,463 | 2,153,677 | 14,527,096 | 45,708,236 |
| Property, plant and equipment for general administrative use | | | | 485,718 |
| Jointly controlled entity classified as held for sale | | | | 3,005,224 |
| Financial asset at fair value through profit or loss | | | | 642,673 |
| Available-for-sale financial asset | | | | 2,178,663 |
| Prepayments, deposits and other receivables for general administrative use | | | | 582,377 |
| Derivative financial instruments | | | | 132,000 |
| Restricted bank balances | | | | 3,330,352 |
| Bank and cash balances | | | | 25,960,125 |
| Total assets | | | | 82,025,368 |
| Additions to non-current assets | – | 2,440 | 2,611,093 | 2,613,533 |
| Segment liabilities | 2,959,066 | – | 4,205,460 | 7,164,526 |
| Accruals and other payables for general administrative use | | | | 2,015,001 |
| Bank loans | | | | 4,680,960 |
| Other loans | | | | 435,733 |
| Trust receipt loans | | | | 8,730,138 |
| Finance lease payables | | | | 2,465,224 |
| Current tax liabilities | | | | 531,000 |
| Total liabilities | | | | 26,022,582 |

| | Distribution and Marketing *US$* (unaudited) | Solution *US$* (unaudited) | Assembly *US$* (unaudited) | Consolidated *US$* (unaudited) |
|---|---|---|---|---|
| **Six months ended 30 September 2008** | | | | |
| Revenue from external customers | 55,873,714 | 4,041,752 | 12,933,464 | 72,848,930 |
| Segment profits | 1,776,985 | 3,180,133 | 767,458 | 5,724,576 |
| Interest income | | | | 96,448 |
| Other income (excluding interest income) | | | | 483,612 |
| Corporate administrative expenses | | | | (2,326,479) |
| Share of profit of a jointly controlled entity | | | | 446,146 |
| Finance costs | | | | (211,118) |
| Income tax expense | | | | (308,008) |
| Profit for the period | | | | 3,905,177 |
| Depreciation and amortisation | – | 337,039 | 321,021 | 658,060 |
| **As at 30 September 2008** | | | | |
| Segment assets | 39,905,864 | 3,968,023 | 9,738,669 | 53,612,556 |
| Property, plant and equipment for general administrative use | | | | 309,652 |
| Interest in a jointly controlled entity | | | | 3,016,484 |
| Available-for-sale financial asset | | | | 2,178,663 |
| Prepayments, deposits and other receivables for general administrative use | | | | 2,188,980 |
| Derivative financial instruments | | | | 91,460 |
| Due from a jointly controlled entity | | | | 666,710 |
| Current tax refundable | | | | 25,652 |
| Restricted bank balances | | | | 11,690,089 |
| Bank and cash balances | | | | 14,004,900 |
| Total assets | | | | 87,785,146 |
| Additions to non-current assets | – | 19,754 | 71,188 | 90,942 |
| Segment liabilities | 7,086,138 | 42,725 | 1,572,207 | 8,701,070 |
| Accruals and other payables for general administrative use | | | | 2,335,820 |
| Bank loans | | | | 11,386,910 |
| Trust receipt loans | | | | 6,064,240 |
| Derivative financial instruments | | | | 186,460 |
| Finance lease payables | | | | 3,617,929 |
| Current tax liabilities | | | | 1,523,600 |
| Total liabilities | | | | 33,816,029 |

| | Distribution and Marketing *US$* | Solution *US$* | Assembly *US$* | Consolidated *US$* |
|---|---|---|---|---|
| **Year ended 31 March 2009** | | | | |
| Revenue from external customers | 75,897,585 | 7,289,224 | 20,437,043 | 103,623,852 |
| Segment profits | 1,497,708 | 4,652,768 | 909,426 | 7,059,902 |
| Interest income | | | | 178,480 |
| Other income (excluding interest income) | | | | 1,078,310 |
| Corporate administrative expenses | | | | (3,703,753) |
| Share of profit of a jointly controlled entity | | | | 434,886 |
| Finance costs | | | | (543,701) |
| Income tax expense | | | | (593,608) |
| Profit for the year | | | | 3,910,516 |
| Depreciation and amortisation | – | 524,580 | 915,030 | 1,439,610 |
| Impairment of trade receivables | – | 139,434 | 705,233 | 844,667 |
| Impairment of assets of disposal group classified as held for sale | – | – | – | 447,397 |
| **As at 31 March 2009** | | | | |
| Segment assets | 19,971,601 | 4,055,711 | 10,691,204 | 34,718,516 |
| Property, plant and equipment for general administrative use | | | | 581,422 |
| Jointly controlled entity classified as held for sale | | | | 3,005,224 |
| Available-for-sale financial asset | | | | 2,178,663 |
| Prepayments, deposits and other receivables for general administrative use | | | | 412,051 |
| Derivative financial instruments | | | | 285,831 |
| Assets of disposal group classified as held for sale | | | | 1,726,321 |
| Restricted bank balances | | | | 6,299,692 |
| Bank and cash balances | | | | 28,186,543 |
| Total assets | | | | 77,394,263 |
| Additions to non-current assets | – | 21,948 | 79,098 | 101,046 |
| Segment liabilities | 1,769,678 | 42,725 | 2,039,319 | 3,851,722 |
| Accruals and other payables for general administrative use | | | | 2,132,359 |
| Bank loans | | | | 4,638,218 |
| Trust receipt loans | | | | 8,172,422 |
| Finance lease payables | | | | 3,047,764 |
| Current tax liabilities | | | | 346,120 |
| Liabilities directly associated with disposal group classified as held for sale | | | | 1,268,600 |
| Total liabilities | | | | 23,457,205 |

| | Distribution and Marketing *US$* | Solution *US$* | Assembly *US$* | Consolidated *US$* |
|---|---|---|---|---|
| **Year ended 31 March 2008** | | | | |
| Revenue from external customers | 97,881,544 | 12,109,181 | 9,603,391 | 119,594,116 |
| Segment profits | 4,490,099 | 9,969,564 | 1,097,032 | 15,556,695 |
| Interest income | | | | 106,134 |
| Other income (excluding interest income) | | | | 470,329 |
| Corporate administrative expenses | | | | (5,156,841) |
| Share of profit of a jointly controlled entity | | | | 743,595 |
| Finance costs | | | | (792,127) |
| Income tax expense | | | | (810,000) |
| Profit for the year | | | | 10,117,785 |
| Depreciation and amortisation | – | 616,967 | 376,677 | 993,644 |
| Impairment of prepayments, deposits and other receivables | – | 141,387 | – | 141,387 |
| Share-based payments | – | – | – | 370,696 |
| **As at 31 March 2008** | | | | |
| Segment assets | 25,070,042 | 3,167,404 | 12,949,468 | 41,186,914 |
| Property, plant and equipment for general administrative use | | | | 331,936 |
| Interest in a jointly controlled entity | | | | 2,505,338 |
| Available-for-sale financial asset | | | | 2,120,823 |
| Prepayments, deposits and other receivables for general administrative use | | | | 930,599 |
| Derivative financial instruments | | | | 91,460 |
| Due from a jointly controlled entity | | | | 706,941 |
| Current tax refundable | | | | 25,652 |
| Restricted bank balances | | | | 3,010,995 |
| Bank and cash balances | | | | 20,411,008 |
| Total assets | | | | 71,321,666 |
| Additions to non-current assets | – | 704,533 | 8,058,682 | 8,763,215 |
| Segment liabilities | 6,829,384 | 41,591 | 2,791,160 | 9,662,135 |
| Accruals and other payables for general administrative use | | | | 1,495,409 |
| Bank loans | | | | 1,269,396 |
| Trust receipt loans | | | | 1,775,829 |
| Derivative financial instruments | | | | 136,460 |
| Finance lease payables | | | | 4,000,498 |
| Current tax liabilities | | | | 1,373,600 |
| Total liabilities | | | | 19,713,327 |

| | Distribution and Marketing *US$* | Solution *US$* | Assembly *US$* | Consolidated *US$* |
|---|---|---|---|---|
| **Year ended 31 March 2007** | | | | |
| Revenue from external customers | 37,025,775 | 9,235,556 | – | 46,261,331 |
| Segment profits | 2,526,555 | 7,602,067 | – | 10,128,622 |
| Interest income | | | | 21,904 |
| Other income (excluding interest income) | | | | 16,674 |
| Corporate administrative expenses | | | | (1,704,043) |
| Share of profit of a jointly controlled entity | | | | 999,800 |
| Finance costs | | | | (139,236) |
| Income tax expense | | | | (446,076) |
| Profit for the year | | | | 8,877,645 |
| Depreciation and amortisation | – | 292,825 | – | 292,825 |
| **As at 31 March 2007** | | | | |
| Segment assets | 6,178,562 | 2,831,569 | – | 9,010,131 |
| Property, plant and equipment for general administrative use | | | | 224,277 |
| Interest in a jointly controlled entity | | | | 2,048,108 |
| Prepayments, deposits and other receivables for general administrative use | | | | 1,528,539 |
| Due from related parties | | | | 656,440 |
| Current tax refundable | | | | 25,652 |
| Restricted bank balances | | | | 715,000 |
| Bank and cash balances | | | | 5,906,121 |
| Total assets | | | | 20,114,268 |
| Additions to non-current assets | – | 1,594,194 | – | 1,594,194 |
| Segment liabilities | 523,943 | – | – | 523,943 |
| Accruals and other payables for general administrative use | | | | 277,901 |
| Bank loans | | | | 1,463,514 |
| Trust receipt loans | | | | 715,000 |
| Derivative component of convertible loans | | | | 105,152 |
| Convertible loans | | | | 3,653,568 |
| Current tax liabilities | | | | 563,600 |
| Due to directors | | | | 81,232 |
| Due to a related party | | | | 8,446 |
| Total liabilities | | | | 7,392,356 |

**Geographical information:**

| | For the year ended 31 March | | | For the six months ended 30 September | |
|---|---|---|---|---|---|
| | **2007** | **2008** | **2009** | **2008** | **2009** |
| | *US$* | *US$* | *US$* | *US$* | *US$* |
| | | | | (unaudited) | |
| **Revenue** | | | | | |
| The PRC except Hong Kong | 43,874,807 | 106,763,743 | 88,399,329 | 61,720,455 | 43,791,302 |
| Hong Kong | 2,386,524 | 12,830,373 | 15,224,523 | 11,128,475 | 10,988,941 |
| Consolidated total | 46,261,331 | 119,594,116 | 103,623,852 | 72,848,930 | 54,780,243 |

| | At 31 March | | | At 30 September | |
|---|---|---|---|---|---|
| | **2007** | **2008** | **2009** | **2008** | **2009** |
| | *US$* | *US$* | *US$* | *US$* | *US$* |
| | | | | (unaudited) | |
| **Non-current assets** | | | | | |
| The PRC except Hong Kong | 4,585,353 | 15,275,381 | 11,444,821 | 15,594,594 | 10,967,989 |
| Hong Kong | 3,553 | 8,207 | 143,042 | 172,899 | 2,852,763 |
| Consolidated total | 4,588,906 | 15,283,588 | 11,587,863 | 15,767,493 | 13,820,752 |

In presenting the geographical information, revenue is based on the locations of the customers.

**Revenue from major customers:**

For the year ended 31 March 2007, revenue from three major customers contributed to the Group's revenue of approximately US$11,902,930, US$7,351,997 and US$4,819,590 respectively were included in both Distribution and Marketing Segment and Solution Segment.

For the year ended 31 March 2008, revenue from three major customers contributed to the Group's revenue of approximately US$22,503,001, US$16,753,821 and US$13,148,627 respectively were included in both Distribution and Marketing Segment and Solution Segment; revenue from another major customer contributed to the Group's revenue of approximately US$22,577,563 was included in all three presented operating segments.

For the year ended 31 March 2009, revenue from a major customer contributed to the Group's revenue of approximately US$13,327,238 was included in both Distribution and Marketing Segment and Assembly Segment; revenue from another major customer contributed to the Group's revenue of approximately US$15,860,178 was included in both Distribution and Marketing Segment and Solution Segment.

For the six months ended 30 September 2008, revenue from a major customer contributed to the Group's revenue of approximately US$11,128,475 was included in both Distribution and Marketing Segment and Assembly Segment; revenue from another major customer contributed to the Group's revenue of approximately US$14,028,556 was included in both Distribution and Marketing Segment and Solution Segment.

For the six months ended 30 September 2009, revenue from two major customers contributed to the Group's revenue of approximately US$7,566,126 and US$6,773,666 respectively were included in both Distribution and Marketing Segment and Assembly Segment; revenue from another major customer contributed to the Group's revenue of approximately US$7,162,148 was included in Distribution and Marketing Segment.

