国联通信
Global Link

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

# 年報 2013/14 ANNUAL REPORT

## 軌道交通車載信息系統行業專家

# 國聯通信控股有限公司
# Global Link Communications Holdings Limited
(Incorporated in the Cayman Islands with Limited Liability)

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**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 *FCCA, FCPA, ACA*

## AUTHORIZED REPRESENTATIVES

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

## COMPLIANCE OFFICER

Ma Yuanguang

## COMPANY SECRETARY

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

Office C, 17th Floor, Hollywood Centre,
Nos. 77-91 Queen's Road West, 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
Chiyu Banking Corporation Limited
China Construction Bank (Asia) Corporation Limited

## PRINCIPAL SHARE REGISTRAR AND TRANSFER OFFICE IN THE CAYMAN ISLANDS

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

## 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
9/F, Leighton Centre, 77 Leighton Road,
Causeway Bay, Hong Kong

## STOCK CODE

8060

# CHAIRMAN'S STATEMENT

On behalf of the board of directors (the "Board") of Global Link Communications Holdings Limited (the "Company"), I would like to present the audited annual results of the Company and its subsidiaries ("Global Link" or the "Group") for the year ended 31 March 2014 for shareholders' review.

During the year under review, the PRC government initiated a new round of restructuring and reforms, leading to the normalization of national economy in a stable pace. One of the reform measures was to reorganize the Ministry of Railways to allow more business functions to be assumed by the newly established China Railway Corporation. Due to such reorganization, the development of the domestic railway transportation sector slowed down in the first half of the year. To align with the national key note of stabilization, most major cities, after years' of exponential growth in the investment in railway transportation, have gradually restored a more pragmatic approach and began to undertake projects that are within local government budgets. Spearheaded by the diplomatic and economic policies of the PRC government, key state-owned railway transportation enterprises have gathered significant competitiveness in products and overall strength, which will help enterprises along the industry chain to explore new opportunities in overseas markets, including Asia, Africa and South America.

The Group is well recognized by the industry as a major domestic supplier of train information system for urban railway transportation serving dozens of railways in over 10 cities at home and abroad. We are committed to providing integrated solutions featuring advanced technologies, safe and reliable performance to key subsidiaries of China South Locomotive and Rolling Stock Corporation Limited ("CSR") and China Northern Locomotive and Rolling Stock Industry (Group) Corporation ("CNR"), as well as providing dependable quality services to our domestic and overseas clients.

During the reporting period, construction of railway transportation projects in 16 domestic cities have already commenced, following considerable investments over the past few years. Stimulated by the large number of investment projects that have been earmarked or under construction, all major train manufacturers strived to expand their capacity. As the local train manufacturing and assembly joint ventures established by such manufacturers in partnership with state-owned enterprises in a dozen of hub cities being gradually put into operation, the train manufacturing capacity in the PRC registered an unprecedented expansion. The evolution of a demand-oriented market in recent years has elevated the bidding price of trains, while the contractual price slumps along the industry supply chain. As the bidding price of the Group's train information system was subject to significantly lower price caps during the year, the overall profit margin of products was crippled. During the year, considerable resources were committed in our services for the railway lines in operation. In particular, the Group had to update our products according to modifications in operation design made by clients to satisfy different requirements in service content, location, timing and form. Meanwhile, extension of free warranty became a common practice among train manufacturers in a demand-driven market due to integration of projects and other reasons. In view of our substantial market share in providing facilities for projects in operation in recent years, the hiking costs of labor, materials and extended warranty services gave rise to a significant increase in our operating cost.

However, the opportunities brought about by intensive investment were undermined by overcapacity and cut-throat competition caused by the excessive number of players who are vying for market share at the expense of profit margin. Addressing the increasingly competitive market trend, the Group took initiatives to adopt corresponding measures and reposition the business strategy since the beginning of the year.

Internal organizations were restructured to align with the changing market landscape marked by intensified competitions. In addition to the delivery of contracts on hand and the provision of operating services, the Group strived to utilize our advantages in resources to expand into overseas and non-urban railway transportation markets with higher profit margin, while proactively retreating from traditional projects characterized by intense competition and low profitability. On that basis, the Group took efforts to penetrate into non-urban railway transportation sectors through gradual transformation from a pure-play contractor towards a service provider in non-traditional sectors including safety in operation, product security and product intelligence. Under the overall strategy, the Group refined the budget and final account management of each business unit to achieve better cost control.

Looking ahead, we can see that the PRC government is focusing more on restructuring and advancing reforms in different aspects, instead of merely pursuing GDP growth as in the past. Given the emphasis placed on long-term development by the government, industries with overcapacity can only find a way out through timely adjustments in operation. We believe that with the implementation of relevant corporate business strategies, the Group will gradually take a more proactive stance. On the back of the management's experience in the industry and a wealth of resources accumulated over the decade, the Group can penetrate into new markets while adapting to the economic restructuring. Keeping abreast of advancements in mobile Internet technology, the Group is well positioned for a promising development in the future.

