国联通信
Global Link

Stock Code:8060
Http://www.glink.hk

國聯通信控股有限公司

Global Link Communications Holdings Limited

(Incorporated in the Cayman Islands with Limited Liability)

年報 2011/12
ANNUAL REPORT

CHARACTERISTICS OF THE GROWTH ENTERPRISE MARKET ("GEM") OF THE STOCK EXCHANGE OF HONG KONG LIMITED (THE "EXCHANGE")

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

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

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Contents

CORPORATE INFORMATION

EXECUTIVE DIRECTORS

Ma Yuanguang *(Chairman)*
Hu Zhi Jian
Lo Kam Hon, Gary *FCCA, CPA*

NON-EXECUTIVE DIRECTOR

Wing Kee Eng, Lee

INDEPENDENT NON-EXECUTIVE DIRECTORS

Hu Tiejun
Lu Ting Jie
Leung Kwok Keung

AUTHORIZED REPRESENTATIVES

Ma Yuanguang
Lo Kam Hon, Gary *FCCA, CPA*

COMPLIANCE OFFICER

Ma Yuanguang

COMPANY SECRETARY AND QUALIFIED ACCOUNTANT

Lo Kam Hon, Gary *FCCA, CPA*

AUDIT COMMITTEE

Hu Tiejun *(Chairman)*
Lu Ting Jie
Leung Kwok Keung *FCCA, FCPA, ACA*

REMUNERATION COMMITTEE

Hu Tiejun *(Chairman)*
Ma Yuanguang
Leung Kwok Keung *FCCA, FCPA, ACA*

NOMINATION COMMITTEE

Hu Tiejun *(Chairman)*
Ma Yuanguang
Leung Kwok Keung *FCCA, FCPA, ACA*

REGISTERED OFFICE

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

HEAD OFFICE AND PRINCIPAL PLACE OF BUSINESS IN HONG KONG

Room 2102, Manley Commercial Building
367-375 Queen's Road Central, Hong Kong

PRINCIPAL PLACE OF BUSINESS IN THE PRC

6-7/F., No.1037
Gaopu Road
Tianhe District, Guangzhou City, Guangdong Province
The People's Republic of China.

PRINCIPAL BANKERS

China Construction Bank
Guangzhou Ruan Jian Yuan Sub-branch
China Construction Bank
Guangzhou Kaifa District Gong Ye Yuan Sub-branch
China Construction Bank Guangzhou Yuexiu Sub-branch
Chiyu Banking Corporation Limited
China Construction Bank (Asia) Corporation Limited

PRINCIPAL SHARE REGISTRAR AND TRANSFER OFFICE IN THE CAYMAN ISLANDS

Butterfield Fulcrum Group (Cayman) Limited
Butterfield House
68 Fort Street, P.O. BOX 705
George Town
Grand Cayman
Cayman Islands
British West Indies

BRANCH SHARE REGISTRAR AND TRANSFER OFFICE IN HONG KONG

Computershare Hong Kong Investor Services Limited
Shops 1712-1716
17th Floor
Hopewell Centre
183 Queen's Road East
Hong Kong

AUDITORS

Crowe Horwath (HK) CPA Limited
34/F The Lee Gardens,
33 Hysan Avenue,
Causeway Bay,
Hong Kong

STOCK CODE

8060

CHAIRMAN'S STATEMENT

I represent the board (the "Board") of directors (the "Directors") of Global Link Communications Holdings Limited (the "Company"), to present the audited financial statements of the Company and its subsidiaries ("Global Link" or the "Group") for the year ended 31 March 2012 for shareholders' review.

In the past year, global economy was at a weakening condition caused by the European debt crisis, USA's slow economic recovery and the uncertain situation in the Middle-East. The PRC has still recorded a certain growth in GDP. However, as affected by the global economic condition, as well as the Macro-economic Control and Tight Monetary Policy implemented by the PRC government, China's economic index for primary and secondary industry has declined.

During the year, the "WenZhou Multiple-units Train Accident" has caused great concern from the public regarding the railway transportation's high speed development and large scale investment. Operation safety became the top priority, causing both the PRC government and the local governments to slow down cash injection and project construction schedule. As a result, the Group's product delivery in respect of train information system decreased significantly and recorded an increase in accounts receivable.

The Group, being the main train information system supplier for domestic railway transportation, through continuous creativity and professional standard in the industry, provides high quality and safe product in pursuit of its operating mission.

Cope with industry development, amend operation strategy

During the year, the PRC government has implemented certain amendments in respect of the railway transportation construction, including investment scale, project construction schedule and approval of newly started projects in cities. The Group has given timely response to the change in policy, has correspondingly adjusted its operating strategy and run the business in a systematic manner. The overall effect was demonstrated in:-

1. Core competitive edge from high standard and quality product. After a year's effort, the Group's backbone enterprise (Guangzhou Global Link Communications Inc. "GZGL"), has become the first enterprise, as train information system provider in the PRC's railway transportation industry, that passed the IRIS authentication (International Railway Industry Standard). The authentication will enhance the Group's operation management capability and competitive advantage in both international and domestic industry.

2. Creativity to promote market development. The Group has obtained highest contract sum in the domestic industry, and will keep on satisfy customers' requirement and build up its brand name with creative product. The Group has successfully launched a new industry model in WuHan Line 2 – passenger information broadcast system with new LCD display. Despite the slow down in newly started railway lines in domestic industry, the Group still obtained several new contracts in cities including Haerbin, Kunming, GuangZhou, Beijing and WuHan.

3. Utilize the Group's advantageous resource to explore overseas market. The Group has over 10 years experience in serving overseas customers. In the current "cool down" period in domestic market, the Group timely utilize its resource to explore market in Hong Kong, Macau and overseas. The outfit product for CSR for 3 major system solution in Malaysia Multiple-units Train was successfully delivered, and several new contracts were obtained from overseas famous enterprise, integrated companies and services companies. The Group's brand name has established new influence in overseas industry.

In the future, we believe that the national policy will regulate industry's systematic development. With the progress of urbanization, railway transportation construction is the government's long term national policy. The Group has implemented several projects in cities, and with its accumulated self-owned intellectual property rights, will have more steady development and wider operating revenue.

I would like to express my sincere gratitude to the Directors, senior management and employees for their caution and conscientiousness, spirit of selflessness and striving effort and to our shareholders and allied parties for their full support.

Ma Yuanguang
Chairman

Hong Kong, 22 June 2012

MANAGEMENT DISCUSSION AND ANALYSIS

During the year, the European debt crisis, uncertain situation in the Middle-East, high unemployment rate in the USA resulted in low level of economic recovery and the global economy is at a downturn and weakening condition. 2011 is the first year of the PRC's Twelfth Five Year Plan. In view of the global economic downturn, the PRC government has adopted prudent development policy, implemented control policy including macro-economic control, monetary policy, foundation construction and real estates, which controlled the expansion and increasing rate of primary and secondary industry. The "WenZhou Multiple-units Train Accident" has caused the downsizing of the huge investment scale for the railways transportation construction. The Group's main product is train information system for cities railway and is the major system solution provider for CSR and CNR. The Group's turnover for the year was affected by the industry's adjusted construction rate.

MARKET OVERVIEW

During the year, domestic railway transportation industry attracted high concern from society. Under the Twelfth Five Year Plan, construction of express passenger train lines, intercity railway and cities underground railway were all classified as main investment project. In view of several train accidents and failure, the industry's investment and construction plan has been adjusted. The whole year went through from high development and investment rate stage, to a stage with several projects being stopped, suspended and calling back of mutiple-units train, with the resumption of projects following the adequate cash injection by the PRC government in the fourth quarter. In the first quarter of 2012, nearly all projects were resumed. China's related policies have direct impact on the railway transportation industry. In the past year, following implementation of the national polices, the whole industrial chain were sluggish in the first half of the year and steadily recovering in the second half of the year. As a result, related outfit product companies recorded increase in accounts receivable.

In 2011, the PRC's cities railway transportation construction was basically implemented in accordance with approved project plan. Core cities including Beijing, Shanghai, Guangzhou, Shenzhen, ChongQing, Chengdu and Tianjin have started new lines construction as scheduled, other cities including Wuhan, Kunming, Ningbo, Changsha, Haerbin, Zhengzhou and Wuxi also started new lines construction and partial train delivery.

FINANCIAL REVIEW

In the past year, global economy was at a weakening condition caused by the European debt crisis, USA's slow economic recovery and the uncertain situation in the Middle-East. The PRC has still recorded a certain growth in GDP. However, as affected by the global economic condition, as well as the Macro-economic Control and Tight Monetary Policy implemented by the PRC government, China's economic index for primary and secondary industry has declined.

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MANAGEMENT DISCUSSION AND ANALYSIS

BUSINESS REVIEW

During the year, following the amended national policies, the Group, after having taken into account the railway transportation construction and investment plan in cities, linked up with the delivery schedule of the signed contracts, effectively utilized its advantageous resources and adjusted the operation and management strategy in phases. Through resources saving, advancement in management and keeping up creativity in new products, the Group continuously enhances its core competitive edge. Resulted from proper implementation of strategy, operating results were demonstrated in:–

1. Achieved industry standard to enhance core competitive edge. Following the creativity of self-owned intellectual property in railway transportation, domestic train production rate increased from year to year. Product quality and standard was a significant criteria for selecting supplier in the industry. The Group recognised the need to have competitive product in the industry and to pass a high standard authentication is a must. After a year's effort from all employees, the Group's backbone enterprise (GZGL) has passed the IRIS authentication (International Railway Industry Standard). The authentication process has increased the Group's operation and management standard, and caused product development, production and project services all up to industry's high standard requirement. GZGL is the first enterprise that passed the authentication in its product category in the PRC, and makes future market development more advantageous.

2. Satisfy customers requirement as a prerequisite to promote continuous product creativity. As lot of underground railway lines started operation and the arise of new technology application, customers raise new unique services concept to suit its services requirement. The Group actively cope with customers demand through creativity to realize customers new services. The Group has successfully launched a new industry model in Wuhan Line 2 – train broadcast system and passenger information broadcast system with new "LCD" model display which is well recognised by several new city railway line companies. And it will enhance the Group's brand name as well as advantages in market development.

3. Combine industry condition, continuously develop new market. Domestic market is adjusting. The operation advantage of railway transportation in core cities emerged continuously, and developing countries recognise the price-performance ratio of trains manufactured in China. Trains exported by CSL and CNL increased from year to year. The Group captured the opportunity, cooperated with train manufacturers with its high standard authentication to fit customers requirement and high creativity to explore overseas market. During the year, the Group has cooperated with CSL and completed the product delivery of 3 major system to Malaysia, with partial trains started operation. The Group has over 10 years experience in serving overseas markets and has established relationship with overseas markets, obtained several new contracts in Hong Kong, Macau and other overseas markets by satisfying customer's requirement in product creativity.

TURNOVER BY REGION

During the year, with core market in the PRC and GZGL as the base, the Group's main business is the provision of train information system for railway transportation. Main customers are city railway transportation companies. Large scale train manufacturers, conglomerate for railway transportation project, integrated project enterprises, sizeable information services providers and national electricity operators. Following its market development, the Group's product and services will increase their presence steadily in Hong Kong and overseas market.

The Group's turnover recognised in the PRC amounted to approximately HK$79,293,000 representing 99% of the Group's turnover for the year.

CUSTOMER ANALYSIS

During the year, the Group's customers are mainly PRC underground railway companies, railway trains manufacturers of CSR and CNR, railway operators in Hong Kong, South-east Asia and backbone enterprises for railway transportation construction from the PRC. The Group also kept its existing local and overseas customers in traditional areas including telecommunication operators and value-added services providers. New customers captured are from relevant area of the PRC's electricity network and electricity companies in cities.

BUSINESS PARTNERS

The Group's major market is railway transportation, and it has established good long term cooperation relationship with large size nationalized train manufacturers, city railway transportation operators and large railway transportation project construction companies. Under the IRIS authentication (International Railway Industry Standard), technical communication with these business partners, product adoptability development and maintenance, repair project service all strictly follow the IRIS standard. Pursuant to the IRIS related requirement in respect of supplies management, the Group has more frequent technical information communication with both local and overseas famous developer and manufacturers for machinery, configuration and parts, and cooperate in forms of OEM, ODM. To mutually protect intellectual property, we have formulated exclusive cooperation agreement such that both parties can get market competitive advantage.

CAPITAL STRUCTURE

There has been no material change in the capital structure of the Group since the last accounting year.

The Group carried out prudent financial policy with surplus cash deposited in bank to finance operation and investments. Management will review financial forecast on a regular basis. As at 31 March 2012, the Group had a total cash and bank balances, amounted to approximately HK$42,007,000 (2011: approximately HK$44,418,000).

BUSINESS OUTLOOK

In the past year, the industry was under China's policy control, which has impact on the Group's turnover and accounts receivable. Notwithstanding the above, the Group has still obtained several supply contracts under its operation strategy. From early 2012, railway companies and CSR, CNR have steadily increased contractual delivery volume from month to month, and the Group's operating income next year will have certain degree of increase. Over the years, a number of railway lines have commenced operation and warranty period of some lines has already expired. New maintenance services and parts for these projects will contribute returns to the Group.

With years of continuous creativity, the Group's influential power in local and overseas industry will be enhanced. The actual operating result of projects will make "Global Link" a brand name recognised by customers. The Group has actively sought resources integration in the industry which will promote its overall operation to a new level.

LIQUIDITY AND FINANCIAL RESOURCES

As at 31 March 2012, the Group had net current assets of approximately HK$121,429,000 (2011: approximately HK$110,059,000), of which approximately HK$42,007,000 (2011: approximately HK$44,418,000) were cash and bank balances. The Directors are confident that the Group's existing financial resources will be sufficient to satisfy its commitments and working capital requirements.

CHARGE ON THE GROUP'S ASSETS

Other than disclosed in note 18 to the financial statements, the Group had no charge on its assets for the year under review.

MATERIAL ACQUISITIONS, DISPOSALS AND SIGNIFICANT INVESTMENTS

The Group did not have any material acquisitions, disposals and significant investments during the year under review.

FOREIGN EXCHANGE EXPOSURE

The Group exposes to certain foreign currency risk primarily with respect to Renminbi and United States Dollars. In view of the stability of the exchange rates of Renminbi and Hong Kong dollars, no hedging or other alternatives have been implemented. The Group continues to monitor its exposure closely and will take measures to lower the foreign currency risk when necessary.

PUBLIC FLOAT

The Group had maintained sufficient public float in accordance with the GEM Listing Rules throughout the year under review.

SEGMENT INFORMATION

Segment information of the Group are set out in note 8 to the financial statements.

CONTINGENT LIABILITIES

The Group had no material contingent liabilities as at 31 March 2012 (2011: Nil).

PURCHASE, SALE OR REDEMPTION OF SHARES

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

EMPLOYEE AND SALARIES POLICY

As at 31 March 2012, the Group had 189 staffs (2011: 178 staffs), with 180 and 9 staffs employed in the PRC and Hong Kong respectively.

	At 31 March 2012 Number of staff	At 31 March 2011 Number of staff
Management, finance and administration	**52**	39
Research and development	**118**	119
Marketing and sales	**19**	20
Total	**189**	178

The total staff costs, including Directors' emoluments, amounted to approximately HK$15,987,000 (2011: approximately HK$12,515,000) for the year under review. Staff remuneration, including the emolument payable to the Directors, is reviewed by the Group from time to time depending on length of service and performance of the staff.

The Group provides various employee benefits, including share option scheme, Mandatory Provident Fund Scheme, social insurance and accident insurance.

BIOGRAPHICAL DETAILS OF DIRECTORS AND SENIOR MANAGEMENT

EXECUTIVE DIRECTORS

Mr. Ma Yuanguang (馬遠光), aged 58, is the co-founder of the Group and is also the chairman of the board of Directors. Mr. Ma is responsible for the overall strategic planning of the Group. Mr. Ma has over thirty years' experience in the telecommunications industry. Prior to joining the Group, Mr. Ma had the experience of managing a state-owned telecommunications system production enterprise for eight years. Mr. Ma has cooperated with several multinational hi-tech firms in the United States, Canada and Australia, etc. for the introduction of various new products and new technologies to the PRC. Mr. Ma is also the compliance officer and member of the remuneration committee and nomination committee of the Company. Mr. Ma is also a director of GL Limited, Hilltop Holdings Group Limited, Guangzhou Global Link Communications Inc., Global Link Communications (HK) Limited and Tonnex Holdings Limited, all being subsidiaries of the Company. Mr. Ma is also an authorized representative of the Company.

Mr. Hu Zhi Jian (胡志堅) aged 48, is the founding staff of the Group and is also the chief executive officer of the Group. Mr. Hu is responsible for overseeing the research and development and production of the Group. Mr. Hu has engaged in the research and development of communication technologies for more than ten years. Prior to joining the Group, he was the manager of research and development department of various companies and the introduction of technologies. Mr. Hu received a degree from the Automation Department (自動控制系統) of the Huazhong University of Science and Technology (華中工學院). Mr. Hu is also a director of GL Limited, Hilltop Holdings Group Limited, Guangzhou Global Link Communications Inc., Global Link Communications (HK) Limited, Beijing Global Link Weiye Communications and Technologies Limited (北京國聯偉業通信技術有限公司), Guangzhou Neplink Technologies Development Company Limited (廣州國聯電力科技發展有限公司), all being subsidiaries of the Company.