## 10. FINANCE COSTS

| | For the year ended 31 March | | | For the six months ended 30 September | |
|---|---|---|---|---|---|
| | 2007 | 2008 | 2009 | 2008 | 2009 |
| | *US$* | *US$* | *US$* | *US$* | *US$* |
| | | | | (unaudited) | |
| Interest on bank loans and bank overdraft | 56,485 | 158,075 | 341,672 | 122,831 | 125,940 |
| Finance lease charges | – | 177,110 | 174,920 | 88,287 | 56,638 |
| Interest on convertible loans | 82,751 | 420,426 | – | – | – |
| Others | – | 36,516 | 27,109 | – | 1,321 |
| | 139,236 | 792,127 | 543,701 | 211,118 | 183,899 |

## 11. SALARIES AND EMPLOYEE BENEFITS (INCLUDING DIRECTORS' REMUNERATION)

| | | For the year ended 31 March | | | For the six months ended 30 September | |
|---|---|---|---|---|---|---|
| | | 2007 | 2008 | 2009 | 2008 | 2009 |
| | *Note* | *US$* | *US$* | *US$* | *US$* | *US$* |
| | | | | | (unaudited) | |
| Wages and salaries | | 1,640,191 | 2,374,273 | 3,058,945 | 1,754,674 | 1,590,888 |
| Pension costs of defined contribution plans | *(a)* | 199,252 | 180,986 | 229,805 | 81,275 | 73,522 |
| | | 1,839,443 | 2,555,259 | 3,288,750 | 1,835,949 | 1,664,410 |

*Note:*

(a) The Group operates a mandatory provident fund scheme (the "MPF Scheme") under the Hong Kong Mandatory Provident Fund Schemes Ordinance for all qualifying employees in Hong Kong. The Group's contributions to the MPF Scheme are calculated at 5% of the salaries and wages subject to a monthly maximum amount of HK$1,000 per employee and vest fully with employees when contributed into the MPF Scheme.

The employees of the Group's subsidiaries established in the PRC are members of a central pension scheme operated by the local municipal government. These subsidiaries are required to contribute certain percentage of the employees' basic salaries and wages to the central pension scheme to fund the retirement benefits. The local municipal governments undertake to assume the retirement benefits obligations of all existing and future retired employees of these subsidiaries. The only obligation of these subsidiaries with respect to the central pension scheme is to meet the required contributions under the scheme.

(b) Directors' and employees' emoluments

The emoluments of each director were as follows:

**For the six months ended 30 September 2009**

| **Name of directors** | **Fees** | **Salaries and allowances** | **Retirement benefits scheme contributions** | **Total** |
|---|---|---|---|---|
| | *US$* | *US$* | *US$* | *US$* |
| Wang Shih Zen | – | 15,424 | 772 | 16,196 |
| Wang Tao | – | 6,655 | 1,255 | 7,910 |
| Lu Shangmin *(note (i))* | – | 35,367 | 867 | 36,234 |
| Chan Kam Loon | 16,413 | – | – | 16,413 |
| Guo Yanjun | 13,678 | – | – | 13,678 |
| David Lim Teck Leong *(note (iii))* | 13,678 | – | – | 13,678 |
| | 43,769 | 57,446 | 2,894 | 104,109 |

**For the six months ended 30 September 2008 (unaudited)**

| **Name of directors** | **Fees** | **Salaries and allowances** | **Retirement benefits scheme contributions** | **Total** |
|---|---|---|---|---|
| | *US$* | *US$* | *US$* | *US$* |
| Wang Shih Zen | – | 15,424 | 772 | 16,196 |
| Wang Tao | – | 5,181 | 1,426 | 6,607 |
| Guo Yanjun | 12,864 | – | – | 12,864 |
| Chan Kam Loon | 15,437 | – | – | 15,437 |
| Lim Quee Teck *(note (ii))* | 12,864 | – | – | 12,864 |
| | 41,165 | 20,605 | 2,198 | 63,968 |

**For the year ended 31 March 2009**

| Name of directors | Fees | Salaries and allowances | Retirement benefits scheme contributions | Total |
|---|---|---|---|---|
| | *US$* | *US$* | *US$* | *US$* |
| Wang Shih Zen *(note (v))* | 1,000 | 30,328 | 1,542 | 32,870 |
| Wang Tao | 1,000 | 9,937 | 2,853 | 13,790 |
| Lu Shangmin *(note (i))* | – | 3,607 | 128 | 3,735 |
| Chan Kam Loon | 32,135 | – | – | 32,135 |
| Guo Yanjun | 26,422 | – | – | 26,422 |
| Lim Quee Teck *(note (ii))* | 6,923 | – | – | 6,923 |
| David Lim Teck Leong *(note (iii))* | 10,792 | – | – | 10,792 |
| | 78,272 | 43,872 | 4,523 | 126,667 |

**For the year ended 31 March 2008**

| Name of directors | Fees | Salaries and allowances | Retirement benefits scheme contributions | Total |
|---|---|---|---|---|
| | *US$* | *US$* | *US$* | *US$* |
| Wang Shih Zen | – | 23,656 | 1,028 | 24,684 |
| Wang Tao | – | 14,617 | 2,669 | 17,286 |
| Chan Kam Loon | 11,277 | – | – | 11,277 |
| Guo Yanjun | 11,277 | – | – | 11,277 |
| Lim Quee Teck *(note (ii))* | 11,277 | – | – | 11,277 |
| | 33,831 | 38,273 | 3,697 | 75,801 |

**For the year ended 31 March 2007**

| Name of directors | Fees | Salaries and allowances | Retirement benefits scheme contributions | Total |
|---|---|---|---|---|
| | *US$* | *US$* | *US$* | *US$* |
| Wang Shih Zen | 15,424 | – | 771 | 16,195 |
| Wang Tao *(note (iv))* | – | 10,181 | 795 | 10,976 |
| Chan Kam Loon | – | – | – | – |
| Guo Yanjun | – | – | – | – |
| Lim Quee Teck *(note (ii))* | – | – | – | – |
| | 15,424 | 10,181 | 1,566 | 27,171 |

*Note:*

(i) Appointed on 3 March 2009

(ii) Resigned on 12 September 2008

(iii) Appointed on 28 October 2008

(iv) Ms. Wang Tao was appointed on 19 June 2007 but she has been acting as a director of Elastic Glory Investment Limited, a subsidiary of the Company, since September 2002. Although Ms. Wang Tao did not act as a director of the Group for the year ended 31 March 2007, her duties were in substance to represent directors' duties of the Group and the emoluments paid to Ms. Wang Tao for the year ended 31 March 2007 was included to illustrate the actual amount of directors' emoluments.

(v) Salaries and allowances of US$46,272 (equivalent to HK$360,000) payable to Mr. Wang Shih Zen was waived without any compensation during the year ended 31 March 2009.

The five highest paid individuals in the Group during the year ended 31 March 2007, 2008 and 2009 and the six months ended 30 September 2008 and 2009 included Nil, Nil, Nil, Nil and 2 directors respectively whose emoluments are reflected in the analysis presented above. The emoluments of the remaining 5, 5, 5, 5 and 3 individuals are set out below respectively:

| | **For the year ended 31 March** | | | **For the six months ended 30 September** | |
|---|---|---|---|---|---|
| | **2007** | **2008** | **2009** | **2008** | **2009** |
| | *US$* | *US$* | *US$* | *US$* | *US$* |
| | | | | (unaudited) | |
| Basic salaries and allowances | 207,561 | 303,312 | 373,842 | 179,480 | 137,936 |
| Discretionary bonuses | 9,897 | 64,267 | 12,853 | – | – |
| Retirement benefits scheme contributions | 6,553 | 6,163 | 7,410 | 3,962 | 2,185 |
| | 224,011 | 373,742 | 394,105 | 183,442 | 140,121 |

The emoluments fell within the following bands:

| | **Number of individuals** | | | | |
|---|---|---|---|---|---|
| | **For the year ended 31 March** | | | **For the six months ended 30 September** | |
| | **2007** | **2008** | **2009** | **2008** | **2009** |
| | | | | (unaudited) | |
| Below HK$1,000,000 (equivalent to below US$128,535) | 5 | 4 | 4 | 5 | 3 |
| HK$1,000,001 to HK$1,500,000 (equivalent to US$128,536 to US$192,802) | – | 1 | 1 | – | – |

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

**12. INCOME TAX EXPENSE**

| | For the year ended 31 March | | | For the six months ended 30 September | |
|---|---|---|---|---|---|
| | **2007** | **2008** | **2009** | **2008** | **2009** |
| | *US$* | *US$* | *US$* | *US$* (unaudited) | *US$* |
| Current tax – Hong Kong Profits Tax | | | | | |
| Provision for the year/period | 446,076 | 760,000 | 170,000 | 200,000 | 250,000 |
| Current tax – PRC Enterprise Income Tax | | | | | |
| Provision for the year/period | – | 50,000 | 423,608 | 108,008 | 97,500 |
| | 446,076 | 810,000 | 593,608 | 308,008 | 347,500 |

Hong Kong Profits Tax has been provided at a rate of 17.5% based on the estimated assessable profit for the years ended 31 March 2007 and 2008.

Hong Kong Profits Tax has been provided at a rate of 16.5% based on the estimated assessable profit for the year ended 31 March 2009 and the six months ended 30 September 2008 and 2009.

PRC Enterprise Income Tax is calculated at the applicable rates based on estimated taxable income earned by the companies with certain tax preference, based on existing legislation, interpretation and practice in respect thereof.

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

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

| | For the year ended 31 March | | | For the six months ended 30 September | |
|---|---|---|---|---|---|
| | **2007** | **2008** | **2009** | **2008** | **2009** |
| | *US$* | *US$* | *US$* | *US$* (unaudited) | *US$* |
| Profit before tax | 9,323,721 | 10,927,785 | 4,504,124 | 4,213,185 | 2,348,862 |
| Hong Kong Profits Tax rate | 17.5% | 17.5% | 16.5% | 16.5% | 16.5% |
| Tax at Hong Kong Profits Tax rate | 1,631,651 | 1,912,362 | 743,181 | 695,176 | 387,562 |
| Tax effect of share of profit of a jointly controlled entity | (174,965) | (130,129) | (71,756) | (73,614) | – |
| Tax effect of income that is not taxable | (983,488) | (1,121,214) | (163,456) | (173,458) | – |
| Tax effect of expenses that are not deductible | 81,080 | 628,469 | 311,257 | 180,187 | 203,942 |
| Tax effect of temporary differences not recognised | 38,634 | 26,872 | 56,901 | 29,054 | 203,418 |
| Tax effect of utilisation of tax losses not previously recognised | (1,921) | – | – | – | – |
| Tax effect of tax losses not recognised | 110,543 | 269,254 | 101,249 | 44,505 | 35,174 |
| Tax effect of tax exemption | (234,756) | (649,179) | (25,836) | (95,210) | (273,493) |
| Effect of different tax rates of subsidiaries | (20,702) | (126,435) | (357,932) | (298,632) | (209,103) |
| Income tax expense | 446,076 | 810,000 | 593,608 | 308,008 | 347,500 |

The new PRC Enterprise Income Tax law passed by the Tenth National People's Congress on 16 March 2007 introduced various changes which includes the unification of the Enterprise Income Tax rate for domestic and foreign enterprises at 25%. The new tax law has been effective from 1 January 2008. On 26 December 2007, the State Council announced the detailed measures and regulations of the New Law ("Implementation Rules"). The Implementation Rules ratcheted the PRC Enterprise Income Tax rate from 15% to 25% over five years for grandfathering of incentives. The tax rate would be 18%, 20%, 22%, 24% and 25% in 2008, 2009, 2010, 2011 and 2012 respectively.

Under the new PRC Enterprise Income Tax law, from 1 January 2008, non-resident enterprises without an establishment or place of business in the PRC or which have an establishment or place of business in the PRC but whose relevant income is not effectively connected with the establishment or a place of business in the PRC, will be subject to withholding tax at the rate of 10% (unless reduced by treaty) on various types of passive income such as dividends derived from sources within the PRC.

According to the notice Caishui 2008 No. 1 released by the Ministry of Finance and the State Administration of Taxation, distributions of the pre-2008 retained profits of a foreign invested enterprise to a foreign investor in 2008 or after are exempted from withholding tax. Accordingly, the retained profits as at 31 December 2007 in the Group's PRC subsidiaries will not be subject to 10% withholding tax on future distributions.

The Group is liable to withholding tax on dividends distributed from the Group's PRC subsidiaries in respect of their profits generated on or after 1 January 2008. No deferred tax liabilities have been recognised in respect of this as the Group considers that as of the date of this Financial Information, no such liability will be arisen in the foreseeable future.