I would like to express my heartfelt gratitude to the Directors, the management and the concerted employees, and to business partners and shareholders for their long-term cooperation with and support to Global Link.

**Ma Yuanguang**
*Chairman*

Hong Kong, 26 June 2014

# MANAGEMENT DISCUSSION AND ANALYSIS

The past year witnessed further progress of a new round of restructuring and reform across various sectors, as led by the government in light of the decisions of the Third Plenary Session of the 18th Congress of Chinese Communist Party. As a result of the reform on railway authorities, China Railway Corporation was established to manage investment and operation of the state-owned rail lines to replace the former Ministry of Railways. Due to the reorganization, China's investment in rail transit projects experienced a slowdown in the first half of the year, followed by a recovery only after entering the second half of the year. The investment in 2014 is expected to reach nearly RMB800 billion.

## MARKET OVERVIEW

During the year, rail transit infrastructure investment was still a priority of China. The state-owned railway network was substantially remapped compared to the plan set forth in early 2013. Intercity rail lines and urban subways were constructed according to the blueprint under the "Twelfth Five-Year" Plan. Hence, over 36 cities nationwide have been approved for rail transit infrastructure, suggesting an annual average investment of nearly RMB300 billion till 2016. Under the key note of normalization of economic stabilization, well-paced investments in the authorized projects were seen in a number of cities according to their fiscal strengths and needs. Some took initiatives in urban light rails, aiming at green transit at lower construction costs and future maintenance costs. If succeeded, the light rail model will be promoted in more cities in the coming years, thus leading to more new rail lines.

Spearheaded by the economic and diplomatic policies of the Chinese government, CSR and CNR, with cost-effectiveness edge in the international markets, will secure more overseas orders, and enterprises in the industry chain will have the potential to gain a corresponding market share.

## BUSINESS REVIEW

During the year under review, as an experienced operator of train information system for urban railway transportation, the Group witnessed intensified market competition. Seeing significant growth in investment in the domestic urban railway transportation market over the past decade, key manufacturers of CSR and CNR partnered with operators and local governments in hub cities to establish local train manufacturing enterprises by way of equity and cooperative joint ventures. As a result, the capacity of major plants surged year by year. The overwhelming demand in the PRC market has led to declining prices over the years, especially in the urban train market where competition remained fierce. As more and more suppliers along the industry chain are attracted to the market by the sustained growth over the years, the original "blue ocean" was stirred up by those new entrants who are competing at low prices to acquire market share and positive results, with an ultimate goal of acquiring authentication from train manufacturers and operators.

Initiating innovations in train information system for urban railway transportation a decade ago, Global Link has been leading in the industry and become a pacesetter in products, technologies and major application reforms in the industry. Over the years, the Group has been recognized for its dedication, specialization and expertise in delivering projects, which is the best footnote to its philosophy of serving clients and the community with "integrity, professionalism and innovation". Our market approach is to seek reasonable profit margin with quality assurance, rather than offering low-quality products at low price to cope with the current irrational competition, as our reputation always prevails over a business opportunity.

During the year, the Company remained focused on CCTV, passenger information, train broadcast and other information systems for trains. The Group obtained the first-train certification for new lines in cities including Guangzhou, Shenzhen, Hangzhou and Hong Kong, and completed batch delivery of projects in Beijing, Guangzhou, Wuhan, Kunming, Dongguan, Shenzhen and Turkey. Due to fewer deliverable contracts during the year, our turnover recorded a decrease of 44% year-on-year.

Currently, the Group has over 60 contracts on hand for urban railway transportation projects, including more than 7,000 carriages serving 36 lines in 16 cities or regions, of which 27 lines have commenced operation. Due to frequently updated design requirements to cope with the constantly upgrading services of operators of such lines, which are mainly located in domestic hub cities, the technical and performance indicators are subject to repeated amendments. Furthermore, issues regarding the standard and coordination of suppliers of electrical, mechanical and telecommunications systems also led to the delay in acceptance inspection on delivered trains, often significantly exceeded the warranty period under the contract. As a result, most of the Company's system products were withheld for acceptance inspection until 2-3 years after the expiry of warranty. The extended free warranty services attributed to considerable extra costs in human resources, engineering and spare parts, resulting in our significant loss during the year.

Given the current trend in the railway transportation industry, the Group intends to launch a gradual transformation program concentrating on the following three aspects:

Firstly, the Marketing Department will be restructured into three independently accounted business units, each focusing on different market segments to give full play to their advantages in resources and better implement the innovative performance-linked assessment mechanism.

Secondly, focus will be placed on effective elimination of extended free warranty in the coming two years, so as to minimize the costs arising from heavy maintenance workloads. Instead, the Group will shift to paid services and innovative application services to maximize profit from services provided.

Thirdly, investments will proactively be made in innovation of technologies, applications and products through multi-dimensional cooperation in different ways and mechanisms. The Group expects to stand out from homogeneous competition by transforming and upgrading our business model to highlight our differentiation from competitors, in order to satisfy the demand for safe and uninterrupted operation following the intensive investments in the industry.