Mr. Lo Kam Hon, Gary (勞錦漢), aged 48, is also the Group's company secretary and qualified accountant, responsible for the Group's financial and cash flow management and budget control. Mr. Lo is a fellow member of The Association of Chartered Certified Accountants and a member of the Hong Kong Institute of Certified Public Accountants. Mr. Lo joined the Group in February 2003 and has more than twenty years' experience in finance, accountancy and treasury. Mr. Lo is also an authorized representative of the Company.

NON-EXECUTIVE DIRECTOR

Mr. Wing Kee Eng, Lee, aged 59. Mr. Lee joined the Group in May 2002. Mr. Lee has over 27 years of experience in the telecommunications industry. Mr. Lee pursued his career with Harris Corporation where he had been a visiting engineer, senior engineer and the head of sales of the Pan Asia Pacific region. Mr. Lee has also been the vice president of the marketing and business development for various telecom operators in the United States of America.

INDEPENDENT NON-EXECUTIVE DIRECTORS

Mr. Hu Tiejun (胡鉄君), aged 61. Mr. Hu joined the Group in November 2002. Mr. Hu holds a Bachelor Degree in Physics from the Zhongshan (Sun Yat-sen) University (中山大學) and has over twenty years' experience in telecommunications, computer systems, data warehouse and information network. Mr. Hu was a director and chief scientist of China Motion Telecom International Limited, a listed company in Hong Kong. Mr. Hu is now a marketing director of WIMAX Forum, which is an industry-led, not-for-profit organization, South East Asia district and a vice-president and general secretary of Worldwide Ethnic Chinese Wireless & Radio Association. Mr. Hu is also the chairman of the remuneration committee, audit committee and nomination committee of the Company.

Professor Lu Ting Jie (呂廷杰), aged 57. Professor Lu joined the Group in November 2002. Professor Lu graduated from the Beijing University of Posts and Telecommunications (北京郵電學院) with a Master's degree, and obtained a Doctorate degree from Japan's Kyoto University (京都大學). Professor Lu is now the principal and tutor for doctorate students at the Economics and Management school of Beijing University of Posts and Telecommunications. He had contributed a number of thesis and articles in the area of economics, communications and telecommunications. Professor Lu is also a member of the audit committee of the Company.

Mr. Leung Kwok Keung (梁覺強), aged 49, is the financial controller of a listed company on the main board of The Stock Exchange of Hong Kong Limited. Mr. Leung joined the Group in September 2004. He is currently an independent non-executive director of Lee Kee Holdings Limited, a company listed on the main board of The Stock Exchange of Hong Kong Limited. He graduated from the City University of Hong Kong with a Bachelor degree in accountancy and obtained a degree in Bachelor of Laws from Qinghua University. Mr. Leung is a fellow member of The Association of Chartered Certified Accountants, a fellow member of the Hong Kong Institute of Certified Public Accountants and an associate of the Institute of Chartered Accountants in England and Wales. He has more than 20 years' experience in finance, accountancy and treasury. Mr. Leung is also a member of the remuneration committee, audit committee and nomination committee of the Company.

SENIOR MANAGEMENT

Mr. Xian Bao Wen (冼寶文), aged 37, joined Guangzhou Global Link Communications Inc, in October 2007 and is the finance controller. Mr. Xian graduated from Guangdong Commercial College with a bachelor degree of Economics. Mr. Xian has worked in a state-owned enterprise which engaged in telecommunication as accountant for almost 7 years. From July 2005 to October 2007 he became an assistant of finance controller in the Superdata Group (used to be GEM's listed company). Mr. Xian is also a director of Guangzhou Global Link Communications Inc. and Guangzhou Neplink Technologies Development Company Limited (廣州國聯電力科技發展有限公司), subsidiaries of the Company.

REPORT OF THE DIRECTORS

The Directors herein submit their report together with the audited financial statements of the Group for the year ended 31 March 2012.

PRINCIPAL ACTIVITIES AND GEOGRAPHICAL ANALYSIS OF OPERATIONS

The principal activity of the Company is investment holding. The activities of the subsidiaries are set out in note 16 to the financial statements.

An analysis of the Group's performance for the year by geographical segments and products and services is set out in note 8 to the financial statements.

RESULTS AND APPROPRIATIONS

The results of the Group for the year are set out in the consolidated statement of comprehensive income on page 29.

The board of Directors does not recommend the payment of a final dividend for the year ended 31 March 2012.

RESERVES

The movements in the reserves of the Group and the Company during the year are set out in the consolidated statement of changes in equity on page 32 and note 23 to the financial statements respectively.

PROPERTY, PLANT AND EQUIPMENT

Details of the movements in property, plant and equipment of the Group are set out in note 14 to the financial statements.

SHARE CAPITAL

Details of the movements in share capital of the Company are set out in note 23 to the financial statements.

DISTRIBUTABLE RESERVES

Pursuant to the Companies Law 2003 (Revised) of the Cayman Islands and the articles of association of the Company, the share premium of the Company is distributable to the shareholders, subject to a solvency test and the provisions of the Company's articles of association. As at 31 March 2012, the Company's reserves available for distribution amounted to approximately HK$32,079,000 (2011: approximately HK$33,090,000).

PRE-EMPTIVE RIGHTS

There are no provisions for pre-emptive rights under the Company's articles of association or the relevant law of the Cayman Islands, being the jurisdiction in which the Company is incorporated, which would oblige the Company to offer new shares on a pro rata basis to existing shareholders.

FINANCIAL SUMMARY

A summary of the results and of the assets and liabilities of the Group for the last five financial years is set out as follows:

Financial Highlights

	2012	2011	2010	2009	2008
	HK$'000	HK$'000	HK$'000	HK$'000	HK$'000
Revenue	**79,357**	111,474	89,693	31,591	38,401
Gross profit	**24,261**	48,531	27,937	10,893	14,610
Profit before tax	**11,412**	31,980	18,317	1,203	7,964
Profit attributable to equity shareholders of the Company	**13,373**	29,262	16,435	1,022	6,120
Total assets	**157,298**	149,985	72,406	44,129	40,412
Total liabilities	**27,978**	36,942	26,015	13,774	12,986
Non-controlling interests	**(2,467)**	(1,847)	(399)	–	–
Net assets	**129,320**	113,043	46,391	30,355	27,426

MAJOR CUSTOMERS AND SUPPLIERS

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

Purchases	
– the largest supplier	28%
– five largest suppliers combined	61%
Sales	
– the largest customer	46%
– five largest customers combined	92%

None of the Directors, any of their associates or any shareholder (which to the best knowledge of the Directors own more than 5% of the Company's issued share capital) had any beneficial interest in the major suppliers or customers noted above.

PURCHASE, SALE OR REDEMPTION OF SHARES

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

DIRECTORS

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

Executive Directors

Mr. Ma Yuanguang
Mr. Hu Zhi Jian
Mr. Lo Kam Hon, Gary

Non-executive Director

Mr. Wing Kee Eng, Lee

Independent non-executive Directors

Mr. Hu Tiejun
Professor Lu Ting Jie
Mr. Leung Kwok Keung

In accordance with the Company's articles of association of the Company, Mr. Ma Yuanguang, Mr. Wing Kee Eng, Lee and Mr. Hu Tiejun will retire by rotation and, being eligible, will offer themselves for re-election at the forthcoming annual general meeting.

In accordance with Code Provision A.4.3 of the Corporate Governance Code in Appendix 15 to the GEM Listing Rules, Mr. Hu Tiejun, an independent non-executive Directors, has served for more than 9 years since November 2002, and his re-appointment shall be subject to separate resolution to be approved by shareholders of the Company at the 2012 annual general meeting.

The Directors confirms that it has received from each of its independent non-executive Directors a confirmation of his independence pursuant to Rule 5.09 of the GEM Listing Rules and the Company considers the independent non-executive Directors to be independent.

RETIREMENT BENEFIT SCHEMES

Details of the retirement benefit schemes of the Group and the employer's costs charged to the income statement for the year are set out in note 25 and note 9(b) to the financial statements respectively.

DIRECTORS' SERVICE CONTRACTS

Each of Mr. Ma Yuanguang and Mr. Hu Zhi Jian has entered into a service contract with the Company for a term of two years commencing from 1 November 2010. Mr. Lo Kam Hon, Gary has entered into a service contract with the Company for a term of two years commencing from 23 September 2010. Such service contracts may be terminated by either party thereto giving to the other not less than three months' prior written notice.

Each of Mr. Wing Kee Eng, Lee, Mr. Hu Tiejun and Professor Lu Ting Jie has been appointed for a term of two years commencing from 1 November 2010 while Mr. Leung Kwok Keung has been appointed for a term of two years commencing from 23 September 2010. All of them are subject to retirement by rotation in accordance with the Company's articles of association.

None of the Directors has a service contract with the Company or any of its subsidiaries which is not determinable by the Company within one year without payment of compensation other than statutory obligations.

DIRECTORS' EMOLUMENTS AND INDIVIDUALS WITH HIGHEST EMOLUMENTS

Details of the emoluments of the Directors and of individuals with highest emoluments of the Group are set out in note 13 to the financial statements.

DIRECTORS' INTERESTS IN CONTRACTS

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

BIOGRAPHICAL DETAILS OF DIRECTORS AND SENIOR MANAGEMENT

Brief biographical details of Directors and senior management are set out on pages 9 to 10 of this report.

DIRECTORS' AND CHIEF EXECUTIVES' INTEREST IN SHARES, UNDERLYING SHARES AND DEBENTURES

As at 31 March 2012, so far is known to the Directors, the interests of the Directors and the chief executives of the Company in shares, underlying shares or debentures of the Company or any of its associated corporations (within the meaning of Part XV of the Securities and Futures Ordinance (Chapter 571 of the laws of Hong Kong) (the "SFO")) which would have to be notified to the Company and the Stock Exchange pursuant to the provisions of Divisions 7 and 8 of Part XV of the SFO (including interests and/or short positions of which they were taken or deemed to have under such provisions of the SFO) and/or required to be entered in the register maintained by the Company pursuant to Section 352 of the SFO or which would have to be notified to the Company and the Stock Exchange pursuant to Rules 5.46 to 5.68 of the GEM Listing Rules relating to securities transactions by the Directors were as follows:

Name of Director	**Company/ name of associated corporation**	**Capacity**	**Number and class of securities**	**Approximate percentage of shareholdings**
Ma Yuanguang	Company	Beneficial owner	175,773,600 ordinary shares Long position	18.29%
Hu Zhi Jian	Company	Interest of controlled corporation	79,347,600 ordinary shares Long position *(Note)*	8.26%
		Beneficial owner	8,889,000 ordinary shares Long position	0.93%

Name of Director	Company/ name of associated corporation	Capacity	Number and class of securities	Approximate percentage of shareholdings
Lo Kam Hon, Gary	Company	Beneficial owner	120,000 ordinary shares Long position	0.01%
Wing Kee Eng, Lee	Company	Beneficial owner	2,778,000 ordinary shares Long position	0.29%
Hu Tiejun	Company	Beneficial owner	833,000 ordinary shares Long position	0.09%
Lu Ting Jie	Company	Beneficial owner	833,000 ordinary shares Long position	0.09%

Note:

Bright Cosmos Holdings Limited, the entire issued share capital of which is held by Hu Zhi Jian, is interested in the 79,347,600 ordinary shares of the Company.

Save as disclosed above, as at 31 March 2012, so far is known to the Directors, none of the Directors nor the chief executives of the Company had any interests or short positions in any shares, underlying shares or debentures of the Company or any associated corporations (within the meaning of Part XV of the SFO) which would have to be notified to the Company and the Stock Exchange pursuant to the provisions of Divisions 7 and 8 of Part XV of the SFO (including interest and/or short positions which they were taken or deemed to have under such provisions of the SFO), or which were required, pursuant to Section 352 of the SFO, to be entered in the register referred to therein, or which were required, pursuant to Rules 5.46 to 5.68 of the GEM Listing Rules, to be notified to the Company and the Stock Exchange.

DIRECTORS' RIGHTS TO ACQUIRE SHARES OR DEBENTURE

Save as disclosed above, at no time during the year was the Company, or any of its subsidiaries a party to any arrangements to enable the Directors, their respective spouses or children under the age of 18 to acquire benefits by means of acquisition of shares in or debentures of the Company or any other body corporate.

SUBSTANTIAL SHAREHOLDERS' AND OTHER PERSONS' INTERESTS AND SHORT POSITIONS IN SHARES AND UNDERLYING SHARES

As at 31 March 2012, so far is known to the Directors, the following person (not being a Director or a chief executive of the Company) had an interest and/or a short position in the shares and/or underlying shares of the Company which would fall to be disclosed to the Company and the Stock Exchange pursuant to the provisions of Divisions 2 and 3 of Part XV of the SFO and/or required to be entered in the register maintained by the Company pursuant to Section 336 of the SFO and/or were directly or indirectly interested in 10% or more of the nominal value of any class of share capital carrying rights to vote in all circumstances at general meeting of any other members of the Group:

Name	Capacity	Class and number of securities	Approximate percentage of shareholdings
Leung Kin Man Kenny	Beneficial owner	49,130,000 ordinary shares Long position	5.11%

Save as disclosed above, as at 31 March 2012, so far is known to the Directors, there was no person (not being a Director or a chief executive of the Company) who had an interest and/or a short position in the shares and/or underlying shares of the Company which would fall to be disclosed to the Company and the Stock Exchange pursuant to the provisions of Divisions 2 and 3 of Part XV of the SFO and/or required to be entered in the register maintained by the Company pursuant to Section 336 of the SFO and/or was directly or indirectly interested in 10% or more of the nominal value of any class of share capital carrying rights to vote in all circumstances at general meeting of any other members of the Group, or any options in respect of such capital.

SHARE OPTION SCHEMES

Pursuant to the Pre-IPO Share Option Scheme, Directors and certain participants have been granted options to subscribe for shares of the Company at a subscription price of HK$0.036 per share, representing 10% of the placing price of the shares of the Company as at 13 November 2002, details of which are set out as follows:

			Number of share options under the Pre-IPO Share Option Scheme			
Name of grantee	**Date of grant**	**Number of share options granted**	**Outstanding as at 1 April 2011**	**Lapsed during the year under review**	**Exercised during the year under review**	**Outstanding as at 31 March 2012**
Executive Directors						
Ma Yuanguang	24 October 2002	10,556,000	–	–	–	–
Hu Zhi Jian	24 October 2002	8,889,000	–	–	–	–
Non-executive Director						
Wing Kee Eng, Lee	24 October 2002	2,778,000	2,778,000	–	2,778,000	–
Independent non-executive Directors						
Hu Tiejun	24 October 2002	833,000	–	–	–	–
Lu Ting Jie	24 October 2002	833,000	–	–	–	–
Advisers/consultants	24 October 2002	9,054,000	2,470,500	–	–	2,470,500
Other employees of the Group	24 October 2002	3,360,000	–	–	–	–
Others *(Note)*	24 October 2002	21,468,000	389,000	–	–	389,000
Total		57,771,000	5,637,500	–	2,778,000	2,859,500

Note:

These refer to the former employees of the Group.

The purpose of the Pre-IPO Share Option Scheme is to recognise the contribution of certain Directors, employees, consultants and advisers of the Group to the growth of the Group and/or the listing of shares of the Company on the GEM board. Each of the grantees to whom options have been conditionally granted under the Pre-IPO Share Option Scheme will be entitled to exercise (i) 50% of the shares so granted to him/her (rounded down to the nearest whole number) at any time after the expiry of 12 months from the Listing Date, and (ii) the remaining 50% of the options granted to him/her (rounded down to the nearest whole number) at any time after 24 months from the Listing Date, and in each case, not later than 10 years from the date of the grant of the options.

As at the date of this report, there are 2,859,500 outstanding share options granted under the Pre-IPO Share Option Scheme representing approximately 0.30% of the issued share capital of the Company if the said share options are exercised in full.

Under the terms of the share option scheme (the "Share Option Scheme") adopted by the Company on 24 October 2002, the Directors may at their discretion grant options to participants to subscribe for shares of the Company. The purpose of the Share Option Scheme is to enable the Group to grant options to selected participants as incentive or rewards for their contributions to the Group. The total number of shares of the Company issued and which may fall to be issued upon exercise of the options under the Share Option Scheme and any other share option scheme of the Group to each grantee in any 12-month period shall not exceed 1% of the issued share capital of the Company for the time being. An option may be exercised in accordance with the terms of the Share Option Scheme at any time during the period, subject to any performance target specified by the Directors, commencing immediately after the date on which the option is deemed to be granted and accepted and expiring on a date to be determined and notified by the board of Directors which shall not be more than 10 years from the date on which the option is deemed to be granted and accepted. A consideration of HK$1 will be payable upon acceptance of the offer. The Share Option Scheme will remain in force for a period of 10 years from the date of its adoption. The subscription price should, subject to the adjustment as stated on the Share Option Scheme, be a price determined by the Directors and should be at least the highest of (i) the nominal value of a Share; (ii) the closing price per Share as stated on the daily quotation sheets revised by the Stock Exchange on the offer date, which should be a business day; or (iii) the average closing price of the shares as stated in the daily quotation sheets revised by the Stock Exchange for the five-business days immediately preceding the offer date.