### 13. PROFIT FOR THE YEAR/PERIOD

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

| | For the year ended 31 March | | | For the six months ended 30 September | |
|---|---|---|---|---|---|
| | 2007 | 2008 | 2009 | 2008 | 2009 |
| | *US$* | *US$* | *US$* | *US$* (unaudited) | *US$* |
| Depreciation of property, plant and equipment (1) | 84,289 | 608,270 | 1,081,979 | 379,592 | 576,728 |
| Auditors' remuneration | 142,005 | 191,247 | 134,763 | 70,000 | 133,121 |
| Amortisation of intangible assets (2) | 255,351 | 489,826 | 496,128 | 327,057 | 427,796 |
| Loss on disposals of property, plant and equipment | 253 | – | 6,930 | – | 27,379 |
| Loss on disposals of disposal group classified as held for sale | – | – | – | – | 64,366 |
| Directors' remuneration | | | | | |
| – As directors | 15,424 | 33,831 | 78,272 | 41,165 | 43,769 |
| – For management | 11,747 | 41,970 | 48,395 | 22,803 | 60,340 |
| | 27,171 | 75,801 | 126,667 | 63,968 | 104,109 |
| Foreign exchange losses/(gains), net | 52,898 | (428,796) | (207,377) | (374,095) | 24,340 |
| Operating lease charges in respect of land and buildings (3) | 137,302 | 704,170 | 885,180 | 512,112 | 427,897 |
| Cost of inventories sold | 34,499,219 | 100,365,475 | 89,574,713 | 64,284,555 | 47,313,669 |
| Research and development expenditure (included in cost of goods sold) | – | 658,623 | 987,547 | – | – |
| Fair value losses on derivative component of convertible loans | 78,143 | 234,063 | – | – | – |
| Fair value losses/(gains) on derivative financial instruments, net | – | 45,000 | (870,933) | (109,517) | (75,967) |
| Key management personnel (other than directors) remuneration | | | | | |
| Salaries, bonuses and allowances | 106,139 | 184,352 | 194,577 | 90,158 | 91,835 |
| Retirement benefits scheme contributions | 2,128 | 1,542 | 1,542 | 2,107 | 2,103 |
| | 108,267 | 185,894 | 196,119 | 92,265 | 93,938 |
| Staff costs excluding directors' remuneration and key management personnel remuneration (4) | | | | | |
| Salaries bonuses and allowances | 1,508,447 | 2,117,817 | 2,742,224 | 1,602,746 | 1,397,838 |
| Retirement benefits scheme contributions | 195,558 | 175,747 | 223,740 | 76,970 | 68,525 |
| | 1,704,005 | 2,293,564 | 2,965,964 | 1,679,716 | 1,466,363 |
| Impairment of trade receivables | – | – | 844,667 | – | – |
| Impairment of prepayments, deposits and other receivables | – | 141,387 | – | – | – |
| Impairment of assets of disposal group classified as held for sale | – | – | 447,397 | – | – |
| Share-based payments | – | 370,696 | – | – | – |

*Note:*

(1) The amounts included in cost of goods sold for the years ended 31 March 2007, 2008 and 2009 and the six months ended 30 September 2008 and 2009 amounted to Nil, US$359,816, US$873,091, US$331,721 and US$377,106 respectively.

(2) The amounts included in cost of goods sold for the years ended 31 March 2007, 2008 and 2009 and the six months ended 30 September 2008 and 2009 amounted to Nil, Nil, Nil, Nil and US$416,666 respectively.

(3) The amounts included in cost of goods sold for the years ended 31 March 2007, 2008 and 2009 and the six months ended 30 September 2008 and 2009 amounted to Nil, US$235,867, US$378,877, US$189,446 and US$189,446 respectively.

(4) The amounts included in cost of goods sold for the years ended 31 March 2007, 2008 and 2009 and the six months ended 30 September 2008 and 2009 amounted to US$914,373, US$1,304,652, US$2,264,251, US$1,249,618 and US$1,056,272 respectively.

**14. PROFIT FOR THE YEAR/PERIOD ATTRIBUTABLE TO OWNERS OF THE COMPANY**

For the years ended 31 March 2007, 2008 and 2009 and the six months ended 30 September 2008 and 2009 the profit attributable to owners of the Company included a (loss)/profit of (US$162,827), US$42,793, US$3,955,453, US$3,799,088 and (US$628,552) respectively which has been dealt with in the Financial Information of the Company.

**15. DIVIDENDS**

| | For the year ended 31 March | | | For the six months ended 30 September | |
|---|---|---|---|---|---|
| | **2007** | **2008** | **2009** | **2008** | **2009** |
| | *US$* | *US$* | *US$* | *US$* (unaudited) | *US$* |
| Interim | 257,069 | – | – | – | – |
| Proposed final | 2,200,000 | 2,040,052 | – | – | – |
| | 2,457,069 | 2,040,052 | – | – | – |

*Note:*

(a) An interim dividend of US$0.1 per ordinary share totalling US$257,069 was declared and distributed by a Company's subsidiary to its then shareholders for the year ended 31 March 2007 prior to the Restructuring Exercise as set out in note 2 to the Financial Information.

(b) A final dividend of US$0.8558 and US$0.0041 per ordinary share was proposed for the years ended 31 March 2007 and 2008 respectively. The directors did not recommend the payment of any interim or final dividend for the year ended 31 March 2009.

(c) The directors did not recommend the payment of any interim dividend for the six months ended 30 September 2008 and 2009.

## 16. EARNINGS PER SHARE

| | For the year ended 31 March | | | For the six months ended 30 September | |
|---|---|---|---|---|---|
| | 2007 | 2008 | 2009 | 2008 | 2009 |
| | *US$* | *US$* | *US$* | *US$* | *US$* |
| | | | | (unaudited) | |
| **Earnings** | | | | | |
| Earnings for the purpose of calculating basic earnings per share | 8,948,047 | 10,180,710 | 3,959,401 | 3,936,993 | 2,001,362 |

| | For the year ended 31 March | | | For the six months ended 30 September | |
|---|---|---|---|---|---|
| | 2007 | 2008 | 2009 | 2008 | 2009 |
| | | | | (unaudited) | |
| **Number of shares** | | | | | |
| Weighted average number of ordinary shares for the purpose of calculating basic earnings per share | 409,573,662 | 441,311,367 | 497,573,662 | 497,573,662 | 497,573,662 |

For the year ended 31 March 2007, the weighted average number of ordinary shares of 409,573,662 shares represented the pre-invitation number of shares of the Company in connection to the listing of the Company's shares on the Mainboard of the SGX-ST and were assumed to be in issue throughout the year ended 31 March 2007. The pre-invitation number of shares of the Company of 409,573,662 shares represents the ordinary shares of the Company issued prior to the listing of the Company's shares on the Mainboard of SGX-ST.

For the year ended 31 March 2008, the weighted average number of ordinary shares of 441,311,367 shares is calculated based on the pre-invitation number of shares of 409,573,662 shares of the Company, which represented the pre-invitation number of shares deemed on 1 April 2007 and the weighted average number of shares of 88,000,000 shares issued upon listing.

As there were no dilutive potential ordinary shares during the Relevant Periods, no dilution earnings per share is presented.

The earnings per share presented have not taken into accounts of the issuance of 20,000,000 new ordinary shares of the Company on 8 October 2009.

## 17. PROPERTY, PLANT AND EQUIPMENT

**Group**

| | Plant and machinery | Furniture, fixtures, equipment and motor vehicles | Leasehold improvements | Total |
|---|---|---|---|---|
| | *US$* | *US$* | *US$* | *US$* |
| **Cost** | | | | |
| At 1 April 2006 | – | 1,772 | – | 1,772 |
| Exchange realignment | – | 1,994 | – | 1,994 |
| Acquisition of subsidiaries | – | 53,019 | – | 53,019 |
| Additions | – | 511,922 | 60,843 | 572,765 |
| Disposals | – | (379) | – | (379) |
| At 31 March 2007 and 1 April 2007 | – | 568,328 | 60,843 | 629,171 |
| Exchange realignment | – | 67,801 | – | 67,801 |
| Additions | 7,254,644 | 176,371 | 821,449 | 8,252,464 |
| At 31 March 2008 and 1 April 2008 | 7,254,644 | 812,500 | 882,292 | 8,949,436 |
| Exchange realignment | 197,854 | 23,177 | 22,403 | 243,434 |
| Additions | 42,017 | 444,123 | – | 486,140 |
| Disposals | – | (11,834) | – | (11,834) |
| At 31 March 2009 and 1 April 2009 | 7,494,515 | 1,267,966 | 904,695 | 9,667,176 |
| Additions | 98,653 | 8,586 | 12,440 | 119,679 |
| Disposals | – | – | (60,843) | (60,843) |
| At 30 September 2009 | 7,593,168 | 1,276,552 | 856,292 | 9,726,012 |

| | Plant and machinery US$ | Furniture, fixtures, equipment and motor vehicles US$ | Leasehold improvements US$ | Total US$ |
|---|---|---|---|---|
| **Accumulated depreciation** | | | | |
| At 1 April 2006 | – | 590 | – | 590 |
| Exchange realignment | – | 944 | – | 944 |
| Charge for the year | – | 78,205 | 6,084 | 84,289 |
| Disposals | – | (126) | – | (126) |
| At 31 March 2007 and 1 April 2007 | – | 79,613 | 6,084 | 85,697 |
| Exchange realignment | 12,930 | 4,947 | 21,477 | 39,354 |
| Charge for the year | 303,140 | 217,394 | 87,736 | 608,270 |
| At 31 March 2008 and 1 April 2008 | 316,070 | 301,954 | 115,297 | 733,321 |
| Exchange realignment | 3,748 | 2,668 | 2,149 | 8,565 |
| Charge for the year | 743,719 | 157,321 | 180,939 | 1,081,979 |
| Disposals | – | (2,130) | – | (2,130) |
| At 31 March 2009 and 1 April 2009 | 1,063,537 | 459,813 | 298,385 | 1,821,735 |
| Charge for the period | 377,106 | 110,870 | 88,752 | 576,728 |
| Disposals | – | – | (33,464) | (33,464) |
| At 30 September 2009 | 1,440,643 | 570,683 | 353,673 | 2,364,999 |
| **Carrying amount** | | | | |
| At 30 September 2009 | 6,152,525 | 705,869 | 502,619 | 7,361,013 |
| At 31 March 2009 | 6,430,978 | 808,153 | 606,310 | 7,845,441 |
| At 31 March 2008 | 6,938,574 | 510,546 | 766,995 | 8,216,115 |
| At 31 March 2007 | – | 488,715 | 54,759 | 543,474 |

At 31 March 2007, 2008 and 2009 and 30 September 2009, the carrying amount of property, plant and equipment held by the Group under finance leases was amounted to approximately Nil, US$6,690,000, US$6,274,997 and US$5,893,855 respectively.

## 18. INTANGIBLE ASSETS

**Group**

| | Computer software sublicense | License | CDMA software solutions | Total |
|---|---|---|---|---|
| | *US$* | *US$* | *US$* | *US$* |
| **Cost** | | | | |
| At 1 April 2006 | 1,002,571 | – | – | 1,002,571 |
| Additions | – | 208,670 | – | 208,670 |
| At 31 March 2007 and 1 April 2007 | 1,002,571 | 208,670 | – | 1,211,241 |
| Exchange realignment | – | 1,476 | – | 1,476 |
| Additions | 700,000 | 86,552 | – | 786,552 |
| At 31 March 2008 and 1 April 2008 | 1,702,571 | 296,698 | – | 1,999,269 |
| Exchange realignment | – | 2,763 | – | 2,763 |
| Additions | – | 5,674 | – | 5,674 |
| Transfer to assets of disposal group classified as held for sale | (1,702,571) | (195,376) | – | (1,897,947) |
| At 31 March 2009 and 1 April 2009 | – | 109,759 | – | 109,759 |
| Additions | – | 2,440 | 2,500,000 | 2,502,440 |
| At 30 September 2009 | – | 112,199 | 2,500,000 | 2,612,199 |
| **Accumulated amortisation** | | | | |
| At 1 April 2006 | – | – | – | – |
| Charge for the year | 222,222 | 33,129 | – | 255,351 |
| At 31 March 2007 and 1 April 2007 | 222,222 | 33,129 | – | 255,351 |
| Exchange realignment | – | 214 | – | 214 |
| Charge for the year | 421,155 | 68,671 | – | 489,826 |
| At 31 March 2008 and 1 April 2008 | 643,377 | 102,014 | – | 745,391 |
| Exchange realignment | – | 119 | – | 119 |
| Charge for the year | 425,643 | 70,485 | – | 496,128 |
| Transfer to assets of disposal group classified as held for sale | (1,069,020) | (146,532) | – | (1,215,552) |
| At 31 March 2009 and 1 April 2009 | – | 26,086 | – | 26,086 |
| Charge for the period | – | 11,130 | 416,666 | 427,796 |
| At 30 September 2009 | – | 37,216 | 416,666 | 453,882 |
| **Carrying amount** | | | | |
| At 30 September 2009 | – | 74,983 | 2,083,334 | 2,158,317 |
| At 31 March 2009 | – | 83,673 | – | 83,673 |
| At 31 March 2008 | 1,059,194 | 194,684 | – | 1,253,878 |
| At 31 March 2007 | 780,349 | 175,541 | – | 955,890 |

The Group's computer software sublicense, license and CDMA software solutions are for the design and development of the Group's products. As at 31 March 2007, 2008 and 2009 and 30 September 2009, the average remaining amortisation period of computer software sublicense is 2 years, 2 years, Nil and Nil respectively, while the average remaining amortisation period of license is and 3 years, 2 years, 1 year and 1 year respectively. As at 30 September 2009, the average remaining amortisation period of CDMA software solutions is 3 years.

**19. GOODWILL**

**Group**

| | *US$* |
|---|---|
| **Cost and carrying amount** | |
| At 1 April 2006 | – |
| Arising on acquisition of subsidiaries *(Note 41(a) and 41(b))* | 1,041,434 |
| At 31 March 2007 and 1 April 2007 | 1,041,434 |
| Exchange realignment | 146,000 |
| At 31 March 2008 and 1 April 2008 | 1,187,434 |
| Exchange realignment | 32,000 |
| Arising on acquisition of minority interests in a subsidiary | 260,652 |
| At 31 March 2009, 1 April 2009 and 30 September 2009 | 1,480,086 |

Goodwill acquired in a business combination is allocated, at acquisition, to the following CGU that is expected to be benefit from that business combination. The carrying amount of goodwill had been allocated as follows:

| | | At 31 March | | At 30 September |
|---|---|---|---|---|
| | **2007** | **2008** | **2009** | **2009** |
| | *US$* | *US$* | *US$* | *US$* |
| Solution CGU | | | | |
| Zeus Telecommunication Technology Holdings Ltd. and PhoneLink Communication Technology Co., Ltd. | 1,041,434 | 1,187,434 | 1,480,086 | 1,480,086 |

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

The Group prepares cash flow forecasts derived from the most recent financial budgets approved by management for the next 3 years. Discount rate of 16.5%, 9.34%, 8.56% and 8.56% are used for the cash flow forecasts at 31 March 2007, 2008 and 2009 and 30 September 2009 respectively.

## 20. INVESTMENT IN A SUBSIDIARY

**Company**

| | At 31 March 2007 | At 31 March 2008 | At 31 March 2009 | At 30 September 2009 |
|---|---|---|---|---|
| | *US$* | *US$* | *US$* | *US$* |
| Unlisted investment, at cost | 2,570,694 | 2,570,694 | 2,570,694 | 2,570,694 |
| Due from subsidiaries | 3,418,146 | 27,742,047 | 29,688,113 | 29,322,003 |

The amounts due from subsidiaries represent advances and are unsecured, interest-free and repayable on demand.

Particulars of the subsidiaries at the end of each reporting period are as follows:

| Name | Date of incorporation/ establishment | Place of incorporation/ registration | Issued and paid-up capital | Percentage of ownership interest/ voting power/ profit sharing At 31 March 2007 | At 31 March 2008 | At 31 March 2009 | At 30 September 2009 | Principal activities | Legal form |
|---|---|---|---|---|---|---|---|---|---|
| **Directly held:** | | | | | | | | | |
| Elastic Glory Investment Limited [1] | 16 September 2002 | British Virgin Islands | 2,570,694 ordinary shares of US$1 each | 100% | 100% | 100% | 100% | Investment holding | Limited liability company |
| **Indirectly held:** | | | | | | | | | |
| Elite Link Technology Limited [6] | 26 March 2004 | Hong Kong | 20,000,001 ordinary shares of HK$1 each | 100% | 100% | 100% | 100% | Provision of management services to the Group | Limited liability company |
| State Tech International Limited [1] [7] | 1 November 2002 | British Virgin Islands | 1 ordinary share of US$1 each | 100% | 100% | 100% | – | Distribution and marketing of mobile handset components, software and solution for mobile appliances and mobile handset hardware | Limited liability company |
| CCDH Technology Limited [1] | 18 January 2005 | British Virgin Islands | 50,000 ordinary shares of US$1 each | 100% | 100% | 100% | 100% | Dormant | Limited liability company |
| Finet Enterprises Limited [1] | 28 April 2004 | British Virgin Islands | 1 ordinary share of US$1 each | 100% | 100% | 100% | 100% | Trademark and patents registration | Limited liability company |

| Name | Date of incorporation/ establishment | Place of incorporation/ registration | Issued and paid-up capital | Percentage of ownership interest/ voting power/ profit sharing | | | | Principal activities | Legal form |
|---|---|---|---|---|---|---|---|---|---|
| | | | | At 31 March | | | At 30 September | | |
| | | | | 2007 | 2008 | 2009 | 2009 | | |
| 深圳市杰特電信控股有限公司[2][3] (Zeus Telecommunication Technology Holdings Ltd.) | 17 August 2004 | PRC | Registered and paid-up capital of RMB20,000,000 | 100% | 100% | 100% | 100% | Development, distribution and marketing of software and solution for mobile appliances and mobile handset hardware | Wholly foreign–owned enterprise |
| 上海風凌通訊技術有限公司[2][5] (PhoneLink Communication Technology Co., Ltd.) | 8 March 2005 | PRC | Registered and paid-up capital of RMB10,000,000 | 81% | 81% | 100% | 100% | Development of software and solution for mobile appliances | Wholly domestic–owned enterprise |
| Max Sunny Limited [6] | 16 December 2005 | Hong Kong | 100,000 ordinary shares of HK$1 each | 100% | 100% | 100% | 100% | Distribution and marketing of mobile handset and mobile handset components | Limited liability company |
| Max Pixel Limited [9] | 22 February 2008 | Hong Kong | Nil | – | 100% | – | – | Dormant | Limited liability company |
| 久宜通信技術(深圳)有限公司[2][3][7] (CCDH Technology (Shenzhen) Limited) | 9 August 2006 | PRC | Registered and paid-up capital of US$500,000 | 100% | 100% | 100% | – | Development, distribution and marketing of software and solution for mobile appliances | Wholly foreign–owned enterprise |
| Finet Technology Limited[1][8] | 16 May 2006 | Macau | 2 shares with total paid-up capital of MOP100,000 | 100% | – | – | – | Dormant | Limited liability company |
| 統慶通信設備(深圳)有限公司[2][4] (Tongqing Communication Equipment (Shenzhen) Co., Ltd.) | 20 March 2007 | PRC | Registered and paid-up capital of HK$75,000,000 | 100% | 100% | 100% | 100% | Assembly of mobile handset and surface mounting technology of printed circuit board | Wholly foreign–owned enterprise |

*Note:*

(1) Not required to be audited under the laws of country of incorporation.

(2) Statutory financial statements not audited by RSM Nelson Wheeler.

(3) Statutory financial statements for the years ended 31 December 2006 and 2007 audited by Shenzhen Caizhi Public Certified Accountants (深圳財智會計師事務所) and for the year ended 31 December 2008, by Shenzhen Guobang Certified Public Accountants (深圳國邦會計師事務所).

(4) Statutory financial statements for the period from 20 March 2007 (date of incorporation) to 31 December 2007 audited by Shenzhen Caizhi Public Certified Accountants (深圳財智會計師事務所) and for the year ended 31 December 2008, by Shenzhen Guobang Certified Public Accountants (深圳國邦會計師事務所).

(5) Statutory financial statements for each of the three years ended 31 December 2006, 2007 and 2008 have not been issued by the local auditor.

(6) Statutory financial statements audited by RSM Nelson Wheeler.

(7) Disposed of to an independent third party during the six months ended 30 September 2009 as set out in note 28 to the Financial Information.

(8) Dissolved on 23 June 2007 by way of a member's voluntary winding up.

(9) No statutory audited financial statements have been issued since its incorporation and up to the date of disposal by the Group on 10 February 2009.

## 21. INTEREST IN A JOINTLY CONTROLLED ENTITY/JOINTLY CONTROLLED ENTITY CLASSIFIED AS HELD FOR SALE

**Group**

| | | At 31 March | | At 30 September |
|---|---|---|---|---|
| | **2007** | **2008** | **2009** | **2009** |
| | *US$* | *US$* | *US$* | *US$* |
| Unlisted investments | | | | |
| Share of net assets | 2,048,108 | 2,505,338 | – | – |
| Classified as held for sale, at carrying amounts | – | – | 3,005,224 | 3,005,224 |

Details of the jointly controlled entity at the end of each reporting period are as follows:

| Name | Date of Incorporation/ establishment | Place of incorporation/ registration | Issued and paid-up capital | Percentage of ownership interest/ voting power/ profit sharing At 31 March 2007 | At 31 March 2008 | At 31 March 2009 | At 30 September 2009 | Principal activities | Legal form |
|---|---|---|---|---|---|---|---|---|---|
| 貴州振華歐比通信有限公司 (GuiZhou Zhenhua OBEE Communication Co., Ltd) | 21 March 2006 | PRC | Registered and paid-up capital of RMB20,000,000 | 42% | 42% | 42% | 42% | Manufacturing, selling and marketing of mobile appliance and providing technical support services in respect of manufacturing and selling of mobile phone appliance | Sino-foreign owned equity joint venture |

In January 2009, the directors of Elite Link Technology Limited ("Elite Link"), a subsidiary of the Company which held the equity interest of a jointly controlled entity, 貴州振華歐比通信有限公司 (GuiZhou Zhenhua OBEE Communication Co., Ltd.), resolved to dispose of the equity interest in the jointly controlled entity. Negotiations with several interested parties have subsequently taken place. The interest in the jointly controlled entity, which is expected to be sold within twelve months, has been classified as held for sale and is presented separately in the consolidated statements of financial position as at 31 March 2009 and 30 September 2009.

On 22 May 2009, the Group entered into sale and purchase agreements for the disposal of the equity interest in the jointly controlled entity for a total consideration approximately US$1,469,000 (equivalent to RMB10,113,600). A final dividend of approximately US$885,000 (equivalent to RMB6,095,209) declared by the jointly controlled entity to the Group during the year ended 31 March 2009 will be received directly from the jointly controlled entity and is expected to be receivable within next twelve months. As at 30 September 2009 the Group's 42% equity interest in the jointly controlled entity remained unchanged as the above transaction has not yet been approved by the PRC government authorities.

The proceeds of disposal plus dividend to be received directly from the jointly controlled entity are expected to exceed the net carrying amounts of the jointly controlled entity classified as held for sale and, accordingly, no impairment loss has been recognised during the Relevant Periods.

The following amounts were the Group's share of the jointly controlled entity that were accounted for by the equity method of accounting prior to the reclassification to the jointly controlled entity classified as held for sale and recognised in the Financial Information during the Relevant Periods:

| | **At 31 March** | | | **At 30 September** |
|---|---|---|---|---|
| | **2007** | **2008** | **2009** | **2009** |
| | *US$* | *US$* | *US$* | *US$* |
| Current assets | 2,985,010 | 5,408,051 | N/A | N/A |
| Non-current assets | 930,408 | 764,542 | N/A | N/A |
| Current liabilities | (1,867,310) | (3,667,255) | N/A | N/A |
| Net assets | 2,048,108 | 2,505,338 | N/A | N/A |

| | **For the year ended 31 March** | | | **For the six months ended 30 September** |
|---|---|---|---|---|
| | **2007** | **2008** | **2009** | **2009** |
| | *US$* | *US$* | *US$* | *US$* |
| Revenue | 4,222,293 | 10,048,943 | 12,102,077 | N/A |
| Expenses | 3,222,493 | 9,305,348 | 11,667,191 | N/A |
| Profit for the year | 999,800 | 743,595 | 434,886 | N/A |

## 22. FINANCIAL ASSET AT FAIR VALUE THROUGH PROFIT OR LOSS

**Group**

| | At 31 March 2007 | At 31 March 2008 | At 31 March 2009 | At 30 September 2009 |
|---|---|---|---|---|
| | *US$* | *US$* | *US$* | *US$* |
| Unlisted investment, at fair value | – | – | – | 642,673 |

The investment represents a structured deposit placed to a bank with a maturity of 3 years and classified as a financial asset at fair value through profit or loss. The fair value of the investment is based on the price quoted by the bank. The directors believe that the estimated fair value quoted by the bank is reasonable, and that it is the most appropriate value at the end of each reporting period.

## 23. AVAILABLE-FOR-SALE FINANCIAL ASSET

**Group**

| | At 31 March 2007 | At 31 March 2008 | At 31 March 2009 | At 30 September 2009 |
|---|---|---|---|---|
| | *US$* | *US$* | *US$* | *US$* |
| Unlisted equity investment, at cost | – | 2,120,823 | 2,178,663 | 2,178,663 |

Unlisted equity investment is stated at cost as there is no quoted price in an active market. As such, it is not practicable to determine with sufficient reliability the fair value of the unlisted equity investment.