Details of movements during the year in the Company's share options pursuant to the Share Option Scheme are as follows:

				Number of share options under Share Option Scheme			
Capacity	**Date of grant**	**Number of share options granted**	**Outstanding as at 1 April 2011**	**Lapsed during the year under review**	**Exercised during the year under review**	**Outstanding as at 31 March 2012**	**Exercise price**
Executive Director							
Lo Kam Hon, Gary	10 December 2003	350,000 *(Note 2)*	–	–	–	–	HK$0.132
Employees	10 December 2003	480,000 *(Note 2)*	–	–	–	–	HK$0.132
Advisers/consultants	10 December 2003	2,700,000 *(Note 2)*	800,000	–	–	800,000	HK$0.132
Other *(Note 1)*	10 December 2003	2,980,000 *(Note 2)*	–	–	–	–	HK$0.132
Employees	5 October 2007	16,400,000 *(Note 3)*	–	–	–	–	HK$0.242
Total		22,910,000	800,000	–	–	800,000	

Note:

(1) These refer to the former employees of the Group.

(2) The closing price of the shares of the Company immediately before the date on which the options were granted was HK$0.120.

Each of the grantees to whom options have been conditionally granted under the Share Option Scheme will be entitled to exercise: (i) 50% of the options granted to each grantee (rounded down to the nearest whole number) after 9 December 2004; and (ii) the remaining 50% of the option granted to each grantee (rounded down to the nearest whole number) after 9 December 2005; and in each case, not later than 10 years from the date of grant of the options.

(3) The closing price of the shares of the Company immediately before the date on which the options were granted was HK$0.220, the options had lapsed in October 2009.

The Directors consider that disclosure of value of options granted during the year is not appropriate because in the absence of a readily available market value of the options on the Company's shares, they are unable to arrive at an accurate assessment of the value of the options granted.

As at the date of this report, 800,000 shares of the Company are available for issue under the Share Option Scheme, representing 0.08% of the issued share capital of the Company if the said share options are exercised in full.

Details of the Pre-IPO Share Option Scheme and the Share Option Scheme are set out in the prospectus of the Company dated 31 October 2002 (the "Prospectus") and note 24 to the financial statements.

COMPETING INTERESTS

Save as disclosed in the Prospectus, the Directors are not aware of any business or interest of each Director, initial management shareholder or substantial shareholder of the Company or any of his/her respective associate that competes or may compete with the business of the Group and any other conflicts of interest which such person has or may have with the Group as at 31 March 2012.

BOARD PRACTICES AND PROCEDURES

Throughout the year, the Company was in compliance with the "board practices and procedures" as set out in Appendix 15 of the GEM Listing Rules.

CORPORATE GOVERNANCE

The Company has established a formal and transparent procedure to protect the interests of the shareholders of the Company. The Company applied the principles and complied with all the code provisions as set out in the Corporate Governance Code in Appendix 15 to the GEM Listing Rules throughout the period under review.

AUDITORS

Crowe Horwath (HK) CPA Limited retire and being eligible, offer themselves for re-appointment. A resolution for the re-appointment of Crowe Horwath (HK) CPA Limited as auditors of the Company is to be proposed at the forthcoming annual general meeting.

On behalf of the Board

Ma Yuanguang
Chairman

Hong Kong, 22 June 2012

INTRODUCTION

The Company has established a formal and transparent procedure to protect the interests of the shareholders of the Company. The Company applied the principles and complied with all the code provisions as set out in the Corporate Governance Code (the "Corporate Governance Code") in Appendix 15 of the GEM Listing Rules throughout the period under review.

DIRECTORS' SECURITIES TRANSACTIONS

The Company has adopted a code of conduct regarding Directors' securities transactions on terms no less exacting than the required standard of dealings as set out in Rules 5.48 to 5.67 of the GEM Listing Rules. Having made specific enquiry of all Directors, the Directors have complied with such code of conduct and the required standard of dealings and its code of conduct regarding securities transactions by the Directors throughout the year ended 31 March 2012.

BOARD OF DIRECTORS AND BOARD MEETING

The Board, which currently comprises seven Directors, is responsible for corporate strategy, annual and interim results, succession planning, risk management, major acquisitions, disposals and capital transactions, and other significant operational and financial matters. Major corporate matters that are specifically delegated by the Board to the management include the preparation of annual and interim accounts for board approval before public reporting, execution of business strategies and initiatives adopted by the Board, implementation of adequate systems of internal controls and risk management procedures, and compliance with relevant statutory requirements and rules and regulations.

Details of backgrounds and qualifications of the chairman of the Company and the other Directors are set out in the "Biograptical Details of Directors and Senior Management". All Directors have given sufficient time and attention to the affairs of the Group. Each executive Director has sufficient experience to hold the position so as to carry out his duties effectively and efficiently. Mr. Ma Yuanguang is the chairman of the board of Directors and an executive Director. Mr. Hu Zhi Jian is the chief executive officer of the Company and an executive Director.

To improve the transparency and independence of the corporate governance, the chairman and chief executive officer of the Company are segregated and are not exercised by the same individual with effect from 30 March 2006.

The executive Directors include Mr. Ma Yuanguang, Mr. Hu Zhi Jian and Mr. Lo Kam Hon, Gary. The non-executive Director is Mr. Wing Kee Eng, Lee. The Company also appointed three independent non-executive Directors who have appropriate and sufficient experience and qualifications to carry out their duties so as to protect the interests of shareholders. Mr. Hu Tiejun, Professor Lu Ting Jie and Mr. Leung Kwok Keung are the independent non-executive Directors.

Each of Mr. Wing Kee Eng, Lee, Mr. Hu Tiejun and Professor Lu Ting Jie has been appointed for a term of two years commencing from 1 November 2010 while Mr. Leung Kwok Keung has been appointed for a term of two years commencing from 23 September 2010. All of them are subject to retirement by rotation in accordance with the Company's articles of association.

The Company has received from each independent non-executive Director an annual confirmation of his independence, and the Company considers such Directors are independent under various guidelines set out in Rule 5.09 of the GEM Listing Rules.

The Board held a full board meeting for each quarter.

Details of the attendance of the Board are as follows:

Directors	**Attendance**
Executive Directors	
Mr. Ma Yuanguang *(Chairman)*	4/4
Mr. Hu Zhi Jian *(Chief executive officer)*	4/4
Mr. Lo Kam Hon, Gary	4/4
Non-executive Director	
Mr. Wing Kee Eng, Lee	4/4
Independent non-executive Directors	
Mr. Hu Tiejun	4/4
Professor Lu Ting Jie	4/4
Mr. Leung Kwok Keung	4/4

Apart from the above regular board meetings of the year, the Board will meet on other occasions when a board-level decision on a particular matter is required. The Directors will receive details of agenda items for decision and minutes of committee meetings in advance of each board meeting.

CONTINUOUS PROFESSIONAL DEVELOPMENT

The Directors have been informed of the requirement under Code Provision A.6.5 of the Corporate Governance Code regarding continuous professional development. Details of how each Director complies with such requirement for the year ending 31 March 2013 will be set out in the corporate governance report in the Company's 2012/13 annual report.

REMUNERATION COMMITTEE

The remuneration committee was established in March 2006. The chairman of the committee is Mr. Hu Tiejun, an independent non-executive Director, and other members include Mr. Leung Kwok Keung and Mr. Ma Yuanguang, the majority of members being independent non-executive Directors.

The role and function of the remuneration committee included the determination with delegated responsibility of the specific remuneration packages of or making of recommendations to the Board on the remuneration packages of all executive Directors and senior management, including benefits in kind, pension rights and compensation payments, including any compensation payable for loss or termination of their office or appointment, and make recommendations to the Board of the remuneration of non-executive Directors. The remuneration committee should consider factors including salaries paid by comparable companies, time commitment and responsibilities of the Directors and employment conditions elsewhere in the group. The committee's authority and duties are set out in written terms of reference and are posted on the websites of the Company and the Stock Exchange.

During the period under review, a meeting of the remuneration committee was held on 27 March 2012. Details of the attendance of the remuneration committee meeting are as follows:

Members	**Attendance**
Mr. Hu Tiejun *(Chairman)*	1/1
Mr. Leung Kwok Keung	1/1
Mr. Ma Yuanguang	1/1

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

NOMINATION COMMITTEE

The nomination committee was established in March 2012. Prior to its establishment, the role and function of the nomination committee was performed by the Board.

The nomination committee comprises three members, namely, Mr. Ma Yuanguang, the chairman of the Board and an executive Director, and two independent non-executive Directors, namely, Mr. Hu Tiejun and Mr. Leung Kwok Keung. The chairman of the committee is Mr. Hu Tiejun. The majority of the members of the nomination committee are independent non-executive Directors.

The role and function of the nomination committee are to review the structure, size and composition (including the skills, knowledge and experience) of the Board at least annually and make recommendations on any proposed changes to the Board to complement the Company's corporate strategy, to identify individuals suitably qualified to become members of the Board and select or make recommendations to the Board on the selection of individuals nominated for directorships, to assess the independence of independent non-executive Directors and to make recommendations to the Board on the appointment or re-appointment of Directors and succession planning for Directors, in particular the chairman of the Board and the chief executive. The re-election of each of those independent non-executive Directors who has served on the Board for more than 9 years is subject to (1) a separate resolution to be approved by shareholders of the Company at the relevant annual general meeting; and (2) further information being given to shareholders of the Company together with the notice of meeting regarding the reasons why the Board believes the relevant Director is still independent and should be re-elected. The committee's authority and duties are set out in written terms of reference and are posted on the websites of the Company and the Stock Exchange.

A meeting of the nomination committee was held on 22 June 2012. Details of the attendance of the nomination committee meeting are as follows:

Members	Attendance
Mr. Hu Tiejun *(Chairman)*	1/1
Mr. Ma Yuanguang	1/1
Mr. Leung Kwok Keung	1/1

The nomination committee has considered and resolved that, in accordance with the Company's articles of association and subject to the proposed resolutions being passed at the forthcoming annual general meeting, Mr. Ma Yuanguang, Mr. Wing Kee Eng, Lee and Mr. Hu Tiejun will retire, and being eligible, will offer themselves for re-election at the forthcoming annual general meeting of the Company.

In accordance with Code Provision A.4.3 of the Corporate Governance Code, Mr. Hu Tiejun, an independent non-executive Directors, has served for more than 9 years since November 2002, and his re-appointment shall be subject to separate resolution to be approved by shareholders of the Company at the 2012 annual general meeting.

The nomination committee has assessed the independence of the independent non-executive Directors and considered the independent non-executive Directors to be independent under Rule 5.09 of the GEM Listing Rules.

AUDITORS' REMUNERATION

The audit committee of the Company is responsible for considering the appointment of the external auditor and reviewing any non-audit functions performed by the external auditor, including whether such non-audit functions could lead to any potential material adverse effect on the Company. During the year under review, the Company has paid an aggregate of approximately HK$338,000 to the external auditors for its audit services.

AUDIT COMMITTEE

The Company established an audit committee (the "Audit Committee") with written terms of reference in compliance with the GEM Listing Rules. The primary duties of the Audit Committee are to review and supervise the financial reporting process and internal controls system of the Group. The Audit Committee comprises three members, Mr. Hu Tiejun, Mr. Lu Ting Jie and Mr. Leung Kwok Keung. All of them are independent non-executive Directors. The chairman of the Audit Committee is Mr. Hu Tiejun.

The Group's annual audited results during the year ended 31 March 2012 have been reviewed by the Audit Committee, which was of the opinion that the preparation of such results complied with the applicable accounting standards and requirements and that adequate disclosure have been made.

The audit committee held 4 meetings during the year under review. Details of the attendance of the audit committee meetings are as follows:

Members	Attendance
Mr. Hu Tiejun *(Chairman)*	4/4
Professor Lu Ting Jie	4/4
Mr. Leung Kwok Keung	4/4

The Group's annual audited results during the year ended 31 March 2012 have been reviewed by the audit committee, which was of the opinion that the preparation of such results complied with the applicable accounting standards and requirements and that adequate disclosure have been made.

CORPORATE GOVERNANCE FUNCTION

The Company's corporate governance function is carried out by the Board pursuant to a set of written terms of reference adopted by the Board in compliance with Code Provision D.3.1 of the Corporate Governance Code, which include (a) to develop and review the Company's policies and practices on corporate governance and make recommendations to the Board; (b) to review and monitor the training and continuous professional development of the Directors and senior management; (c) to review and monitor the Company's policies and practices on compliance with legal and regulatory requirements; (d) to develop, review and monitor the code of conduct and compliance manual (if any) applicable to employees and the Directors; and (e) to review the Company's compliance with the Corporate Governance Code and disclosure in the corporate governance report. Details of the work of the Board in relation to the corporate governance function for the year ending 31 March 2013 will be disclosed in the corporate governance report in the Company's 2012/13 annual report.

DIRECTORS' AND AUDITORS RESPONSIBILITIES FOR ACCOUNTS

The Directors acknowledge their responsibility to prepare the Group's financial statement for each financial period to give a true and fair view of the state of affairs of the Group and of results and cash flows for that period. In preparing the financial statements for the year under review, the Board has selected appropriate accounting policies and applied them consistently, made judgments and estimates that are prudent, fair and reasonable and prepared the financial statements on a going concern basis. The Directors' responsibilities for the accounts and the responsibilities of the external auditors to the shareholders are set out in the Independent Auditor's Report on pages 27 to 28 of this report.

INTERNAL CONTROL

The Board has conducted a review of the system of internal control of the Group periodically to ensure the effective and adequate internal control system. The Board convened meeting periodically to discuss financial, operational and risk management control. The Directors are of the view that the existing system of internal control is effective and adequate to the Group.

SHAREHOLDERS' RIGHTS

I. Convene an extraordinary general meeting

Any one or more shareholders holding at the date of deposit of the requisition not less than one-tenth of the paid up capital of the Company carrying the right of voting at general meetings of the Company (the "Eligible Shareholder") shall at all times have the right, by written requisition to the Board or the company secretary of the Company, to require an extraordinary general meeting to be called by the Board for the transaction of any business specified in such requisition.

II. Send enquiries to the Board

Shareholders may send their enquiries and concerns to the Board by addressing them to the principal place of business of the Company in Hong Kong at Room 2102, Manley Commercial Building, 367-375 Queen's Road Central, Hong Kong by post for the attention of the company secretary of the Company. In addition, the Company's website provides fax number and telephone number by which enquiries may be put to the Board.

III. Make proposals at general meetings

Eligible Shareholder who wishes to convene an extraordinary general meeting must deposit a written requisition (the "Requisition") signed by the Eligible Shareholder concerned to the principal place of business of the Company in Hong Kong as set out in the paragraph above, for the attention of the company secretary of the Company.

The Requisition must state clearly the name of the Eligible Shareholder concerned, his shareholding, the reason to convene an extraordinary general meeting, the agenda proposed to be included as well as the details of the business proposed to be transacted in the extraordinary general meeting.

INVESTORS RELATIONS

The Company disclosed all necessary information to the shareholders in compliance with GEM Listing Rules. Meeting with media and investors periodically. The Company also replied the enquires from shareholders timely. The Directors host the annual general meeting each year to meet the shareholders and answer to their enquiries.

Crowe Horwath™

國富浩華(香港)會計師事務所有限公司
Crowe Horwath (HK) CPA Limited
Member Crowe Horwath International

34/F The Lee Gardens,
33 Hysan Avenue,
Causeway Bay, Hong Kong

TO THE SHAREHOLDERS OF
GLOBAL LINK COMMUNICATIONS HOLDINGS LIMITED
(Incorporated in the Cayman Islands with limited liability)

We have audited the consolidated financial statements of Global Link Communications Holdings Limited ("the Company") and its subsidiaries (together "the Group") set out on pages 29 to 83, which comprise the consolidated and company statements of financial position as at 31 March 2012, and the consolidated statement of comprehensive income, the consolidated statement of changes in equity and the consolidated statement of cash flows for the year then ended, and a summary of significant accounting policies and other explanatory information.

DIRECTORS' RESPONSIBILITY FOR THE CONSOLIDATED FINANCIAL STATEMENTS

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

AUDITOR'S RESPONSIBILITY

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

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

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

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

OPINION

In our opinion, the consolidated financial statements give a true and fair view of the state of affairs of the Company and of the Group as at 31 March 2012, and of the Group's profit and cash flows for the year then ended in accordance with Hong Kong Financial Reporting Standards and have been properly prepared in accordance with the disclosure requirements of the Hong Kong Companies Ordinance.