## 24. INVENTORIES

**Group**

| | At 31 March 2007 | At 31 March 2008 | At 31 March 2009 | At 30 September 2009 |
|---|---|---|---|---|
| | *US$* | *US$* | *US$* | *US$* |
| Raw materials | – | 459,451 | 859,205 | 1,106,080 |
| Finished goods | 2,073,209 | 6,011,276 | 2,735,741 | 5,764,276 |
| | 2,073,209 | 6,470,727 | 3,594,946 | 6,870,356 |

All inventories are carried at cost.

## 25. TRADE RECEIVABLES

**Group**

The Group's trading terms with customers are mainly on credit. During the Relevant Periods, the credit terms generally range from 30 to 90 days, depending on the creditworthiness of customers and the existing relationships with the Group.

An aging analysis of trade receivables, based on invoice dates, is as follows:

| | | At 31 March | | At 30 September |
|---|---|---|---|---|
| | **2007** | **2008** | **2009** | **2009** |
| | *US$* | *US$* | *US$* | *US$* |
| 0 to 30 days | 3,886,598 | 16,315,051 | 6,268,923 | 14,462,879 |
| 31 to 60 days | – | 3,553,999 | 4,575,937 | 6,140,718 |
| 61 to 90 days | – | 2,740,422 | 4,091,003 | 284,388 |
| More than 90 days | – | 1,431,641 | 4,151,002 | – |
| | 3,886,598 | 24,041,113 | 19,086,865 | 20,887,985 |

As at 31 March 2007, 2008 and 2009 and 30 September 2009, trade receivables of Nil, US$4,172,063, US$7,817,165 and US$369,356 were past due but not impaired. These relate to a number of independent customers for whom there is no recent history of default. An aging analysis of these trade receivables is as follows:

| | | At 31 March | | At 30 September |
|---|---|---|---|---|
| | **2007** | **2008** | **2009** | **2009** |
| | *US$* | *US$* | *US$* | *US$* |
| Past due 0 to 90 days | – | 2,740,422 | 7,547,195 | 369,356 |
| Past due more than 90 days | – | 1,431,641 | 269,970 | – |
| | – | 4,172,063 | 7,817,165 | 369,356 |

Trade receivables are denominated in the following currencies:

| | | At 31 March | | At 30 September |
|---|---|---|---|---|
| | **2007** | **2008** | **2009** | **2009** |
| | *US$* | *US$* | *US$* | *US$* |
| United States dollar | 3,642,586 | 22,722,202 | 16,566,647 | 17,373,847 |
| Renminbi | 244,012 | 1,318,911 | 2,520,218 | 3,514,138 |
| | 3,886,598 | 24,041,113 | 19,086,865 | 20,887,985 |

## 26. PREPAYMENTS, DEPOSITS AND OTHER RECEIVABLES

**Group**

| | | At 31 March | | At 30 September |
|---|---|---|---|---|
| | **2007** | **2008** | **2009** | **2009** |
| | *US$* | *US$* | *US$* | *US$* |
| Prepayments | 202,134 | 153,468 | 2,697,331 | 7,502,479 |
| Deposits | 1,640,038 | 554,262 | 1,022,976 | 331,938 |
| Other receivables | 420,170 | 713,839 | 45,915 | 329,401 |
| | 2,262,342 | 1,421,569 | 3,766,222 | 8,163,818 |
| Less: Impairment losses | – | (141,387) | (145,244) | (145,244) |
| | 2,262,342 | 1,280,182 | 3,620,978 | 8,018,574 |

**Company**

| | | At 31 March | | At 30 September |
|---|---|---|---|---|
| | **2007** | **2008** | **2009** | **2009** |
| | *US$* | *US$* | *US$* | *US$* |
| Prepayments | 117,180 | – | – | – |

## 27. DERIVATIVE FINANCIAL INSTRUMENTS

**Group**

| | | At 31 March | | At 30 September |
|---|---|---|---|---|
| | **2007** | **2008** | **2009** | **2009** |
| | *US$* | *US$* | *US$* | *US$* |
| Foreign exchange forward contracts, at fair value | | | | |
| – Financial assets | – | 91,460 | 285,831 | 132,000 |
| – Financial liabilities | – | 136,460 | – | – |

The Group has entered into various foreign exchange forward contracts to manage its foreign exchange risk exposures which did not meet the criteria for hedge accounting. For the years ended 31 March 2007, 2008 and 2009 and the six months ended 30 September 2009, net fair value gains/(losses) on non-hedging derivative financial instruments amounting to Nil, (US$45,000), US$870,933 and US$75,967 respectively were recognised in the consolidated income statements during the Relevant Periods. Non-hedging derivative financial instruments represent derivative financial instruments which do not fulfill the conditions of hedging relationship as defined in IAS 39 "Financial Instruments: Recognition and Measurement".

## 28. DISPOSAL GROUP CLASSIFIED AS HELD FOR SALE

In December 2008, the directors of Elastic Glory, a subsidiary of the Company which held the equity interest of State Tech, resolved to dispose of one of the Group's trading operations. On 31 March 2009, the Group entered into a sale and purchase agreement with an independent third party to dispose of that trading operation through the disposal of its entire 100% equity interest of State Tech and CCDH (collectively known as the "State Tech Group") for US$457,721. As at 31 March 2009, the Group maintained control over the assets and liabilities of State Tech Group and the assets and liabilities associated with that trading operation, which are expected to be disposed of upon the completion of the disposal, have been classified as assets and liabilities directly associated with the disposal group classified as held for sale and are presented separately in the consolidated statements of financial position. The disposal was completed during the six months ended 30 September 2009 as described in note 41(c) to the Financial Information.

The proceeds of disposal are less than the net carrying amounts of the assets and liabilities directly associated with the disposal group classified as held for sale and, accordingly, an impairment loss of US$447,397 has been recognised during the year ended 31 March 2009.

The major classes of assets and liabilities comprising the disposal group classified as held for sale at 31 March 2009 are as follows:

| | *US$* |
|---|---|
| Intangible assets | 682,395 |
| Trade receivables | 1,043,926 |
| Total assets of disposal group classified as held for sale | 1,726,321 |
| Liabilities directly associated with disposal group classified as held for sale | (1,268,600) |
| Net assets of disposal group classified as held for sale | 457,721 |

## 29. RESTRICTED BANK BALANCES AND BANK AND CASH BALANCES

**Group**

| | | **At 31 March** | | **At 30 September** |
|---|---|---|---|---|
| | **2007** | **2008** | **2009** | **2009** |
| | *US$* | *US$* | *US$* | *US$* |
| Bank and cash balances | 5,263,447 | 20,411,008 | 12,479,669 | 11,435,703 |
| Time deposits with original maturity over three months | 642,674 | – | 15,706,874 | 14,524,422 |
| Restricted bank balances | 715,000 | 3,010,995 | 6,299,692 | 3,330,352 |
| | 6,621,121 | 23,422,003 | 34,486,235 | 29,290,477 |

**Company**

| | | At 31 March | | At 30 September |
|---|---|---|---|---|
| | **2007** | **2008** | **2009** | **2009** |
| | *US$* | *US$* | *US$* | *US$* |
| Bank and cash balances | 60,567 | 39,691 | 34,892 | 26,994 |

The Group's restricted bank balances represented deposits to secure the bank loans, bills payables, trust receipt loans and general banking facilities.

Restricted bank balances and bank and cash balances are denominated in the following currencies:

**Group**

| | | At 31 March | | At 30 September |
|---|---|---|---|---|
| | **2007** | **2008** | **2009** | **2009** |
| | *US$* | *US$* | *US$* | *US$* |
| United States dollar | 3,083,418 | 1,988,465 | 2,409,195 | 345,085 |
| Hong Kong dollar | 1,420,318 | 6,812,045 | 5,711,001 | 6,777,118 |
| Renminbi | 2,056,585 | 11,649,897 | 23,377,682 | 19,295,523 |
| Singapore dollar | 60,607 | 2,971,596 | 2,988,357 | 2,872,751 |
| Others | 193 | – | – | – |
| | 6,621,121 | 23,422,003 | 34,486,235 | 29,290,477 |

**Company**

| | | At 31 March | | At 30 September |
|---|---|---|---|---|
| | **2007** | **2008** | **2009** | **2009** |
| | *US$* | *US$* | *US$* | *US$* |
| Singapore dollar | 60,567 | 39,691 | 34,892 | 26,994 |

Renminbi is not freely convertible to other currencies as such amounts were held by the subsidiaries located in the PRC. Under the PRC's Foreign Exchange Control Regulations and Administration of Settlement, Sale and Payment of Foreign Exchange Regulations, the Group is permitted to exchange Renminbi for foreign currencies only through banks that are authorised to conduct foreign exchange business.

For the purpose of consolidated statements of cash flows, the cash and cash equivalents comprised the following:

| | | At 31 March | | At 30 September |
|---|---|---|---|---|
| | **2007** | **2008** | **2009** | **2009** |
| | *US$* | *US$* | *US$* | *US$* |
| Bank and cash balances | 5,906,121 | 20,411,008 | 28,186,543 | 25,960,125 |
| Less: Time deposits with original maturity over three months | (642,674) | – | (15,706,874) | (14,524,422) |
| | 5,263,447 | 20,411,008 | 12,479,669 | 11,435,703 |

**30. TRADE AND BILLS PAYABLES**

**Group**

| | | At 31 March | | At 30 September |
|---|---|---|---|---|
| | **2007** | **2008** | **2009** | **2009** |
| | *US$* | *US$* | *US$* | *US$* |
| Trade payables | 475,194 | 7,720,135 | 1,998,129 | 4,104,378 |
| Bills payables | – | 1,942,000 | 1,307,197 | 2,872,930 |
| | 475,194 | 9,662,135 | 3,305,326 | 6,977,308 |

An aging analysis of trade and bills payables, based on the date of receipt of goods, is as follows:

| | | At 31 March | | At 30 September |
|---|---|---|---|---|
| | **2007** | **2008** | **2009** | **2009** |
| | *US$* | *US$* | *US$* | *US$* |
| 0 to 30 days | 464,674 | 8,444,992 | 985,656 | 2,809,238 |
| 31 to 60 days | 10,520 | 415,622 | 5,963 | 48,991 |
| More than 60 days | – | 801,521 | 2,313,707 | 4,119,079 |
| | 475,194 | 9,662,135 | 3,305,326 | 6,977,308 |

Trade payables generally have credit terms ranging from 15 days to 30 days.

Bills payables are interest free and have an average maturity period of Nil, 30 days, 180 days and 180 days at 31 March 2007, 2008 and 2009 and 30 September 2009 respectively.

Except for bills payables of US$1,307,197 and US$2,074,087 as at 31 March 2009 and 30 September 2009 respectively was secured by bank deposits and jointly guaranteed by a subsidiary of the Company and a director of a subsidiary of the Company, other bills payables were secured by bank deposits. The guarantee provided by a director of a subsidiary of the Company were subsequently released.

Trade and bills payables are denominated in the following currencies:

| | | At 31 March | | At 30 September |
|---|---|---|---|---|
| | **2007** | **2008** | **2009** | **2009** |
| | *US$* | *US$* | *US$* | *US$* |
| United States dollar | 461,641 | 8,320,649 | 1,753,572 | 2,931,810 |
| Renminbi | 13,553 | 1,341,486 | 1,551,754 | 4,045,498 |
| | 475,194 | 9,662,135 | 3,305,326 | 6,977,308 |

## 31. ACCRUALS AND OTHER PAYABLES

**Group**

| | | At 31 March | | At 30 September |
|---|---|---|---|---|
| | **2007** | **2008** | **2009** | **2009** |
| | *US$* | *US$* | *US$* | *US$* |
| Accruals | 212,701 | 878,775 | 540,558 | 1,136,762 |
| Other payables | 113,949 | 616,634 | 2,138,197 | 1,065,457 |
| | 326,650 | 1,495,409 | 2,678,755 | 2,202,219 |

**Company**

| | | At 31 March | | At 30 September |
|---|---|---|---|---|
| | **2007** | **2008** | **2009** | **2009** |
| | *US$* | *US$* | *US$* | *US$* |
| Accruals | – | 145,000 | 170,866 | 425,410 |
| Other payables | – | 291,911 | 291,911 | 291,911 |
| | – | 436,911 | 462,777 | 717,321 |

**32. BANK LOANS**

**Group**

The bank loans are repayable as follows:

| | | At 31 March | | At 30 September |
|---|---|---|---|---|
| | **2007** | **2008** | **2009** | **2009** |
| | *US$* | *US$* | *US$* | *US$* |
| On demand or within one year | 1,463,514 | 1,269,396 | 4,638,218 | 2,798,804 |
| In the second year | – | – | – | 692,001 |
| In the third to fifth years, inclusive | – | – | – | 1,190,155 |
| | 1,463,514 | 1,269,396 | 4,638,218 | 4,680,960 |
| Less: Amounts due for settlement within 12 months (shown under current liabilities) | (1,463,514) | (1,269,396) | (4,638,218) | (2,798,804) |
| Amounts due after 12 months | – | – | – | 1,882,156 |

Bank loans at 31 March 2007 are arranged at fixed interest rates as agreed with respective banks and exposed the Group to fair value interest rate risk. Bank loans at 31 March 2008, 31 March 2009 and 30 September 2009 are arranged at floating rates and exposed the Group to cash flow interest rate risk.

The average effective borrowing rates at the end of each reporting period are as follows:

| | | At 31 March | | At 30 September |
|---|---|---|---|---|
| | **2007** | **2008** | **2009** | **2009** |
| Bank loans | 6.12% | 4.26% | 6.00% | 4.60% |

Bank loans at 31 March 2007 are secured by (i) personal guarantees executed by a related party and a director of the Company; and (ii) a letter of guarantee issued by the Shenzhen Small and Medium Enterprises Credit Guarantee Centre, an Independent Third Party, in favour of the bank to a subsidiary which was secured by the pledge of properties owned by the related parties of the Company (note 45(a)(iv)). These securities were released after the settlement of the bank loans during the year ended 31 March 2008.

All bank loans at 31 March 2008, 31 March 2009 and 30 September 2009 were secured by bank deposits except for the followings:

– a bank loan of US$522,879 at 31 March 2009 was secured by bank deposits and jointly guaranteed by a subsidiary of the Company and a director of a subsidiary of the Company;

– bank loans of US$2,166,821 at 30 September 2009 were arranged under the Small and Medium Enterprises Loan Guarantee Scheme and the Special Loan Guarantee Scheme and were guaranteed by the Government of the Hong Kong Special Administrative Region and the Company;

– a bank loan of US$771,208 at 30 September 2009 was arranged under the Small and Medium Enterprises Loan Guarantee Scheme was guaranteed by the Government of the Hong Kong Special Administrative Region, the Company and two subsidiaries of the Company; and

– a bank loan of US$1,742,931 at 30 September 2009 was secured by corporate guarantee executed by a subsidiary of the Company and personal guarantees executed by a director of a subsidiary and a director of the Company.

The guarantee executed by a director of a subsidiary of the Company for a bank loan of US$522,879 at 31 March 2009 was released during the six months ended 30 September 2009 and the guarantee executed by a director of the Company for a bank loan of US$1,742,931 at 30 September 2009 was subsequently released.

Bank loans were denominated in the following currencies:

| | | At 31 March | | At 30 September |
|---|---|---|---|---|
| | **2007** | **2008** | **2009** | **2009** |
| | *US$* | *US$* | *US$* | *US$* |
| Hong Kong dollar | – | – | – | 2,938,029 |
| United States dollar | – | 1,269,396 | 4,115,339 | – |
| Renminbi | 1,463,514 | – | 522,879 | 1,742,931 |
| | 1,463,514 | 1,269,396 | 4,638,218 | 4,680,960 |

## 33. OTHER LOANS

| | | At 31 March | | At 30 September |
|---|---|---|---|---|
| | **2007** | **2008** | **2009** | **2009** |
| | *US$* | *US$* | *US$* | *US$* |
| Other loans | – | – | – | 435,733 |

Other loans were denominated in Renminbi, interest free and were guaranteed by a PRC company which provides guarantee services. The other loans were counter-guaranteed by a subsidiary of the Company.

**34. TRUST RECEIPT LOANS**

**Group**

The trust receipt loans are secured by bank deposits and are repayable within 90 days from their respective drawdown dates.

At 31 March 2007, 2008 and 2009 and 30 September 2009, trust receipt loans of US$715,000, US$1,775,829, US$4,393,022 and US$8,730,138 respectively are interest bearing at floating rates agreed with respective banks. Others are interest bearing at fixed rates as agreed with respective banks.

The average effective borrowing rates at the end of each reporting period are as follows:

| | | At 31 March | | At 30 September |
|---|---|---|---|---|
| | **2007** | **2008** | **2009** | **2009** |
| Trust receipt loans | 2.74% | 5.16% | 3.76% | 2.93% |

Trust receipt loans are denominated in United States dollar.

**35. CONVERTIBLE LOANS**

**Group and Company**

The Company issued US$3,906,453, US$2,604,303 and US$1,953,227 convertible loans on 25 January 2007, 19 April 2007 and 4 June 2007 respectively. The convertible loans were denominated in Singapore dollar. The entire principal amount of the convertible loans has been converted into fully paid ordinary shares of the Company on 24 September 2007, at a conversion price as stated in the convertible loan agreements. The holders waived all accrued interests on the convertible loans when the convertible loans were converted into new ordinary shares of the Company.

The fair value of the derivative component was estimated at the issuance date using an option pricing model and the change in fair value of the component is recognised in the consolidated income statements.

The movements of each component of the convertible loans for the Relevant Periods are set out below:

| | **Derivative component** *US$* | **Liability component** *US$* | **Total** *US$* |
|---|---|---|---|
| Proceeds of issue | | | 3,906,453 |
| Transaction costs related to liability component | | | (308,627) |
| Amount at date of issue after allocation | 27,009 | 3,570,817 | 3,597,826 |
| Interest charged and amortisation of transaction costs | – | 82,751 | 82,751 |
| Fair value loss recognised for the year | 78,143 | – | 78,143 |
| At 31 March 2007 and 1 April 2007 | 105,152 | 3,653,568 | 3,758,720 |
| Proceeds of issue | | | 4,557,530 |
| Transaction costs related to liability component | | | (188,812) |
| Amount at date of issue after allocation | 37,470 | 4,331,248 | 4,368,718 |
| Interest charged and amortisation of transaction costs | – | 420,426 | 420,426 |
| Fair value loss recognised for the year | 234,063 | – | 234,063 |
| Total movement of derivative component and liability component during the year ended 31 March 2008 before conversion | 271,533 | 4,751,674 | 5,023,207 |
| Total derivation component and liability component before conversion | 376,685 | 8,405,242 | 8,781,927 |
| Transfer to share capital and share premium upon conversion | (376,685) | (8,405,242) | (8,781,927) |
| At 31 March 2008, 1 April 2008, 31 March 2009, 1 April 2009 and 30 September 2009 | – | – | – |

The convertible loans are secured by personal guarantees executed by and a charge up to 50% of the issued shares of the Company held by the directors of the Company, Wang Shih Zen and Wang Tao. All of the personal guarantees were released on 24 September 2007 upon conversion of the convertible loans.

## 36. FINANCE LEASE PAYABLES

**Group**

| | Minimum lease payments | | | |
|---|---|---|---|---|
| | | At 31 March | | At 30 September |
| | 2007 | 2008 | 2009 | 2009 |
| | *US$* | *US$* | *US$* | *US$* |
| Within one year | – | 1,313,412 | 1,292,261 | 1,292,261 |
| In the second to fifth years, inclusive | – | 3,228,589 | 1,946,758 | 1,300,642 |
| | – | 4,542,001 | 3,239,019 | 2,592,903 |
| Less: Future finance charges | – | (541,503) | (191,255) | (127,679) |
| Present value of lease obligations | – | 4,000,498 | 3,047,764 | 2,465,224 |

| | Present value of minimum lease payments | | | |
|---|---|---|---|---|
| | | At 31 March | | At 30 September |
| | 2007 | 2008 | 2009 | 2009 |
| | *US$* | *US$* | *US$* | *US$* |
| Within one year | – | 1,054,169 | 1,178,969 | 1,205,562 |
| In the second to fifth years, inclusive | – | 2,946,329 | 1,868,795 | 1,259,662 |
| Present value of lease obligations | – | 4,000,498 | 3,047,764 | 2,465,224 |
| Less: Amounts due for settlement within 12 months (shown under current liabilities) | – | (1,054,169) | (1,178,969) | (1,205,562) |
| Amounts due from settlement after 12 months | – | 2,946,329 | 1,868,795 | 1,259,662 |

It is the Group's policy to lease certain of its property, plant and equipment under finance leases. At 31 March 2007, 2008 and 2009 and 30 September 2009, the average remaining lease term is Nil, 4 years, 3 years and 2.5 years respectively and the average effective borrowing rate was approximately Nil, 7.5%, 4.3% and 4.3% respectively.

All leases are on a fixed repayment basis and no arrangements have been entered into for contingent rental payments. At the end of each lease term, the Group has the option to purchase the property, plant and equipment at nominal prices.

The finance lease payables are denominated in the following currencies:

| | | At 31 March | | At 30 September |
|---|---|---|---|---|
| | 2007 | 2008 | 2009 | 2009 |
| | *US$* | *US$* | *US$* | *US$* |
| United States dollar | – | 4,000,498 | 2,912,661 | 2,347,009 |
| Hong Kong dollar | – | – | 135,103 | 118,215 |
| | – | 4,000,498 | 3,047,764 | 2,465,224 |

At 31 March 2008 and 31 March 2009, the Group's finance lease payables are secured by the lessor's title to the leased assets and corporate guarantees executed by two subsidiaries of the Company. At 30 September 2009, the Group's finance lease payables are secured by the lessor's title to the leased assets and corporate guarantee executed by a subsidiary of the Company. The lessors are Independent Third Parties to the Group.

**37. DEFERRED TAX**

No provision for deferred tax has been made in the Financial Information as the tax effect of temporary differences is immaterial to the Group.

**38. SHARE CAPITAL**

**Group and Company**

| | *Note* | Number of shares | Amount |
|---|---|---|---|
| | | | *US$* |
| Authorised: | | | |
| Ordinary shares | *(a)* | 10,000 | 10,000 |
| Increase in authorised ordinary shares | *(b)* | 9,990,000 | 9,990,000 |
| At 31 March 2007 and 1 April 2007 (Ordinary shares of US$1 each) | | 10,000,000 | 10,000,000 |
| Share sub-division | *(e)* | 1,240,000,000 | – |
| At 31 March 2008, 1 April 2008, 31 March 2009, 1 April 2009 and 30 September 2009 (Ordinary shares of US$0.008 each) | | 1,250,000,000 | 10,000,000 |

| | *Note* | **Number of shares** | **Amount** *US$* |
|---|---|---|---|
| Issued and fully paid: | | | |
| Issue of a new share on incorporation | *(a)* | 1 | 1 |
| Issue of new shares on the Restructuring Exercise | *(c)* | 2,570,693 | 2,570,693 |
| At 31 March 2007 and 1 April 2007 (Ordinary shares of US$1 each) | | 2,570,694 | 2,570,694 |
| Issue of new shares | *(d)* | 117,660 | 117,660 |
| | | 2,688,354 | 2,688,354 |
| Share sub-division | *(e)* | 333,355,896 | – |
| | | 336,044,250 | 2,688,354 |
| Conversion of the convertible loans | *(f)* | 56,722,689 | 453,782 |
| Issue of new shares | *(g)* | 16,806,723 | 134,454 |
| Issue of shares upon listing on the Main Board of the SGX-ST | *(h)* | 88,000,000 | 704,000 |
| At 31 March 2008, 1 April 2008, 31 March 2009, 1 April 2009 and 30 September 2009 (Ordinary shares of US$0.008 each) | | 497,573,662 | 3,980,590 |

*Note:*

(a) The Company was incorporated on 30 January 2007 with an authorised share capital of US$10,000 divided into 10,000 ordinary shares of US$1 each.

On 1 February 2007, one share of US$1 was allotted and issued nil paid to the initial subscriber to incorporate the Company.

(b) By a written resolution passed on 28 March 2007, the authorised share capital of the Company was increased from US$10,000 to US$10,000,000 by the creation of 9,990,000 ordinary shares of US$1 each, such new shares ranking pari passu in all respects with the existing shares of the Company.

(c) On 28 March 2007, 2,570,693 shares of US$1 each was allotted and issued at par to the owners of the Company, and credit as fully paid at par the one ordinary share in the Company which was issued nil paid to the initial subscriber for the Restructuring Exercise.

(d) On 4 June 2007, 117,660 shares of US$1 each were allotted and issued to an independent third party for cash at a subscription price of US$10.28 per share.

(e) By a written resolution passed on 24 September 2007, every one ordinary share of par value US$1 in the authorised, issued and paid-up share capital of the Company was sub-divided into 125 ordinary shares of par value US$0.008 each.

(f) On 24 September 2007, 56,722,689 shares of US$0.008 each were allotted and issued to convertible loans holders upon the conversion of the convertible loans.

(g) On 24 September 2007, 16,806,723 shares of US$0.008 each were allotted and issued to an independent third party for the consultancy services provided in relation to liaison and co-ordination support in connection with the listing of the Company's shares on the Main Board of the SGX-ST.

(h) On 21 November 2007, 88,000,000 shares of US$0.008 each were allotted and issued at S$0.34 each to the public pursuant to the listing of the Company's shares on the Main Board of the SGX-ST.