Crowe Horwath (HK) CPA Limited

Certified Public Accountants
Hong Kong, 22 June 2012

Lau Kwok Hung
Practising Certificate Number: P04169

CONSOLIDATED STATEMENT OF COMPREHENSIVE INCOME

FOR THE YEAR ENDED 31 MARCH 2012

	Note	2012 HK$'000	2011 HK$'000
Revenue	6	**79,357**	111,474
Cost of sales		**(55,096)**	(62,943)
Gross profit		**24,261**	48,531
Other revenue and net income	7	**7,667**	1,448
Selling expenses		**(8,143)**	(7,539)
Administrative expenses		**(12,058)**	(10,319)
Finance costs	9(a)	**(315)**	(141)
Profit before taxation	9	**11,412**	31,980
Income tax	10	**1,353**	(4,133)
Profit for the year		**12,765**	27,847
Other comprehensive income:			
Exchange differences on translating foreign operations		**3,411**	3,846
Total comprehensive income for the year		**16,176**	31,693
Profit attributable to:			
Equity shareholders of the Company		**13,373**	29,262
Non-controlling interests		**(608)**	(1,415)
		12,765	27,847
Total comprehensive income attributable to:			
Equity shareholders of the Company		**16,796**	33,141
Non-controlling interests		**(620)**	(1,448)
		16,176	31,693
Earnings per share (in HK cents):			
– Basic	12	**1.40 cents**	3.25 cents
– Diluted	12	**1.39 cents**	3.23 cents

The notes on pages 34 to 83 form an integral part of these financial statements.

CONSOLIDATED STATEMENT OF FINANCIAL POSITION

AT 31 MARCH 2012

	Note	2012 HK$'000	2011 HK$'000
Non-current assets			
Property, plant and equipment	14	**2,893**	2,984
Deferred tax assets	15	**4,998**	–
		7,891	2,984
Current assets			
Inventories	17	**5,959**	8,251
Trade and other receivables	18	**86,380**	90,773
Deposits and prepayments	19	**15,061**	3,559
Cash and cash equivalents	20	**42,007**	44,418
		149,407	147,001
Current liabilities			
Interest-bearing borrowings – secured	21	**–**	10,925
Trade and other payables	22	**18,783**	19,513
Provision for taxation		**9,195**	6,504
		27,978	36,942
Net current assets		**121,429**	110,059
NET ASSETS		**129,320**	113,043
CAPITAL AND RESERVES			
Equity attributable to equity shareholders of the Company			
Share capital	23	**9,608**	9,580
Reserves		**122,179**	105,310
		131,787	114,890
Non-controlling interests		**(2,467)**	(1,847)
TOTAL EQUITY		**129,320**	113,043

Approved and authorised for issue by the board of directors on 22 June 2012.

Ma Yuanguang
Director

Hu Zhi Jian
Director

The notes on pages 34 to 83 form an integral part of these financial statements.

STATEMENT OF FINANCIAL POSITION

AT 31 MARCH 2012

	Note	2012 HK$'000	2011 HK$'000
Non-current assets			
Investments in subsidiaries	16	**411**	411
Current assets			
Other receivables	18	**42,956**	43,861
Deposits and prepayments	19	**203**	203
		43,159	44,064
Current liabilities			
Other payables	22	**688**	610
		688	610
Net current assets		**42,471**	43,454
NET ASSETS		**42,882**	43,865
CAPITAL AND RESERVES			
Share capital	23	**9,608**	9,580
Reserves	23	**33,274**	34,285
TOTAL EQUITY		**42,882**	43,865

Approved and authorised for issue by the board of directors on 22 June 2012.

Ma Yuanguang
Director

Hu Zhi Jian
Director

The notes on pages 34 to 83 form an integral part of these financial statements.

CONSOLIDATED STATEMENT OF CHANGES IN EQUITY

FOR THE YEAR ENDED 31 MARCH 2012

	Attributable to equity shareholders of the Company								Non-controlling interests	Total equity
	Share capital	Share premium	Merger reserve	Exchange reserve	Share option reserve	Retained profits	Statutory reserves	Total		
	HK$'000	*HK$'000*	*HK$'000*	*HK$'000*	*HK$'000*	*HK$'000*	*HK$'000*	*HK$'000*	*HK$'000*	*HK$'000*
At 1 April 2010	7,775	25,498	2,135	1,979	1,195	2,559	5,649	46,790	(399)	46,391
Profit for the year	–	–	–	–	–	29,262	–	29,262	(1,415)	27,847
Other comprehensive income										
Exchange differences on translating foreign operations	–	–	–	3,879	–	–	–	3,879	(33)	3,846
Total comprehensive income for the year	–	–	–	3,879	–	29,262	–	33,141	(1,448)	31,693
Issuance of shares by placing	1,550	34,100	–	–	–	–	–	35,650	–	35,650
Issuance of shares by exercising of share options	255	664	–	–	–	–	–	919	–	919
Issuing expenses in connection with placing	–	(1,610)	–	–	–	–	–	(1,610)	–	(1,610)
At 31 March 2011	9,580	58,652(#)	2,135(#)	5,858(#)	1,195(#)	31,821(#)	5,649(#)	114,890	(1,847)	113,043
At 1 April 2011	9,580	58,652	2,135	5,858	1,195	31,821	5,649	114,890	(1,847)	113,043
Profit for the year	–	–	–	–	–	13,373	–	13,373	(608)	12,765
Other comprehensive income										
Exchange differences on translating foreign operations	–	–	–	3,423	–	–	–	3,423	(12)	3,411
Total comprehensive income for the year	–	–	–	3,423	–	13,373	–	16,796	(620)	16,176
Transfer to reserve	–	–	–	–	–	(2,910)	2,910	–	–	–
Issuance of shares by exercising of share options	28	73	–	–	–	–	–	101	–	101
At 31 March 2012	**9,608**	**58,725(#)**	**2,135(#)**	**9,281(#)**	**1,195(#)**	**42,284(#)**	**8,559(#)**	**131,787**	**(2,467)**	**129,320**

(#) These accounts comprise the consolidated reserves of approximately HK$122,179,000 (2011: HK$105,310,000) in the consolidated statement of financial position.

The notes on pages 34 to 83 form an integral part of these financial statements.

CONSOLIDATED STATEMENT OF CASH FLOWS

FOR THE YEAR ENDED 31 MARCH 2012

	Note	2012 HK$'000	2011 HK$'000
Operating activities			
Profit before tax		**11,412**	31,980
Adjustments for:			
Depreciation	9(c)	**1,029**	751
Interest expenses	9(a)	**315**	141
Loss on disposal of property, plant and equipment	9(c)	**5**	142
Write-back of trade payables	7(a)	**(2,343)**	–
Allowance for doubtful debts	9(c)	**2,490**	1,187
Bank interest income	7(a)	**(410)**	(170)
Operating cash flows before changes in working capital		**12,498**	34,031
Decrease/(increase) in inventories		**2,598**	(8,251)
Decrease/(increase) in trade and other receivables		**5,445**	(36,889)
(Increase) in deposits and prepayments		**(11,380)**	(1,581)
Increase/(decrease) in trade and other payables		**739**	(4,061)
Cash generated from/(used in) operations		**9,900**	(16,751)
PRC enterprise income taxes paid		**(1,225)**	(1,940)
Net cash generated from/(used in) operating activities		**8,675**	(18,691)
Investing activities			
Payment for purchase of property, plant and equipment		**(925)**	(1,441)
Proceeds from disposals of property, plant and equipment		**62**	–
Interest paid		**(315)**	(141)
Bank interest received		**410**	170
Net cash (used in) investing activities		**(768)**	(1,412)
Financing activities			
Proceeds from share issued under placing		**–**	34,040
Proceeds from share issued under share option schemes		**101**	919
Proceeds from new bank loans		**9,480**	19,020
Repayment of bank loans		**(20,809)**	(8,095)
Net cash (used in)/generated from financing activities		**(11,228)**	45,884
Net (decrease)/increase in cash and cash equivalents		**(3,321)**	25,781
Cash and cash equivalents at the beginning of the year		**44,418**	16,966
Effect of foreign exchange rate changes		**910**	1,671
Cash and cash equivalents at the end of the year		**42,007**	44,418
Analysis of the balances of cash and cash equivalents:			
Cash and cash equivalents	20	**42,007**	44,418

The notes on pages 34 to 83 form an integral part of these financial statements.

1. GENERAL INFORMATION

The Company was incorporated in the Cayman Islands as an exempted company with limited liability under the Companies Law of the Cayman Islands. The address of its registered office is Cricket Square, Hutchins Drive, P. O. Box 2681, Grand Cayman KY1-1111, Cayman Islands. The address of its principal place of business is 6-7F., No. 1037, Gaopu Road, Tianhe District, Guangzhou City, Guangdong Province, the People's Republic of China. The Company's shares are listed on the Growth Enterprise Market of The Stock Exchange of Hong Kong Limited.

The Company is an investment holding company. The principal activities of its subsidiaries are set out in note 16 to the financial statements.

2. APPLICATION OF NEW AND REVISED HONG KONG FINANCIAL REPORTING STANDARDS ("HKFRSs")

In the current year, the Group has applied the following new and revised Hong Kong Financial Reporting Standards ("HKFRSs") issued by the Hong Kong Institute of Certified Public Accountants ("HKICPA").

Amendments to HKFRSs	Improvements to HKFRSs issued in 2010
HKAS 24 (as revised in 2009)	Related Party Disclosures
Amendments to HK(IFRIC) – Int 14	Prepayments of a Minimum Funding Requirement
HK(IFRIC) – Int 19	Extinguishing Financial Liabilities with Equity Instruments

Except as described below, the application of the new and revised HKFRSs in the current year has had no material effect on the Group's financial performance and positions for the current and prior accounting periods and/or on the disclosures set out in these financial statements.

Improvements to HKFRSs issued in 2010

Improvements to HKFRSs issued in 2010 omnibus standard introduces a number of amendments to the disclosure requirements in HKFRS 7 Financial instruments: Disclosures. The disclosures about the Group's and the Company's financial instruments in note 5 have been conformed to the amended disclosure requirements. These amendments do not have any material impact on the classification, recognition and measurements of the amounts recognised in the financial statements in the current and previous periods.

HKAS 24 Related Party Disclosures (as revised in 2009)

HKAS 24 (as revised in 2009) has been revised on the following two aspects: (a) HKAS 24 (as revised in 2009) has changed the definition of a related party and (b) HKAS 24 (as revised in 2009) introduces a partial exemption from the disclosure requirements for government-related entities.

The Company and its subsidiaries are not government-related entities. The accounting policy for related parties has been revised to reflect the changes in the definitions of related parties under the revised standard. The adoption of the revised standard did not have any impact on the financial position or performance of the Group.

The Group has not applied any new and revised standard or interpretation that have been issued but are not yet effective for the current accounting period (see note 29).

3. SIGNIFICANT ACCOUNTING POLICIES

a) Statement of compliance

These financial statements have been prepared in accordance with all applicable Hong Kong Financial Reporting Standards ("HKFRSs"), which collective term includes all applicable individual Hong Kong Financial Reporting Standards, Hong Kong Accounting Standards ("HKASs") and Interpretations issued by the Hong Kong Institute of Certified Public Accountants ("HKICPA"), accounting principles generally accepted in Hong Kong and the disclosure requirements of the Hong Kong Companies Ordinance. These financial statements also comply with the applicable disclosure provisions of the Rules Governing the Listing of Securities on the Growth Enterprise Market of The Stock Exchange of Hong Kong Limited. A summary of the significant accounting policies adopted by the Group is set out below.

The HKICPA has issued certain new and revised HKFRSs which are first effective or available for early adoption for the current accounting period of the Group and the Company. Note 2 provides information on any changes in accounting policies resulting from initial application of these developments to the extent that they are relevant to the Group for the current and prior accounting periods reflected in these financial statements.

b) Basis of preparation of the financial statements

The consolidated financial statements for the year ended 31 March 2012 comprise the Company and its subsidiaries (together referred as the "Group").

Items included in the financial statements of each entity in the Group are measured using the currency that best reflects the economic substance of the underlying events and circumstances relevant to the entity. These financial statements are presented in Hong Kong dollars ("HK$"), rounded to the nearest thousand unless otherwise indicated. Hong Kong dollar is the Company's functional and the Group's presentation currency.

The measurement basis used in the preparation of the financial statements is the historical cost basis.

The preparation of financial statements in conformity with HKFRSs requires management to make judgements, estimates and assumptions that affect the application of policies and reported amounts of assets, liabilities, income and expenses. The estimates and associated assumptions are based on historical experience and various other factors believed to be reasonable under the circumstances, the results of which form the basis of making the judgements about carrying amounts of assets and liabilities not readily apparent from other sources. Actual results may differ from these estimates.

The estimates and underlying assumptions are reviewed on an ongoing basis. Revisions to accounting estimates are recognised in the period in which the estimate is revised if the revision affects only that period, or in the period of the revision and future periods if the revision affects both current and future periods.

3. SIGNIFICANT ACCOUNTING POLICIES *(continued)*

b) Basis of preparation of the financial statements *(continued)*

Judgements made by management in the application of HKFRSs that have significant effect on the financial statements and estimates with a significant risk of material adjustment in the next year are discussed in note 4.

c) Translation of foreign currencies

Foreign currency transactions during the year are translated at the foreign exchange rates ruling at the transaction dates. Monetary assets and liabilities denominated in foreign currencies are translated at the foreign exchange rates ruling at the end of the reporting period. Exchange gains and losses are recognised in profit or loss.

Non-monetary assets and liabilities measured in terms of historical cost in a foreign currency are translated using the foreign exchange rates ruling at the transaction dates. Non-monetary assets and liabilities denominated in foreign currencies stated at fair value are translated using the foreign exchange rates ruling at the dates the fair value was determined.

The results of foreign operations are translated into Hong Kong dollars at the exchange rates approximating the foreign exchange rates ruling at the dates of the transactions. Statement of financial position items are translated into Hong Kong dollars at the closing foreign exchange rates ruling at the end of the reporting period. The resulting exchange differences are recognised in other comprehensive income and accumulated separately in equity in the exchange reserve.

On the disposal of a foreign operation (i.e. a disposal of the Group's entire interest in a foreign operation, or a disposal involving loss of control over a subsidiary that includes a foreign operation, or a disposal involving loss of significant influence over an associate that includes a foreign operation), all of the exchange differences accumulated in equity in respect of that operation attributable to the equity shareholders of the Company are reclassified to profit or loss.

d) Subsidiaries and non-controlling interests

Subsidiaries are entities controlled by the Group. Control exists when the Group has the power to govern the financial and operating policies of an entity so as to obtain benefits from its activities. In assessing control, potential voting rights that presently are exercisable are taken into account.

An investment in a subsidiary is consolidated into the consolidated financial statements from the date that control commences until the date that control ceases. Intra-group balances and transactions and any unrealised profits arising from intra-group transactions are eliminated in full in preparing the consolidated financial statements. Unrealised losses resulting from intra-group transactions are eliminated in the same way as unrealised gains but only to the extent that there is no evidence of impairment.

Non-controlling interests represent the equity in a subsidiary not attributable directly or indirectly to the Company, and in respect of which the Group has not agreed any additional terms with the holders of those interests which would result in the Group as a whole having a contractual obligation in respect of those interests that meets the definition of a financial liability.

3. SIGNIFICANT ACCOUNTING POLICIES *(continued)*

d) Subsidiaries and non-controlling interests *(continued)*

Non-controlling interests are presented in the consolidated statement of financial position within equity, separately from equity attributable to the equity shareholders of the Company. Non-controlling interests in the results of the Group are presented on the face of the consolidated statement of comprehensive income as an allocation of the total profit or loss and total comprehensive income for the year between non-controlling interests and the equity shareholders of the Company. Total comprehensive income of subsidiaries is attributed to the equity shareholders of the Company and to the non-controlling interests even if this results in the non-controlling interests having a deficit balance (effective from 1 January 2010 onwards). Loans from holders of non-controlling interests and other contractual obligations towards these holders are presented as financial liabilities in the consolidated statement of financial position.

In the Company's statement of financial position, an investment in a subsidiary is stated at cost less impairment losses (see note 3(s)).

e) Property, plant and equipment

All property, plant and equipment are stated in the consolidated statement of financial position at historical cost less accumulated depreciation and impairment losses (see note 3(s)).

Historical cost includes expenditure that is directly attributable to the acquisition of the items.

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

Depreciation is recognised so as to write off the cost of assets less their residual values over their useful lives, using the straight-line method. The estimated useful lives, residual values and depreciation method are reviewed at the end of each reporting period, with the effect of any changes in estimate accounted for on a prospective basis.

Furniture and fixtures	6 – 10 years
Office equipment	5 – 10 years
Leasehold improvements	3 years
Tools and equipment	5 years
Motor vehicles	5 years

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

An item of property, plant and equipment is derecognised upon disposal or when no future economic benefits are expected to arise from the continued use of the asset. Any gain or loss arising on the disposal or retirement of an item of property, plant and equipment is determined as the difference between the net proceeds on disposal and the carrying amount of the asset and is recognised in profit or loss on the date of retirement or disposal.