On 24 September 2009, the Company entered into subscription agreements with Lim Tiong Kheng Steven, Tan Poon Kuan Daniel, Lim Chye Huat Bobby, Chan Kok Khoon, Teo Yong Ping, Ang Ber Hua, Tan Lay Eng @ Mindy Tan and Low Chui Heng, all of them are Independent Third Parties, (collectively, the "Subscribers") for the issue and allotment of an aggregate number of 20,000,000 new Shares in the capital of the Company at a subscription price of US$0.09 (equivalent to S$0.13) per share. Pursuant to the agreements, these new Shares shall rank pari passu in all aspects with the Shares currently issued by the Company. The issue and allotment of 20,000,000 new Shares to the Subscribers was completed on 8 October 2009.

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

The Group sets the amount of capital in proportion to risk. The Group manages the capital structure and makes adjustments to it in the light of changes in economic conditions and the risk characteristics of the underlying assets. In order to maintain or adjust the capital structure, the Group may adjust the payment of dividends, issue new shares, buy-back shares, raise new debts, redeem existing debts or sell assets to reduce debts.

The Group monitors capital on the basis of the debt-to-adjusted capital ratio. This ratio is calculated as net debt divided by adjusted capital. Net debt is calculated as total debts plus unaccrued proposed dividends less cash and cash equivalents. Adjusted capital comprises all components of equity (i.e. share capital, share premium, retained earnings, other reserves and if any, minority interests) less unaccrued proposed dividends and includes some forms of subordinated debts.

During the Relevant Periods, the Group's strategy was to maintain the debt-to-adjusted capital ratio at the lowest as possible, in order to secure access to finance at a reasonable cost. The debt-to-adjusted capital ratio at the end of each reporting period was as follows:

| | | **At 31 March** | | **At 30 September** |
|---|---|---|---|---|
| | **2007** | **2008** | **2009** | **2009** |
| | *US$* | *US$* | *US$* | *US$* |
| Total debt | 2,178,514 | 7,045,723 | 15,858,404 | 16,312,055 |
| Add: proposed final dividend | 2,200,000 | 2,040,052 | – | – |
| Less: cash and cash equivalents | (5,263,447) | (20,411,008) | (12,479,669) | (11,435,703) |
| Net debt | (884,933) | (11,325,233) | 3,378,735 | 4,876,352 |
| Total equity | 12,721,912 | 51,608,339 | 53,937,058 | 56,002,786 |
| Add: convertible loans | 3,653,568 | – | – | – |
| Less: proposed final dividend | (2,200,000) | (2,040,052) | – | – |
| Adjusted capital | 14,175,480 | 49,568,287 | 53,937,058 | 56,002,786 |
| Debt-to-adjusted capital ratio | N/A | N/A | 6.26% | 8.71% |

According to the Rule 723 of the Listing Manual of the SGX-ST, at least 10% of the Company's shares should be held in the hands of the public.

Apart from the above, the Group is not subject to any other externally imposed capital requirements.

**39. RESERVES**

**(a) Group**

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

**(b) Company**

| | Share premium *US$* | Accumulated losses *US$* | Total *US$* |
|---|---|---|---|
| Loss for the period, at 31 March 2007 and 1 April 2007 | – | (162,827) | (162,827) |
| Profit for the year | – | 42,793 | 42,793 |
| Issue of shares | 1,328,127 | – | 1,328,127 |
| Conversion of convertible loans | 8,328,145 | – | 8,328,145 |
| Issue of shares upon listing | 18,598,693 | – | 18,598,693 |
| Dividend paid *(note 15)* | – | (2,200,000) | (2,200,000) |
| At 31 March 2008 and 1 April 2008 | 28,254,965 | (2,320,034) | 25,934,931 |
| Profit for the year | – | 3,955,453 | 3,955,453 |
| Dividend paid *(note 15)* | – | (2,040,052) | (2,040,052) |
| At 31 March 2009 and 1 April 2009 | 28,254,965 | (404,633) | 27,850,332 |
| Loss for the period | – | (628,552) | (628,552) |
| At 30 September 2009 | 28,254,965 | (1,033,185) | 27,221,780 |

**(c) Nature and purpose of reserves**

*(i) Share premium*

The application of the share premium is governed by section 40 of the Bermuda Companies Act 1981 of Bermuda.

*(ii) Merger reserve*

The merger reserve arising from the Restructuring Exercise represents differences between the nominal value of the shares of the Company and the capital contributed by the controlling shareholder in obtaining control in subsidiaries.

*(iii) Foreign currency translation reserve*

The foreign currency translation reserve comprises all foreign exchange differences arising from the translation of the financial statements of foreign operations as well as the effective portion of any foreign exchange differences arising from hedges of the net investment in these foreign operations. The reserve is dealt with in accordance with the accounting policies set out in note 4(d)(iii) to the Financial Information.

*(iv) Reserve funds*

Pursuant to the relevant PRC laws and regulations, Sino-foreign joint ventures registered in the PRC are required to transfer a certain percentage, as approved by the board of directors, of their profit after income tax to the reserve funds. These funds are restricted as to use.

**40. SHARE BASED PAYMENTS**

**Equity-settled share option scheme**

*(a) Employee share option scheme ("ESOS")*

Pursuant to a written resolution of all shareholders of the Company passed on 24 September 2007, the Company adopted the ESOS for the purpose of providing incentive to directors and eligible employees on the same date. Eligible participants include any confirmed employee, including executive directors and non-executive directors of the Company and the Company's subsidiaries. The ESOS will be expired on 23 September 2017, unless otherwise terminated by the remuneration committee or by resolution of shareholders at a general meeting.

The aggregate nominal amount of ordinary shares over which may grant options on any date, when added to the nominal amount of ordinary shares issued and issuable in respect of all options granted under the ESOS, all awards granted under the performance share plan, and any other share-based incentive schemes of the Company, shall not exceed 15% of the issued share capital of the Company on the day immediately preceding the offer date of the option. The maximum number of ordinary shares issuable under share options to each eligible participant in the ESOS is determined at the discretion of the remuneration committee.

The number and terms of share options granted to a shareholder exercising control over the Company or substantial shareholder, or to any of their associates, are subject to approval in advance by independent shareholders.

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

The exercise price of the option is determinable by the remuneration committee of the Company, and will not be less than 80% of the average of the last dealt prices for the shares on the SGX-ST over the five consecutive trading days immediately preceding the date of grant of the share options.

No share options have been granted or agreed to be granted by the Company under the ESOS since the adoption date of the ESOS.

Pursuant to the special general meeting of the Company held on 11 February 2010, ESOS was revoked and the terms of a new share option scheme was adopted. There was no outstanding share options granted under ESOS and details of the new share option scheme was more fully explained in section headed "Share Option Scheme" of Appendix V to the prospectus.

*(b) Performance share plan (the "Plan")*

Pursuant to a written resolution of all shareholders of the Company passed on 24 September 2007, the Company adopted the Plan for the purpose of providing incentive to directors and eligible employees on the same date. Eligible participants include any confirmed employees, including executive directors and non-executive directors of the Company and the Company's subsidiaries. The Plan will be expired on 23 September 2017, unless otherwise terminated by the remuneration committee or by resolution of shareholders at a general meeting.

The aggregate nominal amount of ordinary shares which may be issued pursuant to the vesting of the contingent award of ordinary shares granted on any date, when added to the nominal amount of ordinary shares issued and issuable in respect of all awards granted under the Plan, all options granted under the ESOS, and any other share-based incentive schemes of the Company, shall not exceed 15% of the issued share capital of the Company on the day immediately preceding the offer date of the contingent award of ordinary shares. The maximum number of ordinary shares issuable to each eligible participant in the Plan is determined at the discretion of the remuneration committee.

The number and terms of contingent award of ordinary shares granted to a shareholder exercising control over the Company or substantial shareholder, or to any of their associates, are subject to approval by independent shareholders.

The remuneration committee shall decide in relation to a contingent award of ordinary shares: i) the participant; ii) the date of grant of the contingent award of ordinary shares; iii) the performance period; iv) the number of ordinary shares which are the subject of the grant of contingent award of ordinary shares; v) the performance condition; vi) the date on which the ordinary shares comprised in the contingent award of ordinary shares shall be released to the participant; and vii) any other condition which the remuneration committee may determine in relation to the grant of the contingent award of ordinary shares.

The grantees are not required to pay for the grant of contingent award of ordinary shares.

No contingent award of ordinary shares have been granted or agreed to be granted by the Company under the Plan since the adoption date of the Plan.

Pursuant to the special general meeting of the Company held on 11 February 2010, the Plan was terminated.

*(c) Share-based payments to a consulting firm*

The Company and a consulting firm have entered into a consultancy agreement dated 15 June 2007. The consultancy services (the "Services") were in relation to liaison and co-ordination support in connection with the listing of Company's shares on the SGX-ST and such other logistical assistance and co-ordination work as the Company may required to achieve a listing of the Company shares on the SGX-ST. In consideration for the provision of the Services, the Company would issue to the consulting firm such number of shares of the Company using a formula which was based on the indicative invitation price (the "Consideration Shares"). The Consideration Shares was issued to the consulting firm on 24 September 2007 and the fair value of the Consideration Shares amounted to US$3,706,964, in which US$370,696 was charged to the income statement. The fair value of the Consideration Shares was determined with reference to the tentative offering price of public offer of the Company's share. The share-based payments were not measured at fair value of services received by the Company as the fair value of services cannot be reliably measured.

## 41. NOTES TO THE CONSOLIDATED STATEMENTS OF CASH FLOWS

### (a) Business combination/acquisition of a subsidiary

On 29 May 2006, prior to the Restructuring Exercise, Elite Link acquired 100% of the issued and registered capital of Zeus for a cash consideration of US$2,524,005 (equivalent to RMB20,000,000). Zeus was engaged in the development, distribution and marketing of software and solution for mobile appliances and mobile handset hardware.

The fair value of the identifiable assets and liabilities of Zeus acquired as at its date of acquisition, which has no significant difference from its carrying amount, is as follows:

| | *US$* |
|---|---|
| Net assets acquired: | |
| Property, plant and equipment | 25,328 |
| Interest in an associate | 268,174 |
| Trade receivables | 241,992 |
| Inventories | 205,888 |
| Prepayments, deposits and other receivables | 1,701,762 |
| Bank and cash balances | 30,805 |
| Trade payables | (285,064) |
| Accruals and other payables | (577,519) |
| | 1,611,366 |
| Goodwill | 912,639 |
| | 2,524,005 |
| Satisfied by: | |
| Cash | 2,524,005 |
| Net cash outflow arising on acquisition: | |
| Cash consideration paid | (2,524,005) |
| Cash and cash equivalents acquired | 30,805 |
| | (2,493,200) |

The goodwill arising on the acquisition of Zeus is attributable to the anticipated profitability of the development, distribution and marketing of the Group's products and the future operating synergies from the combination.

Zeus contributed approximately US$3,787,086 to the Group's revenue and approximately US$1,565,040 to the Group's profit before tax, for the period between the date of acquisition and 31 March 2007.

If the acquisition had been completed on 1 April 2006, total Group revenue for the year ended 31 March 2007 would have been US$46,669,046, and profit for the year ended 31 March 2007 would have been US$8,826,541. The pro forma information is for illustrative purpose only and is not necessarily an indication of revenue and results of operations of the Group that actually would have been achieved had the acquisition been completed on 1 April 2006, nor is intended to be a projection of future results.

**(b) Piece meal acquisition of a subsidiary**

On 9 June 2006, prior to the Restructuring Exercise, the registered capital of PhoneLink was increased from US$873,537 (equivalent to RMB7,000,000) to US$1,247,910 (equivalent to RMB10,000,000), contributed entirely by Zeus. Equity interest in PhoneLink then held by Zeus increased from 45% to 61.5% through this capital contribution. PhoneLink was engaged in the development of software and solution for mobile appliance.

The fair value of the identifiable assets and liabilities of PhoneLink acquired as at its date of acquisition, which has no significant difference from its carrying amount, is as follows:

| | *US$* |
|---|---|
| Net assets acquired: | |
| Property, plant and equipment | 27,691 |
| Prepayments, deposits and other receivables | 564,211 |
| Bank and cash balances | 379,039 |
| Accruals and other payables | (626) |
| Minority interests | (373,571) |
| Reversal of the carrying amount of interest in an associate | (268,174) |
| | 328,570 |
| Goodwill | 45,803 |
| | 374,373 |
| Satisfied by: | |
| Cash | 374,373 |
| Net cash inflow arising on piece meal acquisition: | |
| Cash consideration paid | (374,373) |
| Cash and cash equivalents acquired | 379,039 |
| | 4,666 |

On 1 August 2006, prior to the Restructuring Exercise, Zeus further acquired 4.2% of the issued capital of PhoneLink, from the minority interests, for a cash consideration of US$52,413 (equivalent to RMB420,000). Goodwill of US$13,087 arose from this piece meal acquisition.

On 6 February 2007, prior to the Restructuring Exercise, Zeus further acquired 15.3% of the issued share capital of PhoneLink from the minority interests, for a cash consideration of US$194,711 (equivalent to RMB1,530,000). Goodwill of US$69,905 arose from this piece meal acquisition.