3. SIGNIFICANT ACCOUNTING POLICIES *(continued)*

f) Leased assets

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

i) Classification of assets leased to the Group

Assets held by the Group under leases which transfer to the Group substantially all the risks and rewards of ownership are classified as being held under finance leases. Leases which do not transfer substantially all the risks and rewards of ownership to the Group are classified as operating leases, with the following exceptions:

– property held under operating leases that would otherwise meet the definition of an investment property is classified as an investment property on a property-by-property basis and, if classified as investment property, is accounted for as if held under a finance lease; and

– land held for own use under an operating lease, the fair value of which cannot be measured separately from the fair value of a building situated thereon at the inception of the lease, is accounted for as being held under a finance lease, unless the building is also clearly held under an operating lease. For these purposes, the inception of the lease is the time that the lease was first entered into by the Group, or taken over from the previous lessee.

ii) Operating leases charges

Where the Group has the use of assets under operating leases, payments made under the leases are charged to profit or loss in equal instalments over the accounting periods covered by the lease term, except where an alternative basis is more representative of the pattern of benefits to be derived from the leased asset. Lease incentives received are recognised in profit or loss as an integral part of the aggregate net lease payments made. Contingent rentals are charged as expenses in the accounting period in which they are incurred.

g) Inventories

Inventories are carried at the lower of cost and net realisable value.

Cost is determined on a first-in-first-out basis and comprises all costs of purchase, costs of conversion and other costs incurred in bringing the inventories to their present location and condition.

Net realisable value is the estimated selling price in the ordinary course of business less the estimated costs of completion and the estimated costs necessary to make the sale.

3. SIGNIFICANT ACCOUNTING POLICIES *(continued)*

g) Inventories *(continued)*

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

h) Trade and other receivables

Trade and other receivables are initially recognised at fair value and thereafter stated at amortised cost using the effective interest method, less allowance for impairment of doubtful debts, except where the receivables are interest-free loans made to related parties without any fixed repayment terms or the effect of discounting would be immaterial. In such cases, the receivables are stated at cost less allowance for impairment of doubtful debts (see note 3(s)).

i) Cash and cash equivalents

Cash and cash equivalents comprise cash at bank and on hand, demand deposits with banks and other financial institutions, and short-term, highly liquid investments readily convertible into known amounts of cash and which are subject to an insignificant risk of changes in value, having been within three months of maturity at acquisition.

j) Interest-bearing borrowings

Interest-bearing borrowings are recognised initially at fair value less attributable transaction costs. Subsequent to initial recognition, interest-bearing borrowings are stated at amortised cost with any difference between the amount initially recognised and redemption value being recognised in profit or loss over the period of the borrowings, together with any interest and fees payable, using the effective interest method.

k) Trade and other payables

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

3. SIGNIFICANT ACCOUNTING POLICIES *(continued)*

l) Revenue recognition

Revenue is measured at the fair value of the consideration received or receivable. Provided it is probable that the economic benefits will flow to the Group and the revenue and costs, if applicable, can be measured reliably, revenue is recognised in profit or loss as follows:

i) Supply, development and integration of message communication system, passenger information management system and electricity monitoring system

Revenue from the supply, development and integration of message communication system, passenger information management system and electricity monitoring system are recognised when the merchandise is delivered and the related development and integration services are completed.

ii) Interest income

Interest income is recognised as it accrues using the effective interest method.

m) Employee benefits

i) Short term employee benefits

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

ii) Employment Ordinance long service payments

Certain of the Group's employees have completed the required number of years of service to the Group in order to be eligible for long service payments under the Hong Kong Employment Ordinance (the "Employment Ordinance") in the event of the termination of their employment. The Group is liable to make such payments in the event that such a termination of employment meets the circumstances specified in the Employment Ordinance.

iii) Pension schemes

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

The employees of the Group's subsidiaries which operate in PRC are required to participate in a central pension scheme operated by the local municipal government. The contributions are charged to profit or loss as they become payable in accordance with the rules of the central pension scheme.

3. SIGNIFICANT ACCOUNTING POLICIES *(continued)*

m) Employee benefits *(continued)*

iv) *Share-based payments*

The fair value of share options granted to employees is recognised as an employee cost with a corresponding increase in share option reserve within equity. The fair value is measured at grant date using the Black-Scholes Option Pricing Model, taking into account the terms and conditions upon which the options were granted. Where the employees have to meet vesting conditions before becoming unconditionally entitled to the share options, the total estimated fair value of the share options is spread over the vesting period, taking into account the probability that the options will vest.

During the vesting period, the number of share options expected to vest is reviewed. Any resulting adjustment to the cumulative fair value recognised in prior years is charged/credited to the profit or loss for the year under review, unless the original employee expenses qualify for recognition as an asset, with a corresponding adjustment to the share option reserve. On vesting date, the amount recognised as an expense is adjusted to reflect the actual number of share options that vest (with a corresponding adjustment to the share option reserve) except where forfeiture is only due to not achieving vesting conditions that relate to the market price of the Company's shares. The equity amount is recognised in the share option reserve until either the option is exercised (when it is transferred to the share premium account) or the option expires (when it is released directly to retained profits).

v) *Termination benefits*

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

n) Borrowing costs

Borrowing costs that are directly attributable to the acquisition, construction or production of an asset which necessarily takes a substantial period of time to get ready for its intended use or sale are capitalised as part of the cost of that asset. Other borrowing costs are expensed in the period in which they are incurred.

The capitalisation of borrowing costs as part of the cost of a qualifying asset commences when expenditure for the asset is being incurred, borrowing costs are being incurred and activities that are necessary to prepare the asset for its intended use or sale are in progress. Capitalisation of borrowing costs is suspended or ceases when substantially all the activities necessary to prepare the qualifying asset for its intended use or sale are interrupted or complete.

3. SIGNIFICANT ACCOUNTING POLICIES *(continued)*

o) Income tax

Income tax expense represents the sum of the tax currently payable and deferred tax.

The tax currently payable is based on taxable profit for the year. Taxable profit differs from profit as reported in the consolidated statement of comprehensive income because it excludes items of income or expense that are taxable or deductible in other years and it further excludes items that are never taxable or deductible. The Group's liability for current tax is calculated using tax rates that have been enacted or substantively enacted by the end of the reporting period. Deferred tax assets and liabilities are not discounted.

Deferred tax is recognised on temporary differences between the carrying amounts of assets and liabilities in the financial statements and the corresponding tax bases used in the computation of taxable profit. Deferred tax liabilities are generally recognised for all taxable temporary differences and deferred tax assets are recognised to the extent that it is probable that taxable profits will be available against which deductible temporary differences can be utilised. Such deferred tax 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, 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.

Deferred tax assets arising from deductible temporary differences associated with such investments are only recognised to the extent that it is probable that there will be sufficient taxable profits against which to utilise the benefits of the temporary differences and they are expected to 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 assets and liabilities are measured at the tax rates that are expected to apply in the period in which the liability is settled or the asset is realised, based on tax rates (and tax laws) that have been enacted or substantively enacted by the end of the reporting period. The measurement of deferred tax liabilities and assets reflects the tax consequences that would follow from the manner in which the Group expects, at the end of the reporting period, to recover or settled the carrying amount of its assets and liabilities. Current or deferred tax is charged or credited to in profit or loss, except when it relates to items recognised in other comprehensive income or directly in equity, in which case the relevant amounts of tax are recognised in other comprehensive income or directly in equity, respectively.

3. SIGNIFICANT ACCOUNTING POLICIES *(continued)*

o) Income tax *(continued)*

Current tax balances and deferred tax balances, and movements therein, are presented separately from each other and are not offset. Current tax assets are offset against current tax liabilities, and deferred tax assets against deferred tax liabilities, if the Company or the Group has the legally enforceable right to set off current tax assets against current tax liabilities and the following additional conditions are met:

– in the case of current tax assets and liabilities, the Company or the Group intends either to settle on a net basis, or to realise the asset and settle the liability simultaneously; or

– in the case of deferred tax assets and liabilities, if they relate to income taxes levied by the same taxation authority on either:

  – the same taxation entity; or

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

p) Provisions and contingent liabilities

Provisions are recognised for liabilities of uncertain timing or amount when the Group or the Company has a present legal or constructive obligation arising as a result of 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 of economic benefits 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 of economic benefits is remote.

q) Segment reporting

Operating segments, and the amounts of each segment item reported in the financial statements, are identified from the financial information provided regularly to the board of directors of the Company for the purposes of allocating resources to, and assessing the performance of the Group by geographical locations.

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

3. SIGNIFICANT ACCOUNTING POLICIES *(continued)*

r) Related parties

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

i) has control or joint control over the Group;

ii) has significant influence over the Group; or

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

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

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

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

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

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

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

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

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

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

3. SIGNIFICANT ACCOUNTING POLICIES *(continued)*

s) Impairment of assets

i) *Impairment of trade and other receivables*

Current receivables that are stated at cost or amortised cost are reviewed at the end of each reporting period to determine whether there is objective evidence of impairment. Objective evidence of impairment includes observable data that comes to the attention of the Group about one or more of the following loss events:

– significant financial difficulty of the debtor;

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

– it becoming probable that the debtor will enter bankruptcy or other financial reorganisation; and

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

If any such evidence exists, any impairment loss is determined and recognised as follows:

– For trade receivables and other financial assets carried at amortised cost, impairment loss is measured as the difference between the asset's carrying amount and the present value of estimated future cash flows, discounted at the financial asset's original effective interest rate (i.e. the effective interest rate computed at initial recognition of these assets), where the effect of discounting is material. This assessment is made collectively where these financial assets share similar risk characteristics, such as similar past due status, and have not been individually assessed as impaired. Future cash flows for financial assets which are assessed for impairment collectively are based on historical loss experience for assets with credit risk characteristics similar to the collective group.

  If in a subsequent period the amount of an impairment loss decreases and the decrease can be linked objectively to an event occurring after the impairment loss was recognised, the impairment loss is reversed through profit or loss. A reversal of an impairment loss shall not result in the asset's carrying amount exceeding that which would have been determined had no impairment loss been recognised in prior years.

3. SIGNIFICANT ACCOUNTING POLICIES *(continued)*

s) Impairment of assets *(continued)*

i) *Impairment of trade and other receivables (continued)*

– Impairment losses are written off against the corresponding assets directly, except for impairment losses recognised in respect of trade debtors included within trade and other receivables, whose recovery is considered doubtful but not remote. In this case, the impairment losses for doubtful debts are recorded using an allowance account. When the Group is satisfied that recovery is remote, the amount considered irrecoverable is written off against trade debtors directly and any amounts held in the allowance account relating to that debt are reversed. Subsequent recoveries of amounts previously charged to the allowance account are reversed against the allowance account. Other changes in the allowance account and subsequent recoveries of amounts previously written off directly are recognised in profit or loss.

ii) *Impairment of other assets*

Internal and external sources of information are reviewed at the end of each reporting period to identify indications that the following assets may be impaired, an impairment loss previously recognised no longer exists or may have decreased:

– property, plant and equipment; and

– investments in subsidiaries

If any such indication exists, the asset's recoverable amount is estimated.

– Calculation of recoverable amount

The recoverable amount of an asset is the higher of its fair value less costs to sell and its value in use. In assessing value in use, the estimated future cash flows are discounted to their present value using a pre-tax discount rate that reflects current market assessments of time value of money and the risks specific to the asset. Where an asset does not generate cash inflows largely independent of those from other assets, the recoverable amount is determined for the smallest group of assets that generates cash inflows independently (i.e. a cash-generating unit).

– Recognition of impairment losses

An impairment loss is recognised in profit or loss whenever the carrying amount of an asset, or the cash-generating unit to which it belongs, exceeds its recoverable amount. Impairment losses recognised in respect of cash-generating units are allocated first to reduce the carrying amount of any goodwill allocated to the cash-generating unit (or group of units) and then, to reduce the carrying amount of the other assets in the unit (or group of units) on a pro rata basis, except that the carrying amount of an asset will not be reduced below its individual fair value less costs to sell, or value in use, if determinable.

3. SIGNIFICANT ACCOUNTING POLICIES *(continued)*

s) Impairment of assets *(continued)*

ii) Impairment of other assets (continued)

– Reversals of impairment losses

In respect of assets other than goodwill, an impairment loss is reversed if there has been a favourable change in the estimates used to determine the recoverable amount. An impairment loss in respect of goodwill is not reversed.

A reversal of an impairment loss is limited to the asset's carrying amount that would have been determined had no impairment loss been recognised in prior years. Reversals of impairment losses are credited to profit or loss in the year in which the reversals are recognised.

t) Research and development expenditures

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

An internally-generated intangible asset arising from development (or from the development phase of an internal project) is recognised if, and only if, all of the following have been demonstrated:

– the technical feasibility of completing the intangible asset so that it will be available for use or sale;

– the intention to complete the intangible asset and use or sell it;

– the ability to use or sell the intangible asset;

– how the intangible asset will generate probable future economic benefits;

– the availability of adequate technical, financial and other resources to complete the development and to use or sell the intangible asset; and

– the ability to measure reliably the expenditure attributable to the intangible asset during its development.

The amount initially recognised for internally-generated intangible assets is the sum of the expenditure incurred from the date when the intangible asset first meets the recognition criteria listed above. Where no internally-generated intangible asset can be recognised, development expenditure is recognised in profit or loss in the period in which it is incurred.

Subsequent to initial recognition, internally-generated intangible assets are reported at cost less accumulated amortisation and accumulated impairment losses (see note 3(s)), on the same basis as intangible assets that are acquired separately.

4. ACCOUNTING ESTIMATES AND JUDGEMENTS

a) Key sources of estimation uncertainty

In the process of applying the Group's accounting policies which are described in note 3, management has made certain key assumptions concerning the future, and other key sources of estimated uncertainty at the end of the reporting period, that may have a significant risk of causing a material adjustment to the carrying amounts of assets and liabilities within the next financial year, as discussed below.

i) *Impairment of property, plant and equipment*

If circumstances indicate that the carrying amounts of property, plant and equipment may not be recoverable, the asset may be considered "impaired", and an impairment loss is recognised in accordance with the accounting policy for impairment of property, plant and equipment as described in note 3(s). The carrying amounts of property, plant and equipment are reviewed periodically in order to assess whether the recoverable amounts have declined below the carrying amounts. These assets are tested for impairment whenever events or changes in circumstances indicate that their recorded carrying amounts may not be recoverable. When such a decline has occurred, the carrying amount is reduced to the recoverable amount. The recoverable amount is the higher of the fair value less costs to sell and its value in use.

In assessing value in use, expected cash flows generated by the asset are discounted to their present value using a pre-tax discount rate that reflects current market assessments of the time value of money and the risks specific to the assets, which requires significant judgement relating to level of revenue and the amount of operating costs and discount rates. The Group uses all readily available information in determining an amount that is a reasonable approximation of the recoverable amount, including estimates based on reasonable and supportable assumptions and projections of revenue and the amount of operating costs. Changes in these estimates could have a significant impact on the carrying amounts of the assets and could result in additional impairment charge or reversal of impairment in future periods.

ii) *Impairment of receivables*

The Group maintains allowance for doubtful debts based on evaluation of the recoverability of the trade and other receivables, where applicable, at the end of each reporting period. The estimates are based on the ageing of the trade and other receivables balances and the historical write-off experience, net of recoveries. If the financial condition of the debtors were to deteriorate, additional impairment allowance might be required.

iii) *Useful lives of property, plant and equipment and depreciation*

Depreciation is calculated to write off the cost of property, plant and equipment, less their estimated residual value, if any, using the straight-line method over their estimated useful lives. The Group reviews the estimated useful lives and residual values of the assets annually in order to determine the amount of depreciation expense to be recorded during any reporting period. The useful lives and residual values are based on the Group's historical experience with similar assets and taking into account anticipated technological changes. The depreciation expense for future periods is adjusted if there are significant changes from previous estimates.

4. ACCOUNTING ESTIMATES AND JUDGEMENTS *(continued)*

a) Key sources of estimation uncertainty *(continued)*

iv) Write down of inventories

The Group reviews the carrying amounts of the inventories at the end of each reporting period to determine whether the inventories are carried at the lower of cost and net realisable value in accordance with the accounting policy as set out in note 3(g). Management estimates the net realisable value based on current market situation and historical experience on similar inventories. Any change in the assumptions would increase or decrease the amount of inventories write down or the related reversals of write down made in prior years and affect the Group's net asset value.

v) Provision

A provision is recognised when a present obligation has arisen as a result of a past event and it is probable that a future outflow of resources will be required to settle the obligation, provided that a reliable estimate can be made of the amount of the obligation. Significant estimation is required in determining the amount of certain obligations. Where the final outcomes of these obligations are different from the amounts that were initially recognised, adjustments will be made according to the latest information available.

vi) Valuation of share options

The Black-Scholes Option Pricing Model was applied to estimate the fair value of share options granted by the Company. This pricing model requires the input of highly subjective assumptions, including the volatility of share price. The changes in input assumptions can materially affect the fair value estimate.

b) Critical accounting judgements in applying the Group's accounting policies

In the process of applying the Group's accounting policies, management has made the following judgements, apart from those involving estimates, which have the most significant effect on the amounts recognised in the financial statements:

i) Impairment of assets

The Group has to exercise judgements in determining whether an asset is impaired or the event previously causing the asset impairment no longer exists, particularly in assessing: (1) whether an event has occurred that may affect the asset value or such event affecting the asset value has not been in existence; (2) whether the carrying amount of an asset can be supported by the net present value of future cash flows which are estimated based upon the continued use of the asset or derecognition; and (3) the appropriate key assumptions to be applied in preparing cash flow projections including whether these cash flow projections are discounted using an appropriate rate. Changing the assumptions selected by management to determine the level of impairment, including the discount rates or the growth rate assumptions in the cash flow projections, could materially affect the net present value used in the impairment test.

4. ACCOUNTING ESTIMATES AND JUDGEMENTS *(continued)*

b) Critical accounting judgements in applying the Group's accounting policies *(continued)*

ii) Income taxes

The Group is subject to income taxes in various jurisdictions. Significant judgement is required in determining the provision for income taxes. There are certain transactions and calculations for which the ultimate tax determination is uncertain during the ordinary course of business. The Group recognised liabilities for anticipated tax based on estimates of whether additional taxes will be due. Where the final tax outcome of these matters is different from the amounts that were initially recorded, such differences will impact the income tax and deferred tax provision in the period in which such determination is made.

Deferred tax assets are recognised for all unused tax losses and other deductible temporary differences to the extent that it is probable that taxable profit will be available against which the losses and other deductible temporary differences can be utilised. Significant management judgement is required to determine the amount of deferred tax assets that can be recognised, based upon the likely timing and level of future taxable profits together with future tax planning strategies.

5. FINANCIAL RISK MANAGEMENT AND FAIR VALUES

Financial assets

The Group

The Group has classified the following financial assets under the category of "loans and receivables":

	2012	2011
	HK$'000	*HK$'000*
Trade and other receivables	**86,380**	90,773
Deposits	**51**	–
Cash and cash equivalents	**42,007**	44,418
	128,438	135,191

The Company

The Company has classified the following financial assets under the category of "loans and receivables":

	2012	2011
	HK$'000	*HK$'000*
Amounts due from subsidiaries	**42,956**	43,861

5. FINANCIAL RISK MANAGEMENT AND FAIR VALUES *(continued)*

Financial liabilities

The Group

The Group has classified the following financial liabilities under the category of "financial liabilities at amortised cost":

	2012 HK$'000	2011 HK$'000
Interest-bearing borrowings – secured	–	10,925
Trade payables and other payables	18,682	19,494
	18,682	30,419

The Company

The Company has classified the following financial liabilities under the category of "financial liabilities at amortised cost":

	2012 HK$'000	2011 HK$'000
Other payables	688	610

Details of the financial instruments are disclosed in respective notes. The risks associated with these financial instruments include credit risk, liquidity risk, currency risk, interest rate risk. The policies on how to mitigate these risks are set out below. The management manages and monitors these exposures to ensure appropriate measures are implemented on a timely and effective manner.

a) Financial risk management objectives and policies

The directors of the Company have overall responsibility for the establishment and oversight of the Group's risk management framework. The board of directors periodically reviews the Group's exposure to market risk, including changes in interest rates and currency exchange rates. The Group aims to develop a disciplined and constructive control environment in which all employees understand their roles and obligations.

5. FINANCIAL RISK MANAGEMENT AND FAIR VALUES *(continued)*

b) Credit risk

i) The Group's and the Company's credit risk is primarily attributable to trade and other receivables.

ii) In respect of trade and other receivables, in order to minimise risk, the management has a credit policy in place and the exposures to these credit risks are monitored on an ongoing basis. Credit evaluations of its customers' financial position and condition are performed on each and every major customer periodically. These evaluations focus on the customer's past history of making payments when due and current ability to pay, and take into account information specific to the customer as well as pertaining to the economic environment in which the customer operates. The Group does not require collateral in respect of its financial assets. Debts are usually due within 90 days from the date of billing. For debtors with balances aged more than 90 days past due, further credit would not be granted until all outstanding balances are settled or have the discretion of the management to further extend the credit.

iii) In respect of trade receivables, the Group's exposure to credit risk is influenced mainly by the individual characteristics of each customer. The default risk of the industry and country in which customers operate also has an influence on credit risk. Concentrations of credit risk primarily arise when the Group has significant exposure to individual customers. At the end of the reporting period, 41% (2011: 56%) and 94% (2011: 83%) of the total trade receivables was due from the Group's largest customer and the five largest customers respectively.

iv) The Company's concentration of credit risk is on advances to subsidiaries. The management of the Company has closely monitored and reviewed the recoverability of the amounts and the directors of the Company consider such risk is considered manageable.

v) The credit risk on liquid funds is limited because the counterparties are banks with high credit ratings assigned by international credit-rating agencies.

Further quantitative disclosures in respect of the Group's exposure to credit risk arising from trade and other receivables are set out in note 18.

5. FINANCIAL RISK MANAGEMENT AND FAIR VALUES *(continued)*

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 Group relies on bank borrowings as a significant source of liquidity. As at 31 March 2012, the Group has available un-utilised banking facilities of approximately HK$12,346,000 (2011: HK$980,000), details of which are disclosed in note 21.

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

The Group

	2012				2011			
	Within 1 year or on demand	**More than 1 year**	**Total contractual undiscounted cash flow**	**Carrying amount at 31/3/2012**	Within 1 year or on demand	More than 1 year	Total contractual undiscounted cash flow	Carrying amount at 31/3/2011
	HK$'000	***HK$'000***	***HK$'000***	***HK$'000***	*HK$'000*	*HK$'000*	*HK$'000*	*HK$'000*
Interest-bearing borrowings – secured	**-**	**-**	**-**	**-**	11,089	–	11,089	10,925
Trade and other payables	**18,682**	**-**	**18,682**	**18,682**	19,494	–	19,494	19,494
	18,682	**-**	**18,682**	**18,682**	30,583	–	30,583	30,419

The Company

	2012				2011			
	Within 1 year or on demand	**More than 1 year**	**Total contractual undiscounted cash flow**	**Carrying amount at 31/3/2012**	Within 1 year or on demand	More than 1 year	Total contractual undiscounted cash flow	Carrying amount at 31/3/2011
	HK$'000	***HK$'000***	***HK$'000***	***HK$'000***	*HK$'000*	*HK$'000*	*HK$'000*	*HK$'000*
Other payables	**688**	**-**	**688**	**688**	610	–	610	610

d) Interest rate risk

The Group is exposed to fair value interest rate risk in relation to fixed-rate bank borrowings (for details of these borrowings (see note 21)) and cash flow interest rate risk in relation to variable rate bank balances and deposits. The management monitors interest rate exposure and will consider to repay the fixed-rate borrowings when significant interest rate exposure is anticipated. The management will continuously monitor interest rate fluctuation and will consider hedging significant interest rate risk should the need arise.

5. FINANCIAL RISK MANAGEMENT AND FAIR VALUES *(continued)*

d) Interest rate risk *(continued)*

i) *Interest rate profile*

The following table details the interest rate profile of the Group's bank borrowing and bank balances and deposits at the end of the reporting period:

	The Group			
	2012		2011	
	Effective interest rates		Effective interest rates	
	%	***HK$'000***	*%*	*HK$'000*
Fixed rate bank borrowings	**4.86 and 7.02**	**–**	4.86	10,925
Variable rate bank balances and deposits	**0.01-1.5**	**41,655**	0.36-1.21	44,304

ii) *Sensitivity analysis*

All of the bank borrowings of the Group which are fixed-rate instruments are insensitive to any change in interest rates. A change in interest rate at the end of the reporting period would not affect profit or loss. At 31 March 2012, the Group and the Company has no interest-bearing borrowing, therefore the Group and the Company has no significant interest rate risk.

At 31 March 2012, it is estimated that a general increase/decrease of 100 basis points in interest rates for variable rate bank balances and deposits, with all other variables held constant, would increase/decrease the Group's profit after tax and retained profits by approximately HK$386,000 (2011:HK$413,000). Other components of consolidated equity would not change in response to the general increase/decrease in interest rates.

The sensitivity analyses above have been determined based on the exposure to interest rates at the end of the reporting period. The analysis is prepared assuming the financial instruments outstanding at the end of the reporting period were outstanding for the whole year. A 100 basis points (2011: 100 basis points) increase or decrease in interest rates is used when reporting interest rate risk internally to key management personnel and represents management's assessment of the reasonably possible change in interest rates. The analysis is performed on the same basis for 2011.

The management is of the opinion that the sensitivity analysis is unrepresentative of the Group's inherent interest rate risk as exposure at the end of reporting period does not reflect the exposure during the year.

5. FINANCIAL RISK MANAGEMENT AND FAIR VALUES *(continued)*

e) Currency risk

(i) Exposure to currency risk

The Group operates in Hong Kong and the People's Republic of China ("PRC"), and is exposed to foreign exchange risk arising from currency exposures primarily with respect to Renminbi ("RMB") and United States Dollars ("US$").

The Group does not have a foreign currency hedging policy. The Group manages its foreign currency risk by closely monitoring the movement of the foreign currency rates.

The Company has no significant currency risk.

The following table details the Group's exposure at the end of the reporting period to currency risk arising from recognised assets or liabilities denominated in a currency other than the functional currency of the entity to which they relate. For presentation purposes, the amounts of the exposure are shown in Hong Kong dollars, translated using the spot rate at the end of the reporting period.

	The Group	
	2012	2011
	HK$'000	*HK$'000*
Cash and cash equivalents		
US$	**488**	613
RMB	**20,639**	–
Net exposure arising from recognised assets and liabilities	**21,127**	613

Since Hong Kong Dollars ("HK$") is pegged to US$, there is no significant exposure expected on US$ transactions and balances. Accordingly, no sensitivity analysis has been prepared for 2011 and 2012.

(ii) Sensitivity analysis

The following analysis detailed the Group's sensitivity to a 5% increase and decrease in RMB against HK$ for the year ended 31 March 2012. 5% was the sensitivity rate used which represented management's assessment of the reasonably possible change in foreign exchange rate. The sensitivity analysis includes only outstanding foreign currency denominated monetary items and adjusts their translation at the end of the reporting period for a 5% change in foreign currency rates. The sensitivity analysis included cash and cash equivalents where the denominations of these balances were in currencies other than the functional currency of the relevant group entity. If exchange rate of RMB against HK$ been increased/decreased by 5%, the Group's profits for the year ended 31 March 2012 would increase/decrease by approximately HK$1,032,000.

5. FINANCIAL RISK MANAGEMENT AND FAIR VALUES *(continued)*

f) Fair values measurements recognised in the statement of financial position

The fair value of financial assets and financial liabilities are determined as follows:

– the fair values of financial assets and financial liabilities are determined in accordance with generally accepted pricing models based on discounted cash flow analysis.

The directors consider that the carrying amounts of financial assets and financial liabilities recorded at amortised cost in the consolidated and company financial statements approximate their fair values.

6. REVENUE

Revenue, which is also the Group's turnover, presented net of value-added tax, trade discounts and returns.

	2012 **HK$'000**	2011 *HK$'000*
Revenue from the supply, development and integration of message communication system, passenger information management system and electricity monitoring system	**79,357**	111,474

7. OTHER REVENUE AND NET INCOME

	2012 **HK$'000**	2011 *HK$'000*
a) Other revenue		
Bank interest income	**410**	170
Total interest income on financial assets not at fair value through profit or loss	**410**	170
Refund on value-added tax	**4,264**	1,265
Write-back of trade payables	**2,343**	–
Other income	**284**	13
	7,301	1,448
b) Other net income		
Net exchange gain	**366**	–
	7,667	1,448

8. SEGMENT INFORMATION

Operating segments are identified on the basis of internal reports which provides information about components of the Group. These information are reported to and reviewed by board of directors of the Company, the chief operating decision-makers ("CODM") for the purposes of resource allocation and performance assessment. The Group's operating segments are organised and structured according to the geographical locations where the Group's customers are located. The geographical locations include the People's Republic of China (the "PRC") (place of domicile of the Group) and Hong Kong.

Segment revenue of PRC comprises the revenue from supply, development and integration of passenger information management system and electricity monitoring system while the segment revenue of Hong Kong comprises the revenue from supply, development and integration of message communication systems.

No reportable operating segment has been aggregated.

a) Segment results, assets and liabilities

For the purposes of assessing segment performance and allocating resources between segments, the CODM monitors the results, assets and liabilities attributable to each reportable segment on the following bases:

The accounting policies of the reportable segments are the same as the Group's accounting policies described in note 3. Segment profit represents the profit earned by each segment without allocation of central administration costs e.g. directors' salaries, interest income and finance costs. This is the measure reported to the CODM for the purposes of resource allocation and performance assessment. Taxation charge is not allocated to reportable segment.

Revenue and expenses are allocated to the reportable segments with reference to sales generated by those segments and the expenses incurred by those segments or which otherwise arise from the depreciation attributable to those segments.

Sales between segments are carried out on arm's length basis. The revenue from external parties reported to the CODM is measured in a manner consistent with that in the consolidated statement of comprehensive income.

All assets are allocated to reportable segments. All liabilities are allocated to reportable segments other than current tax liabilities.

FOR THE YEAR ENDED 31 MARCH 2012

8. SEGMENT INFORMATION *(continued)*

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

Information regarding the Group's reportable segments as provided to the CODM for the purposes of resource allocation and assessment of segment performance for the years ended 31 March 2012 and 2011 is set out below.

	PRC		Hong Kong		Total	
	2012	2011	**2012**	2011	**2012**	2011
	HK$'000	*HK$'000*	***HK$'000***	*HK$'000*	***HK$'000***	*HK$'000*
Reportable segment revenue						
Inter-segment revenue	**–**	57	**363**	331	**363**	388
Revenue from external customers	**79,293**	110,223	**64**	1,251	**79,357**	111,474
	79,293	110,280	**427**	1,582	**79,720**	111,862
Reportable segment profit	**27,723**	48,357	**456**	174	**28,179**	48,531
Interest revenue	**153**	80	**257**	90	**410**	170
Interest expenses	**(315)**	(141)	**–**	–	**(315)**	(141)
Depreciation	**(920)**	(642)	**(109)**	(109)	**(1,029)**	(751)
Allowance for doubtful debts	**(2,490)**	(1,187)	**–**	–	**(2,490)**	(1,187)
Reportable segment assets	**129,802**	126,028	**24,797**	99,871	**154,599**	225,899
Reportable segment assets includes:						
Additions to non-current assets (other than financial instruments and deferred tax assets)	**925**	1,441	**–**	–	**925**	1,441
Reportable segment liabilities	**19,243**	34,585	**1,636**	82,919	**20,879**	117,504

8. SEGMENT INFORMATION *(continued)*

b) Reconciliation of reportable segment revenues, profit or loss, assets and liabilities

	2012	2011
	HK$'000	*HK$'000*
Revenue		
Total reportable segments' revenue	**79,720**	111,862
Elimination of inter-segment revenue	**(363)**	(388)
Consolidated turnover	**79,357**	111,474
Profit		
Total reportable segments' profit	**28,179**	48,531
Elimination of inter-segment profits	**–**	–
Reportable segment profit derived from Group's external customer	**28,179**	48,531
Bank interest income	**410**	170
Finance costs	**(315)**	(141)
Unallocated head office and corporate expenses	**(16,862)**	(16,580)
Consolidated profit before tax expenses	**11,412**	31,980
Assets		
Total reportable segments' assets	**154,599**	225,899
Elimination of inter-segment receivables	**(2,299)**	(75,914)
	152,300	149,985
Deferred tax assets	**4,998**	–
Consolidated total assets	**157,298**	149,985
Liabilities		
Total reportable segments' liabilities	**20,879**	117,504
Elimination of inter-segment payables	**(2,096)**	(87,066)
	18,783	30,438
Current tax liabilities	**9,195**	6,504
Consolidated total liabilities	**27,978**	36,942

8. SEGMENT INFORMATION *(continued)*

c) Revenue from major products and services

The following is an analysis of the Group's revenue from its major products and services:

	2012	2011
	HK$'000	*HK$'000*
Supply, development and integration of message communication systems	**64**	1,767
Supply, development and integration of passenger information management system	**76,427**	107,943
Electricity monitoring system	**2,866**	1,764
	79,357	111,474

d) Other geographical information

	Non-current assets	
	2012	2011
	HK$'000	*HK$'000*
PRC	**2,653**	2,634
Hong Kong	**240**	350
	2,893	2,984

e) Information about major customers

Revenue from three (2011: three) customers in PRC operating and reportable segment amounted to approximately HK$37,035,000, HK$13,171,000 and HK$12,508,000 (2011: HK$65,316,000, HK$13,468,000 and HK$12,458,000), which individually represent more than 10% of the Group's total revenue.

No other single customer contributed 10% or more to the Group's revenue for both 2012 and 2011.

FOR THE YEAR ENDED 31 MARCH 2012

9. PROFIT BEFORE TAXATION

		2012	2011
		HK$'000	*HK$'000*
a)	**Finance costs**		
	Interest on bank borrowings wholly repayable within five years	**315**	141
	Total interest expenses on financial liabilities not at fair value through profit or loss	**315**	141
b)	**Staff costs, including directors' emoluments** *(note 13)*		
	Salaries and wages	**13,941**	11,458
	Contributions to retirement benefit schemes	**1,368**	737
	Provision for staff welfare benefits	**678**	320
		15,987	12,515
c)	**Other items**		
	Auditors' remuneration	**338**	250
	Allowance for doubtful debts	**2,490**	1,187
	Cost of inventories sold*	**41,193**	53,798
	Research and development costs#	**10,929**	8,793
	Depreciation	**1,029**	751
	Loss on disposal of property, plant and equipment	**5**	142
	Exchange (gain)/loss	**(366)**	217
	Minimum lease payments under operating lease – land and buildings	**1,579**	1,249

* Cost of inventories sold includes HK$8,856,000 (2011: HK$6,295,000) relating to staff costs and depreciation expenses which are also included in the respective total amounts disclosed separately above for each of these types of expenses.