The goodwill arising on the acquisition of PhoneLink is attributable to the anticipated profitability of the development of the Group's products and the future operating synergies from the combination.

PhoneLink has not contributed any revenue and profit to the Group since the date of its acquisition.

If the acquisition had been completed on 1 April 2006, total Group revenue for the year ended 31 March 2007 would have been US$46,266,331, and profit for the year ended 31 March 2007 would have been US$8,843,570. The pro forma information is for illustrative purpose only and is not necessarily an indication of revenue and results of operations of the Group that actually would have been achieved had the acquisition been completed on 1 April 2006, nor is intended to be a projection of future results.

**(c) Disposals of disposal group classified as held for sale**

As referred to in note 28 to the Financial Information, the Group completed the disposal of disposal group classified as held for sale during the six months ended 30 September 2009. The loss on disposals of the disposal group classified as held for sale was recognised in the consolidated income statement for the six months ended 30 September 2009.

Net assets of the disposal group classified as held for sale at the date of disposal are as follows:

| | *US$* |
|---|---|
| Assets of disposal group classified as held for sale | 1,726,321 |
| Liabilities directly associated with disposal group classified as held for sale | (1,268,600) |
| Release of foreign currency translation reserve directly associated with disposal group classified as held for sale | 64,366 |
| Loss on disposals of disposal group classified as held for sale | (64,366) |
| Total consideration receivable | 457,721 |

**(d) Major non-cash transactions**

(i) During the year ended 31 March 2007, prior to the Restructuring Exercise, interim dividend of US$257,069 was declared and accrued in amounts due to directors.

(ii) During the year ended 31 March 2007, the Group incurred other payables of US$48,750 to intangible assets suppliers for additions of intangible assets.

(iii) During the year ended 31 March 2007, share capital of US$2,569,694 was contributed from the then shareholders of a subsidiary by capitalisation of amounts due to directors of the Company.

(iv) During the years ended 31 March 2008 and 2009, additions to property, plant and equipment of US$4,540,297 and US$168,872 respectively were financed by finance leases.

(v) During the year ended 31 March 2008, convertible loans including their derivative component of US$8,781,927 were transferred to share capital and share premium upon conversion.

(vi) During the year ended 31 March 2008, 16,806,723 shares of the Company were issued for the services rendered by the consulting firm. Details are set out in note 40(c) to the Financial Information.

(vii) During the six months ended 30 September 2009, additions of intangible assets of US$2,500,000 were transferred from prepayments, deposits and other receivables.

## 42. CONTINGENT LIABILITIES

**Financial guarantees issued**

At the end of each reporting period, the Company has the following financial guarantees:

(a) guarantees to banks in respect of banking facilities granted to two subsidiaries of the Group at 31 March 2008 and 31 March 2009 amounted to US$8,979,049 and US$10,110,154 respectively; guarantees to banks in respect of banking facilities granted to a subsidiary of the Group at 30 September 2009 amounted to US$15,508,612. No such guarantee was issued at 31 March 2007;

(b) an unlimited guarantee to a bank in respect of banking facilities granted to two subsidiaries of the Group at 31 March 2008 and 31 March 2009; unlimited guarantees to a bank in respect of banking facilities granted to a subsidiary of the Group at 30 September 2009. No such guarantee was issued at 31 March 2007; and

(c) a corporate guarantee to a bank in respect of banking facilities granted to two subsidiaries of the Group at 31 March 2008 and 31 March 2009; a corporate guarantee to a bank in respect of banking facilities granted to a subsidiary of the Group at 30 September 2009. No such guarantee was issued at 31 March 2007.

At the end of each reporting period, the directors do not consider it probable that a claim will be made against the Company under any of the above guarantees. The maximum liability of the Company at the end of each reporting period under the financial guarantees issued is as follows:

| | | At 31 March | | At 30 September |
|---|---|---|---|---|
| | **2007** | **2008** | **2009** | **2009** |
| | *US$* | *US$* | *US$* | *US$* |
| Guarantee as mentioned in (a) above – amounts of finance leases and other bank borrowings drawn | – | 4,700,938 | 5,587,068 | 7,853,320 |
| Guarantee as mentioned in (b) above – amounts of bank borrowings drawn | – | 1,942,000 | 4,393,002 | 6,979,478 |
| Guarantee as mentioned in (c) above – amounts of bank borrowings drawn | – | 1,075,389 | 1,105,000 | 290,892 |
| | – | 7,718,327 | 11,085,070 | 15,123,690 |

The fair value of the guarantees at date of inception is not material and is not recognised in the Financial Information.

## 43. CAPITAL COMMITMENTS

The Group's capital commitments at the end of each reporting period are as follows:

| | | At 31 March | | At 30 September |
|---|---|---|---|---|
| | **2007** | **2008** | **2009** | **2009** |
| | *US$* | *US$* | *US$* | *US$* |
| Property, plant and equipment | | | | |
| Contracted but not provided for | 3,567,065 | 244,935 | 71,745 | – |

## 44. LEASE COMMITMENTS

At the end of each reporting period the total future minimum lease payments under non-cancellable operating leases are payable as follows:

| | | At 31 March | | At 30 September |
|---|---|---|---|---|
| | **2007** | **2008** | **2009** | **2009** |
| | *US$* | *US$* | *US$* | *US$* |
| Within one year | 354,552 | 762,303 | 795,306 | 759,045 |
| In the second to fifth years inclusive | 712,607 | 1,797,192 | 1,494,668 | 1,130,425 |
| | 1,067,159 | 2,559,495 | 2,289,974 | 1,889,470 |

Operating lease payments represent rentals payable by the Group for certain of its offices and factory premises. For the years ended 31 March 2007, 2008 and 2009 and the six months ended 30 September 2009, leases are negotiated for an average term of three years, three years, five years and five years respectively and rentals are fixed over the lease terms and do not include contingent rentals.

## 45. MATERIAL RELATED PARTY TRANSACTIONS

### (a) Transactions with related parties

In addition to those related party transactions and balances disclosed elsewhere in the Financial Information, the Group had the following material transactions with its related parties during the Relevant Periods:

| | | For the year ended 31 March | | | For the six months ended 30 September | |
|---|---|---|---|---|---|---|
| | | 2007 | 2008 | 2009 | 2008 | 2009 |
| | *Note* | *US$* | *US$* | *US$* | *US$* | *US$* |
| | | | | | (unaudited) | |
| Administrative expenses reimbursed by a related company | (i) | 26,652 | 3,166 | – | – | – |
| Sale of goods to a jointly controlled entity/jointly controlled entity classified as held for sale | (ii) | 690,852 | 13,045 | – | – | 297,937 |
| Acquisition of 50% equity interest in a subsidiary from a related party | (iii) | 1,247,910 | – | – | – | – |
| Personal guarantees provided by a related party and a director for a bank loan obtained | (iv) | 1,908,931 | 2,034,062 | – | – | – |
| Properties provided by related parties as collateral for a bank loan obtained | (iv) | 1,309,527 | 1,395,366 | – | – | – |
| Personal guarantee provided by a director for finance lease payables | (v) | – | 3,352,000 | – | – | – |
| Personal guarantee provided by a director for a bank loan obtained | (vi) | – | – | – | – | 1,742,931 |
| Settlement of mortgage loans on behalf of related parties | (vii) | 643,440 | – | – | – | – |
| Settlement of liabilities on behalf of the Group by a director | | 52,204 | – | – | – | – |

*Notes:*

(i) One of the directors of the Company has beneficial interest in and control over the related company. These transactions were carried out in accordance with terms determined and agreed by both parties.

(ii) The sale of goods to a jointly controlled entity were carried out in the ordinary course of business of the Group according to the prices and conditions offered to regular customers of the Group.

(iii) On 27 April 2006, the Group entered into an agreement with a related party, who is the brother of one of the directors of the Company, to acquire 50% equity interest in Zeus for a consideration of RMB10,000,000.

(iv) As at 31 March 2007, the bank loan as set out in note 32 to the Financial Information was secured by personal guarantee to the extent of RMB15,000,000 given by a related party and a director and letter of guarantee issued by the Shenzhen Small and Medium Enterprises Credit Guarantee Centre, which was secured by the pledge of properties owned by related parties, Mr. Wang Xu and Mr. Wang Shih Wen. The bank loan was settled on 6 July 2007 and the guarantees were released during the year ended 31 March 2008.

(v) During the year ended 31 March 2008, one of the security arrangements for the finance lease payables was the personal guarantee executed by one of the Company's director amounted to US$3,352,000, and the guarantee was released on 21 November 2007.

(vi) As at 30 September 2009, a bank loan of RMB12,000,000 was secured by corporate guarantee executed by a subsidiary of the Company and personal guarantee executed by a director of a subsidiary and a director of the Company. The bank loan was subsequently settled and the guarantee was subsequently released.

(vii) During the year ended 31 March 2007, the Group settled the mortgage loans of the properties on behalf of related parties, Mr. Wang Xu and Mr. Wang Shih Wen.

**(b) Balances with related parties**

| | Note | 2007 | At 31 March 2008 | 2009 | At 30 September 2009 |
|---|---|---|---|---|---|
| | | *US$* | *US$* | *US$* | *US$* |
| **Amount due from a jointly controlled entity/jointly controlled entity classified as held for sale** | | | | | |
| GuiZhou Zhenhua OBEE Communication Co., Ltd. | (i) | – | 706,941 | – | – |
| **Amounts due from related parties** | | | | | |
| Wang Xu and Wang Shih Wen | (ii) | 656,440 | – | – | – |
| | | 656,440 | 706,941 | – | – |

| | Note | 2007 | At 31 March 2008 | 2009 | At 30 September 2009 |
|---|---|---|---|---|---|
| | | *US$* | *US$* | *US$* | *US$* |
| **Amounts due to directors** | | | | | |
| Wang Tao and Wang Shih Zen | (iii) | 81,232 | – | – | – |
| **Amount due to a related party** | | | | | |
| Moosik Limited | (iv) | 8,446 | – | – | – |
| | | 89,678 | – | – | – |

*Note:*

(i) The amount due is denominated in Renminbi and is unsecured, interest-free and repayable on demand. The amount due was subsequently settled.

(ii) The amounts due are denominated in Renminbi and are unsecured, interest-free and repayable within twelve months as at 31 March 2007. The related parties are brothers of directors of the Company, Wang Tao and Wang Shih Zen, respectively. Pursuant to section 161B of the Hong Kong Companies Ordinance, the maximum outstanding amount due from two related parties Wang Xu and Wang Shih Wen for the years ended 31 March 2007 and 2008 are US$354,336 and US$302,104 respectively.

(iii) The amounts due are unsecured, interest-free and have no fixed repayment terms. US$69,778 of the amounts due are denominated Hong Kong dollar and the remaining balance are denominated in Renminbi.

(iv) The amount due is denominated in Hong Kong dollar and is unsecured, interest-free and has no fixed repayment terms. The related party is a company in which one of the directors of the Company, Mr. Wang Shih Zen has beneficial interest in and control over the related party. In September 2009, Mr. Wang Shih Zen ceased to have beneficial interest in and control over the related party.

**(c)** Key management personnel remuneration

Remuneration for key management personnel is disclosed in note 13 to the Financial Information.

**(d)** During the year ended 31 March 2007, related parties, Wang Xu and Wang Shih Wen, provide office premises to a subsidiary of the Company for which no charges were made.

**(e)** During the years ended 31 March 2007 and 2008, the convertible loans of the Company were secured by personal guarantees executed by and a charge up to 50% of the issued shares of the Company held by the directors of the Company, namely Mr. Wang Shih Zen and Ms. Wang Tao. Details of the convertible loans are set out in note 35 to the Financial Information.

**(f)** During the year ended 31 March 2008, certain banking facilities granted by a bank are secured by personal guarantee executed by two directors for an unlimited amount. Such personal guarantee has been released as at 31 March 2008.

**46. SUBSEQUENT EVENTS**

Pursuant to the special general meeting of the Company held on 11 February 2010, ESOS was revoked and the terms of a new share option scheme was adopted. There was no outstanding share option granted under ESOS and details of the new share option scheme were more fully explained in section headed "Share Option Scheme" of Appendix V to the prospectus. At the same special general meeting, the Plan as detailed in note 40(b) to the Financial Information was terminated while the New Bye-Laws of the Company was adopted in substitution for and to the exclusion of all the existing Bye-Laws of the Company. Details of the New Bye-Laws of the Company were more fully explained in the section headed "New Bye-Laws" of Appendix IV to the prospectus.

Other than the subsequent event as described above and in note 38 to the Financial Information, no significant events took place subsequent to 30 September 2009 and up to the date of this report.

**47. SUBSEQUENT FINANCIAL STATEMENTS**

No audited financial statements have been prepared by the Company or any of its subsidiaries in respect of any period subsequent to 30 September 2009.

Yours faithfully,
**RSM Nelson Wheeler**
*Certified Public Accountants*
Hong Kong