\# Research and development costs incurred for the year amounting to HK$10,929,000 (2011: HK$8,793,000) which was included in cost of sales.

10. INCOME TAX

Income tax in the consolidated statement of comprehensive income represents:

	2012	2011
	HK$'000	*HK$'000*
Current year provision:		
PRC enterprise income tax	**3,645**	5,534
Over-provision in prior year:		
PRC enterprise income tax	**–**	(1,401)
Deferred taxation *(note 15)*		
Origination and reversal of temporary differences	**(4,998)**	–
	(1,353)	4,133

No Hong Kong profits tax has been provided in the financial statements as the Company and its subsidiaries in Hong Kong did not derive any assessable profits for the year. (2011: Nil)

A PRC subsidiary, Guangzhou Global Link Communications Inc. ("Guangzhou GL") has been approved as a high and new technology enterprise and is entitled to a concessionary rate of Enterprise Income Tax ("EIT") at 15% until 22 August 2014.

Pursuant to the relevant laws and regulations applicable to newly established software production enterprises in the PRC, another PRC subsidiary, 廣州勝億交通信息軟件有限公司 ("勝億") was exempted from EIT for the year ended 31 December 2011, followed by a 50% reduction in the applicable tax rate of 25% for a period of 3 years from 1 January 2012. These tax concessions will expire after 31 December 2014.

Except for Guangzhou GL and 勝億 as mentioned above, another subsidiary located in the PRC is subject to the PRC EIT at rate of 25% (2011: 25%) on its assessable profits.

The Company and its subsidiaries incorporated in countries other than the PRC and Hong Kong are not subject to any income tax pursuant to the rules and regulations of their respective countries of incorporation.

10. INCOME TAX *(continued)*

Reconciliation between tax expenses and accounting profit at the applicable tax rates:

	2012	2011
	HK$'000	*HK$'000*
Profit before taxation	**11,412**	31,980
Notional tax on profit before taxation, calculated at the rates applicable to profits in the tax jurisdictions concerned	**3,071**	7,880
Tax effect of profits entitled to tax exemption in the PRC	**(5,137)**	(3,697)
Tax effect of non-taxable income	**(294)**	(364)
Tax effect of non-deductible expenses	**223**	533
Tax effect of unused tax losses not recognised	**826**	1,196
Tax effect of utilisation of unused tax losses not recognised in prior years	**(94)**	–
Tax effect of temporary differences not recognised	**–**	10
Over-provision in prior years	**–**	(1,401)
Others	**52**	(24)
Tax expenses	**(1,353)**	4,133

11. PROFIT FOR THE YEAR ATTRIBUTABLE TO EQUITY SHAREHOLDERS OF THE COMPANY

The consolidated profit for the year attributable to the equity shareholders of the Company includes a loss of approximately HK$1,084,000 (2011: loss of HK$1,016,000) which has been dealt with in the financial statements of the Company (note 23(b)).

12. EARNINGS PER SHARE

(a) Basic earnings per share

The calculation of basic earnings per share is based on the consolidated profit attributable to equity shareholders of the Company of approximately HK$13,373,000 (2011: HK$29,262,000) and the weighted average number of approximately 958,372,000 ordinary shares (2011: 900,903,000 ordinary shares) in issue during the year calculated as follows:

Weighted average number of ordinary shares

	2012	2011
	'000	*'000*
Issued ordinary shares at the beginning of the year	**958,030**	777,474
Effect of new shares issued	**–**	109,986
Effect of share options exercised *(note 24)*	**342**	13,443
Weighted average number of ordinary shares at the end of the year	**958,372**	900,903

(b) Diluted earnings per share

The calculation of diluted earnings per share is based on the consolidated profit attributable to equity shareholders of the Company of approximately HK$13,373,000 (2011: HK$29,262,000) and the weighted average number of ordinary shares of approximately 960,824,000 shares (2011: 906,462,000 shares) calculated as follows:

Weighted average number of ordinary shares (diluted)

	2012	2011
	'000	*'000*
Weighted average number of ordinary shares for the purpose of basic earnings per share	**958,372**	900,903
Effect of deemed issue of shares under the Company's share option schemes for nil consideration *(note 24)*	**2,452**	5,559
Weighted average number of ordinary shares (diluted) for the purpose of diluted earnings per share	**960,824**	906,462

13. DIRECTORS' REMUNERATION

(a) The remuneration paid or payable to each of the seven (2011: seven) directors and disclosed pursuant to Section 161 of the Hong Kong Companies Ordinance is as follows:

	Fees	Salaries, allowances and benefits in kind	Retirement benefits scheme contributions	Total
	HK$'000	*HK$'000*	*HK$'000*	*HK$'000*
Year ended 31 March 2012				
Executive directors:				
Mr. Ma Yuanguang	–	774	12	786
Mr. Hu Zhi Jian	–	634	8	642
Mr. Lo Kam Hon, Gary	–	138	7	145
	–	1,546	27	1,573
Independent non-executive directors:				
Mr. Hu Tiejun	50	–	–	50
Professor Lu Ting Jie	44	–	–	44
Mr. Leung Kwok Keung	75	–	–	75
	169	–	–	169
Non-executive director:				
Mr. Wing Kee Eng, Lee	67	–	–	67
	236	1,546	27	1,809
Year ended 31 March 2011				
Executive directors:				
Mr. Ma Yuanguang	–	645	12	657
Mr. Hu Zhi Jian	–	523	5	528
Mr. Lo Kam Hon, Gary	–	130	7	137
	–	1,298	24	1,322
Independent non-executive directors:				
Mr. Hu Tiejun	46	–	–	46
Professor Lu Ting Jie	42	–	–	42
Mr. Leung Kwok Keung	71	–	–	71
	159	–	–	159
Non-executive director:				
Mr. Wing Kee Eng, Lee	63	–	–	63
	222	1,298	24	1,544

13. DIRECTORS' REMUNERATION *(continued)*

(b) The five highest-paid individuals of the Group for the year ended 31 March 2012 included two (2011: two) directors, details of which are disclosed in note 13(a). Details of the emoluments of the remaining three (2011: three) highest paid individuals are as follows:

	2012	2011
	HK$'000	*HK$'000*
Basic salaries, other allowances and benefits in kind	**964**	906
Contributions to retirement benefit schemes	**23**	17
	987	923

The number of non-director, highest paid employee whose remuneration fell within the following bands is as follows:

	2012	2011
Nil to HK$1,000,000	**3**	3

During the year ended 31 March 2012, no emoluments were paid or payable by the Group to the directors and the five highest paid individuals as an inducement to join, or upon joining the Group, or as compensation for loss of office (2011: Nil).

As at 31 March 2012, the directors held share options under the Company's share option schemes. The details of the share options are disclosed under the paragraph "Share option schemes" in the report of the directors and note 24.

14. PROPERTY, PLANT AND EQUIPMENT

The Group

	Furniture and fixtures	Office equipment	Leasehold improvements	Tools and equipment	Motor vehicles	Total
	HK$'000	*HK$'000*	*HK$'000*	*HK$'000*	*HK$'000*	*HK$'000*
Cost						
At 1 April 2010	22	700	1,110	1,782	1,560	5,174
Additions	17	193	118	16	1,097	1,441
Disposals	(19)	(64)	(229)	(1,848)	–	(2,160)
Exchange realignment	2	49	79	127	74	331
At 31 March 2011 and 1 April 2011	22	878	1,078	77	2,731	4,786
Additions	49	88	139	649	–	925
Disposals	–	(35)	(132)	(16)	–	(183)
Exchange realignment	1	31	40	2	81	155
At 31 March 2012	**72**	**962**	**1,125**	**712**	**2,812**	**5,683**
Accumulated depreciation						
At 1 April 2010	9	311	319	1,646	570	2,855
Charge for the year	4	123	329	12	283	751
Written back on disposals	(10)	(33)	(229)	(1,746)	–	(2,018)
Exchange realignment	2	24	31	118	39	214
At 31 March 2011 and 1 April 2011	5	425	450	30	892	1,802
Charge for the year	12	138	359	50	470	1,029
Written back on disposals	–	(32)	(70)	(14)	–	(116)
Exchange realignment	1	17	23	2	32	75
At 31 March 2012	**18**	**548**	**762**	**68**	**1,394**	**2,790**
Carrying amounts						
At 31 March 2012	**54**	**414**	**363**	**644**	**1,418**	**2,893**
At 31 March 2011	17	453	628	47	1,839	2,984

15. DEFERRED TAXATION

a) The component of deferred tax assets recognised and movements during the current year are as follows:

Deferred tax assets arising from:

	Doubtful debts	Unrealised profits arising from intra-group sales	Total
	HK$'000	*HK$'000*	*HK$'000*
At 1 April 2010 and 31 March 2011	–	–	–
Credited to profit or loss *(note 10)*	579	4,419	4,998
At 31 March 2012	**579**	**4,419**	**4,998**

b) Deferred tax assets not recognised

As at 31 March 2012, the Group had unused tax losses of approximately HK$26,246,000 (2011: HK$22,090,000) available for offset against future profits. No deferred tax asset has been recognised due to the unpredictability of future profit streams. Included in unrecognised tax losses are losses of approximately HK$118,000, HK$176,000, HK$2,015,000, HK$2,865,000 and HK$1,407,000 (2011: HK$3,000, HK$118,000, HK$176,000, HK$2,015,000 and HK$2,865,000 that will expire in 2012, 2013, 2014, 2015 and 2016 respectively) that will expire in 2013, 2014, 2015, 2016 and 2017 respectively according to the prevailing tax laws and regulations in the country in which the entity operates. Other losses may be carried forward indefinitely subject to the final assessment of the relevant tax authority.

c) Deferred tax liabilities not recognised

Pursuant to the PRC Tax Law, a 10% withholding tax is levied on dividends declared to foreign investors from the foreign investment enterprises established in the PRC. A lower withholding tax rate may be applied if there is a tax treaty between Mainland China and the jurisdiction of the foreign investors. The Group will be subject to 5% withholding tax on dividends receivable from a PRC subsidiary and 10% withholding tax on dividends receivable from another PRC subsidiary in respect of their earnings accumulated beginning on 1 January 2008.

At 31 March 2012, temporary differences relating to the undistributed profits of PRC subsidiaries for the period from 1 January 2008 to 31 March 2012 amounted to approximately HK$97,904,000 (2011:HK$58,908,000). Deferred tax liabilities of approximately HK$6,238,000 (2011: HK$2,945,000) have not been recognised in respect of the withholding tax that would be payable on the distribution of these retained profits as the Company controls the dividend policy of these subsidiaries and it has been determined that it is probable that profits will be reinvested or not distributed in the foreseeable future.

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16. INVESTMENTS IN SUBSIDIARIES

	The Company	
	2012	2011
	HK$'000	*HK$'000*
Unlisted investments, at cost	**411**	411

Details of the Company's subsidiaries as at 31 March 2012 are as follows:

Name of Company	Place of incorporation/ establishment and operation	Issued and fully paid share capital/ registered capital	Proportion of ownership interests: Group's effective interest	Held by the Company	Held by a subsidiary	Principal activities
GL Limited *(note (c))*	British Virgin Islands	21,052 Ordinary shares of US$1 each	100%	100%	–	Investment holding
Hilltop Holdings Group Limited *(note (c))*	British Virgin Islands	10,000 Ordinary shares of US$1 each	100%	–	100%	Investment holding and holding of software rights
Tonnex Holdings Limited *(note (c))*	British Virgin Islands	50,000 Ordinary shares of US$1	100%	100%	–	Investment holding
廣州勝億交通信息軟件有限公司 *(note (a))*	People's Republic of China ("PRC")	Registered capital RMB5,000,000	100%	–	100%	Sale and research and development of electronic hardware and software
Guangzhou Global Link Communications Inc. *(note (a))*	PRC	Registered capital HK$20,000,000	100%	–	100%	Provision of message communication and passenger information management systems and telecommunications solutions, telecommunications application software and networking solutions
北京國聯偉業通信技術有限公司 *(note (b))*	PRC	Registered capital RMB1,000,000	95%	–	95%	Provision of value-added telecommunications solutions, telecommunications application software and networking solutions

16. INVESTMENTS IN SUBSIDIARIES *(continued)*

Name of Company	Place of incorporation/ establishment and operation	Issued and fully paid share capital/ registered capital	Proportion of ownership interests: Group's effective interest	Held by the Company	Held by a subsidiary	Principal activities
Global Link Communications (HK) Limited *(note (c))*	Hong Kong	100 Ordinary shares of HK$1 each	100%	–	100%	Provision of value-added telecommunications solutions and telecommunications application software
廣州國聯電力科技發展有限公司 *(note (b))*	PRC	Registered capital RMB1,800,000	51%	–	51%	Research and development and sale of electricity monitoring system

Notes:

(a) Guangzhou Global Link Communications Inc. and 廣州勝億交通信息軟件有限公司 are registered as wholly-foreign-owned enterprises under the PRC law with limited liabilities.

(b) 北京國聯偉業通信技術有限公司 and 廣州國聯電力科技發展有限公司 are registered as foreign-invested enterprises under the PRC law with limited liabilities.

(c) GL Limited, Hilltop Holdings Group Limited, Tonnex Holdings Limited and Global Link Communications (HK) Limited are registered as limited liability companies under the rules and regulations of their respective countries of incorporation.

17. INVENTORIES

	The Group	
	2012	2011
	HK$'000	*HK$'000*
Spare parts and accessories	**5,959**	8,251

The analysis of the amount of inventories recognised as expenses is as follows:

	2012	2011
	HK$'000	*HK$'000*
Carrying amount of inventories sold	**41,193**	53,798
Write down of inventories	**–**	–
Reversal of write-down of inventories	**–**	–
	41,193	53,798

18. TRADE AND OTHER RECEIVABLES

	The Group		The Company	
	2012	2011	**2012**	2011
	HK$'000	*HK$'000*	**HK$'000**	*HK$'000*
Trade receivables and bills receivables	**89,207**	91,387	**–**	–
Less: allowance for doubtful debts	**(3,906)**	(1,667)	**–**	–
	85,301	89,720	**–**	–
Other receivables	**1,079**	1,053	**–**	–
Amounts due from subsidiaries	**–**	–	**42,956**	43,861
	86,380	90,773	**42,956**	43,861

Included in trade receivables are retention monies receivable of approximately HK$6,587,000 (2011: HK$5,753,000), which are withheld and will be released upon the expiry of maintenance periods.

All of the trade and other receivables (including amounts due from subsidiaries) are expected to be recovered within one year, except for retention monies receivables of approximately HK$5,047,000 (2011: HK$Nil) which are expected to be recovered after more than one year.

As at 31 March 2012, trade receivables amounting to approximately HK$Nil (2011: HK$13.6 million) were pledged to a bank to secure general banking facilities granted to a subsidiary of the Company (note 21).

Amounts due from subsidiaries are unsecured, interest-free and repayable on demand.

(a) Included in trade and other receivables are trade and bills receivables (net of allowance for doubtful debts) with the following ageing analysis as of the end of the reporting period:

	The Group	
	2012	2011
	HK$'000	*HK$'000*
Within 90 days	**30,284**	36,432
Between 91 and 180 days	**10,391**	26,081
Between 181 and 365 days	**27,963**	20,669
Between 1 and 2 years	**10,076**	785
	78,714	83,967
Retention receivables	**6,587**	5,753
	85,301	89,720

Customers are generally granted with credit terms of 90 days. Generally, the Group does not hold any collaterals from customers. Further details on the Group's credit policy are set out in note 5(b).

18. TRADE AND OTHER RECEIVABLES *(continued)*

(b) Impairment of trade and bills receivables

Impairment losses in respect of trade and bills receivables are recorded using an allowance account unless the Group is satisfied that recovery of the amount is remote, in which case the impairment loss is written off against trade debtors directly (see note 3(s)).

Movements in the allowance for doubtful debts are as follows:

	The Group	
	2012	2011
	HK$'000	*HK$'000*
At the beginning of the year	**1,667**	701
Impairment losses recognised	**2,490**	1,187
Uncollectible amounts written off	**(337)**	(290)
Exchange realignment	**86**	69
At the end of the year	**3,906**	1,667

As at 31 March 2012, trade and bills receivables of the Group amounting to HK$3,906,000 (2011: HK$1,667,000) were individually determined to be impaired and full provision had been made. These individually impaired receivables were outstanding for over 1 year as at the end of the reporting period or were due from companies with financial difficulties. The Group does not hold any collateral over these balances.

(c) Trade and bills receivables that are not impaired

The ageing analysis of trade and bills receivables that are neither individually nor collectively considered to be impaired is as follows:

	The Group	
	2012	2011
	HK$'000	*HK$'000*
Neither past due nor impaired	**38,599**	42,185
Past due but not impaired:		
Less than 3 months past due	**8,663**	26,081
Over 3 months past due	**38,039**	21,454
	85,301	89,720

Receivables that were neither past due nor impaired with an aggregate balance of approximately HK$38,599,000 (2011: HK$42,185,000) relate to a number of independent customers for whom there was no recent history of default.

18. TRADE AND OTHER RECEIVABLES *(continued)*

(c) Trade and bills receivables that are not impaired *(continued)*

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

19. DEPOSITS AND PREPAYMENTS

	The Group		The Company	
	2012	2011	**2012**	2011
	HK$'000	*HK$'000*	***HK$'000***	*HK$'000*
Deposits	**14,854**	3,212	**–**	–
Prepayments	**207**	347	**203**	203
	15,061	3,559	**203**	203

All of the deposits and prepayments are expected to be recovered within one year. At the end of the reporting period, none of the deposits and prepayments is past due but not impaired.

20. CASH AND CASH EQUIVALENTS

	The Group	
	2012	2011
	HK$'000	*HK$'000*
Cash at bank and on hand	**42,007**	44,418
Cash and cash equivalents in the consolidated statement of financial position and the consolidated statement of cash flows	**42,007**	44,418

The interest rates on the cash at bank ranged from 0.01% to 1.5% (2011: 0.36% to 1.21%) per annum.

Included in the cash and cash equivalents of the Group was approximately HK$18,803,000 (2011: HK$15,467,000) that were bank deposits placed with banks in the PRC and denominated in RMB. The conversion of these balances into foreign currencies is subject to the rules and regulations of foreign exchange control promulgated by the PRC government.

21. INTEREST-BEARING BORROWINGS – SECURED

The analysis of the carrying amount of secured bank loans is as follows:

	The Group	
	2012	2011
	HK$'000	*HK$'000*
Current liabilities		
Portion of bank loans due for repayment within one year	**–**	10,925

At 31 March 2012, no interest-bearing bank loan was due for repayment.

At 31 March 2011, interest-bearing bank loans of HK$10,925,000 were due for repayment as follows:

	The Group	
	2012	2011
	HK$'000	*HK$'000*
Portion of bank loans due for repayment within one year	**–**	10,925

The effective interest rates (which are also equal to contracted interest rate) on the Group's bank borrowings are as follows:

	2012	2011
	%	*%*
Effective interest rates	**4.86 and 7.02**	4.86

As at 31 March 2011, the bank loans of approximately HK$10,925,000 was secured by trade receivables amounting to approximately HK$13.6 million of a subsidiary of the Company (note 18).

In addition, the Group has available un-utilised banking facilities of approximately HK$12,346,000 (2011: HK$980,000).

22. TRADE AND OTHER PAYABLES

	The Group		The Company	
	2012	2011	**2012**	2011
	HK$'000	*HK$'000*	***HK$'000***	*HK$'000*
Trade payables	**5,640**	9,406	**–**	–
Other payables	**4,747**	2,066	**298**	220
Accrued wages	**1,515**	644	**–**	–
Payables for value-added tax	**6,780**	7,378	**–**	–
Deposits received from customers	**101**	19	**–**	–
Amount due to a subsidiary	**–**	–	**390**	390
	18,783	19,513	**688**	610

All of the trade and other payables (including amount due to a subsidiary) are expected to be settled within one year or are repayable on demand.

Amount due to a subsidiary is unsecured, interest-free and repayable on demand.

Included in trade and other payables are trade payables with the following ageing analysis as at the end of the reporting period:

	The Group	
	2012	2011
	HK$'000	*HK$'000*
Within 90 days	**1,277**	1,620
Between 91 and 180 days	**2,241**	34
Between 181 and 365 days	**243**	612
Between 1 and 2 years	**1,291**	4,674
Over 2 years	**588**	2,466
	5,640	9,406

23. CAPITAL AND RESERVES

a) Share capital

	2012 No. of shares	2012 Amount HK$'000	2011 No. of shares	2011 Amount HK$'000
Authorised:				
Ordinary share of HK$0.01 each	**2,000,000,000**	**20,000**	2,000,000,000	20,000
Issued and fully paid:				
Ordinary share of HK$0.01 each:				
At the beginning of the year	**958,029,500**	**9,580**	777,473,500	7,775
Issued of share by placing	**–**	**–**	155,000,000	1,550
Exercise of share options	**2,778,000**	**28**	25,556,000	255
At the end of the year	**960,807,500**	**9,608**	958,029,500	9,580

The holders of ordinary shares are entitled to receive dividends as declared from time to time and are entitled to one vote per share at meetings of the Company. All ordinary shares rank equally with regard to the Company's residual assets.

b) The reconciliation between the opening and closing balances of each component of the Group's consolidated equity is set out in the consolidated statement of changes in equity. Details of the changes in the Company's individual components of equity between the beginning and the end of the year are set out below:

	Share option reserve *HK$'000*	**Share premium** *HK$'000*	**Accumulated losses** *HK$'000*	**Total** *HK$'000*
At 1 April 2010	1,195	25,498	(24,546)	2,147
Loss for the year *(note 11)*	–	–	(1,016)	(1,016)
Issuance of share by placing	–	34,100	–	34,100
Issuance of shares by exercising of share option	–	664	–	664
Issuing expenses in connection with placing	–	(1,610)	–	(1,610)
At 31 March 2011	1,195	58,652	(25,562)	34,285
At 1 April 2011	1,195	58,652	(25,562)	34,285
Loss for the year *(note 11)*	–	–	(1,084)	(1,084)
Issuance of shares by exercising of share option	–	73	–	73
At 31 March 2012	**1,195**	**58,725**	**(26,646)**	**33,274**

23. CAPITAL AND RESERVES *(continued)*

c) Dividends

No dividend was paid or proposed during the year, nor has any dividend been proposed since the end of reporting period (2011: Nil).

d) Nature and purpose of reserves

i) Share premium

The share premium represents the difference between the par value of the shares of the Company and proceeds received from the issuance of the shares of the Company. Under the Companies Law of Cayman Islands, the share premium account of the Company is distributable to the equity shareholders of the Company provided that immediately following the date on which the dividend is proposed to be distributed, the Company would be in a position to pay off its debt as they fall due in the ordinary course of business.

ii) Exchange reserve

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

iii) Share option reserve

The share option reserve comprises the fair value of the actual or estimated number of shares issuable under unexercised share options granted to employees of the Group recognised in accordance with accounting policy adopted for share-based payment in note 3(m)(iv).

iv) Merger reserve

The merger reserve represents the difference between the nominal value of the share capital issued by the Company in exchange for the nominal value of the share capital and share premium of its subsidiary arising from Group reorganisation in 2002.

v) Statutory reserves

Pursuant to applicable PRC regulations, certain PRC subsidiaries in the Group are required to appropriate 10% of their profit after tax after offsetting prior year losses to the statutory reserve until such reserve reaches 50% of their registered capital. Transfers to the reserve must be made before distribution of dividends to shareholders. Upon approval by relevant authorities, the statutory reserve can be utilised to offset the accumulated losses or to increase the registered capital of the subsidiary, provided that the balance after such issue is not less than 25% of its registered capital.

e) Distributability of reserves

At 31 March 2012, the aggregate amount of reserves available for distribution to equity shareholders of the Company was approximately HK$32,079,000 (2011: HK$33,090,000).

23. CAPITAL AND RESERVES *(continued)*

f) Capital management

The capital structure of the Group consists of bank borrowings in an amount of HK$Nil (2011: HK$10,925,000) (note 21) and cash and cash equivalents in an amount of HK$42,007,000 (2011: HK$44,418,000) (note 20).

The Group's objectives when managing capital are to ensure that entities in the Group will be able to continue as a going concern while maximising the return to shareholders through the optimisation of the debt and equity balance. The management reviews the capital structure by considering the cost of capital and the risks associated with capital. In view of this, the Group will balance its overall capital structure through the payment of dividends, new share issues as well as the issue of new debt or the redemption of existing debt as it sees fit and appropriate. The Group's overall strategy remains unchanged from 2011.

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

24. SHARE OPTION SCHEMES

The Group operates two share option schemes, namely, Pre-IPO Share Option Scheme and Share Option Scheme.

Pursuant to the Pre-IPO Share Option Scheme of the Company adopted on 24 October 2002, the directors, employees, consultants and advisors of the Group were granted share options to subscribe for shares of the Company at an exercise price of HK$0.036 each. Share options granted under the Pre-IPO Share Option Scheme have a duration of 10 years from the date of grant of the options and exercisable after one to two years from the date of listing of the shares of the Company on the Growth Enterprise Market of The Stock Exchange of Hong Kong Limited. The purpose of the Pre-IPO Share Option Scheme was to give a reward for the contribution made by the grantees to the Group.

Under the Pre-IPO Scheme and the Share Option Scheme adopted on 24 October 2002, the directors, employees and business associates ("participants") may be granted share options to subscribe for shares of the Company at an exercise price determined by the Board of Directors and shall be at least the highest of (i) the nominal value of a share; (ii) the closing price of the Company's share on the offer date; or (iii) the average closing price of the Company's shares for the five business days immediately preceding the offer date. The options granted in the year 2003 and year 2007 under the Share Option Scheme are exercisable within a period of not more than 10 years and 2 years respectively from the offer date and subject to vesting provisions as determined by the Board of Directors. The purpose of the Share Option Scheme is to enable the Group to grant options to selected participants as incentives or rewards for their contributions to the Group.

24. SHARE OPTION SCHEMES *(continued)*

The number of shares of the Company which may be issued upon exercise of all outstanding options granted and yet to be exercised at any time under the Pre-IPO Share Option Scheme and the Share Option Scheme shall not exceed 30% of the issued shares of the Company from time to time. The total number of shares which may be issued upon exercise of all options to be granted under the Pre-IPO Share Option Scheme and the Share Option Scheme must not in aggregate exceed 66,002,450 shares of the Company, representing 10% of the Company's total number of shares in issue as at 29 July 2004, being the date of approval of the refreshment of the share option scheme limit, or representing 6.9% of the Company's total number of shares in issue as at 31 March 2012.

The maximum number of shares issued and to be issued upon exercise of options granted under the Pre-IPO Share Option Scheme and the Share Option Scheme to any one participant in any 12-month period may not exceed 1% of the shares of the Company in issue from time to time. Any further grant in excess of this limit is subject to the approval of the Company' shareholders. Any grant of options to a director, chief executive, management shareholder or substantial shareholder of the Company or any of their respective associates must be approved by all independent non-executive directors of the Company. In addition, any further grant of options to a substantial shareholder or an independent non-executive director or any of their respective associates that would result in the shares issued and to be issued upon exercise of all options already granted and to be granted to such person in a 12-month period in excess of 0.1% of the Company's shares in issue and having an aggregate value, based on the closing price of the Company's shares at the date of grant, in excess of HK$5 million is subject to the issue of a circular of the Company and the approval of the shareholders of the Company.

Each option gives the holder the right to subscribe for one share of the Company. A consideration of HK$1 will be payable by the grantee upon acceptance of the offer of share options.

Further details of the Pre-IPO Share Option Scheme and the Share Option Scheme were disclosed in the prospectus of the Company dated 31 October 2002.

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24. SHARE OPTION SCHEMES *(continued)*

Movements in share options are as follows:

	2012 Weighted average exercise price *HK$ per share*	**2012** Number of share option: Pre-IPO Share option scheme	**2012** Number of share option: Share option scheme	2011 Weighted average exercise price *HK$ per share*	2011 Number of share options: Pre-IPO Share Option Scheme	2011 Number of share options: Share Option Scheme
Outstanding at the beginning of year	**0.048**	**5,637,500**	**800,000**	0.038	31,193,500	800,000
Granted	**–**	**–**	**–**	–	–	–
Exercised	**0.036**	**(2,778,000)**	**–**	0.036	(25,556,000)	–
Lapsed	**–**	**–**	**–**	–	–	–
Outstanding at the end of year	**0.057**	**2,859,500**	**800,000**	0.048	5,637,500	800,000
Vested and exercisable at the end of year	**0.057**	**2,859,500**	**800,000**	0.048	5,637,500	800,000

Details of the outstanding share options at 31 March 2012:

Option scheme	Date of grant	Vesting period	Remaining contractual life as at 31 March (years) **2012**	Remaining contractual life as at 31 March (years) 2011	Exercise period	Exercise price *HK$*	No. of share options **2012**	No. of share options 2011	*Notes*
Pre-IPO Share Option Scheme	24 October 2002	24 October 2002 – 12 November 2004	**0.6**	1.6	13 November 2004 – 23 October 2012	0.036	**2,859,500**	5,637,500	*(a)*
Share Option Scheme	10 December 2003	10 December 2003 – 9 December 2005	**1.7**	2.7	10 December 2005 – 9 December 2013	0.132	**800,000**	800,000	*(b)*

Note:

a) The Group has taken advantage of the transitional provisions set out in HKFRS 2, under which the new recognition and measurement policies have not been applied to these options granted, as these options were granted before 7 November 2002, or vested before 1 April 2005.

b) No share option was granted in 2011 and 2012.

c) The weighted average share price at the date of exercise of share options was HK$0.1 per share.

25. EMPLOYEE RETIREMENT BENEFITS

The Group participates in mandatory provident fund scheme established under Mandatory Provident Fund Schemes Ordinance ("MPF Scheme"), which is a defined contribution plan. The Group is required to participate in a MPF Scheme operated by approved trustees in Hong Kong and to make compulsory contributions for its eligible employees. The Group's contributions to MPF Scheme are set at 5% of employees' relevant income up to a maximum of HK$1,000 per employee per month.

The employees of the Group participate in a retirement benefit plan (社會保險基金) mainly organised by the Guangzhou Labour and Social Security Department (廣州市勞動和社會保障局) and 北京市社會保障基金管理中心 of the PRC under which the Group was required to make monthly defined contributions to the plan at certain rates of the relevant employees' basic salaries during the year.

The Group has no other obligations for the payment of retirement and other post-retirement benefits of employees or retirees other than the payments discussed above.

The total cost charged to profit or loss of approximately HK$1,368,000 (2011: HK$737,000) represents contributions payable to the MPF Scheme and the retirement benefit plan in the PRC (note 9(b)).

26. CAPITAL COMMITMENTS

The Group had the following capital commitment at the end of reporting period:

	2012	2011
	HK$'000	*HK$'000*
Contracted, but not provided for In respect of capital contribution to a subsidiary	**8,000**	–

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27. OPERATING LEASE COMMITMENTS

At 31 March 2012, the Group had future aggregate minimum lease payments in respect of land and buildings under non-cancellable operating leases as follows:

	2012	2011
	HK$'000	*HK$'000*
Not later than one year	**1,500**	1,190
In second to fifth years inclusive	**2,237**	2,994
Total	**3,737**	4,184

28. RELATED PARTY TRANSACTIONS

a) Transactions between the Company and its subsidiaries, which are related parties of the Company, have been eliminated on consolidation and are not disclosed in this note.

b) **Key management personnel remuneration**

Remuneration for key management personnel, including amounts paid to the Company's directors as disclosed in note 13, is as follows:

	2012	2011
	HK$'000	*HK$'000*
Salaries and other short-term employee benefits	**1,782**	1,520
Retirement scheme contributions	**27**	24
	1,809	1,544

Total remuneration is included in "staff costs" (see note 9(b)).

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29. POSSIBLE IMPACT OF AMENDMENTS, NEW STANDARDS AND INTERPRETATIONS ISSUED BUT NOT YET EFFECTIVE FOR THE YEAR ENDED 31 MARCH 2012

Up to the date of issue of these financial statements, the HKICPA has issued the following amendments, new standards and Interpretations which are not yet effective for the year ended 31 March 2012 and which have not been adopted in these financial statements.

Amendments to HKFRSs	Annual Improvements to HKFRSs 2009-2011 Cycle[2]
Amendments to HKFRS 7	Disclosures – Transfers of Financial Assets[1]
	Disclosures – Offsetting Financial Assets and Financial Liabilities[2]
	Mandatory Effective Date of HKFRS 9 and Transition Disclosures[3]
HKFRS 9	Financial Instruments[3]
HKFRS 10	Consolidated Financial Statements[2]
HKFRS 11	Joint Arrangements[2]
HKFRS 12	Disclosure of Interests in Other Entities[2]
HKFRS 13	Fair Value Measurement[2]
Amendments to HKAS 1	Presentation of Items of Other Comprehensive Income[5]
Amendments to HKAS 12	Deferred Tax – Recovery of Underlying Assets[4]
HKAS 19 (as revised in 2011)	Employee Benefits[2]
HKAS 27 (as revised in 2011)	Separate Financial Statements[2]
HKAS 28 (as revised in 2011)	Investments in Associates and Joint Ventures[2]
Amendments to HKAS 32	Offsetting Financial Assets and Financial Liabilities[6]
HK (IFRIC) – Int 20	Stripping Costs in the Production Phase of a Surface Mine[2]

1 Effective for annual periods beginning on or after 1 July 2011.
2 Effective for annual periods beginning on or after 1 January 2013.
3 Effective for annual periods beginning on or after 1 January 2015.
4 Effective for annual periods beginning on or after 1 January 2012.
5 Effective for annual periods beginning on or after 1 July 2012.
6 Effective for annual periods beginning on or after 1 January 2014.

The Group is in the process of making an assessment of what the impact of these new and revised HKFRSs is expected to be in the period of initial application. So far it has concluded that the adoption of them is unlikely to have a significant impact on the Group's results of operations and financial position.