## FINANCIAL REVIEW

### Turnover

The Group completed the production and delivery of its products during the past year in an orderly manner in the light of the train delivery schedule of CSR and CNR. With the completion of delivery of the products for the existing contracts entered into in the previous year, the delivery of products for new contracts signed in the year also started in the same year. However, the intensifying bidding on trains in recent years resulted in contractual price slumps in the industry supply chain as compared to those of the previous year. As the Group's bidding on train information system was subject to significantly lower price caps, the overall profit margin of products was crippled during the year. The Group gave up bidding for projects with low expected profit margin during the year through selective bidding of projects. As a result, the number of contracts entered into during the year was lower than that of the previous year. The volume of products delivered was constrained by the delivery schedules of the contracts, resulting in a significant decrease in turnover. The turnover for the year amounted to HK$68,133,000, representing a decrease of 44% as compared with approximately HK$121,120,000 of last year.

### Gross profit and loss attributable to equity shareholders

As at 31 March 2014, the Group recorded gross profit of approximately HK$14,181,000 and loss after tax of approximately HK$56,822,000. Loss attributable to equity shareholders of the Company amounted to approximately HK$56,809,000.

Gross profit for the year decreased from 32% to 21% during the corresponding period last year, mainly attributable to a decrease in the unit price of train passenger information system facilities delivered in accordance with new contracts during the year. In addition, substantial investments in innovative research and development were sustained during the year so as to develop new systems solutions.

### Selling expenses

Selling expenses amounted to approximately HK$15,817,000, increased by HK$7,120,000 from that of the corresponding period last year, representing an increase of 82%.

The Group has been placing emphasis on market development and strengthening business and technological exchange activities with CSR, CNR and subway operators in various cities.

### Administrative expenses

During the year, administrative expenses increased by HK$2,652,000 or approximately 23% as compared to that of the last year. Such increase was mainly due to the stringent implementation of the accounting policies formulated by the Company to make provision for accounts receivable overdue for 1 to 2 years.

### Other operating expenses

During the year, system engineering maintenance expenses had been incurred for the delivered products whose warranties period had not expired and provision for product warranties in relation to these products was made.

### Other income

During the period, other income decreased by approximately 43% as compared to that of the last year.

## TURNOVER BY REGION

During the period, Guangzhou Global Link Communications Inc. remained as the major contributor to the Group's operating income, and the solution of train information system for railway transportation was the core product for generating operating income. CSR, CNR, railway transportation contractors and integrated project enterprises, as well as subway operators in places where projects had commenced operation, were among the major customers of the Group. The PRC market was the main market for products and services of the Group, supplemented by overseas markets.

The Group realized turnover of HK$68,133,000 in the PRC, representing 100% of the Group's turnover for the year.

## CUSTOMER ANALYSIS

The Group's major customers are train manufacturers under CSR and CNR. We provide authenticated train information system products to these customers, as well as new application technology, services, spare parts and engineering services to various urban rail transit operators. Moreover, we also provide systems solutions, outfit products and related services to rail transit operators in Hong Kong, Malaysia and Turkey.

## BUSINESS PARTNERS

The major market of the Group is railway transportation, and we have established long-term cooperation relationship with major train manufacturers and city railway transportation operators in the PRC. With the promotion of projects and innovative technologies, the Group has established good cooperation relationship with a number of railway transportation construction contractors and integrated project companies in the PRC as well as renowned train manufacturers and railway transportation companies in Hong Kong and overseas.

## 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 2014, the Group had a total cash and bank balances, amounted to approximately HK$29,297,000 (2013: approximately HK$31,674,000).

## BUSINESS OUTLOOK

The management of the Group is confident that the railway transportation industry chain still presents considerable opportunities, given the momentum of domestic investment driven by the government-led reforms as well as the demands from operators in South America, Southeast Asia and Africa. Our transformation towards innovative services under the realigned business strategy will broaden the market niche, and hence contribute to better profitability under the new business model.

## LIQUIDITY AND FINANCIAL RESOURCES

As at 31 March 2014, the Group had net current assets of approximately HK$94,112,000 (2013: approximately HK$142,036,000), of which approximately HK$29,297,000 (2013: approximately HK$31,674,000) 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 22 to the financial statements, the Group had no charge on its assets for the year under review.

## MATERIAL ACQUISITIONS, DISPOSALS AND SIGNIFICANT INVESTMENTS

Other than disclosed in note 29 to the financial statements, the Group did not have any material acquisitions, disposals and significant investments during the year under review.

## GEARING RATIO

The Group had no outstanding bank loans or other interest-bearing loans as at 31 March 2014 and the gearing ratio (being ratio of total long term borrowings to equity) was therefore inapplicable.

## FOREIGN EXCHANGE EXPOSURE

The Group exposes to certain foreign currency risk primarily with respect to Renminbi and United States 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

Based on information that is publicly available to the Company and within the knowledge of our Directors as at the latest practicable date prior to the issue of the annual report, 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 is set out in note 8 to the financial statements.

## CONTINGENT LIABILITIES

The Group had no material contingent liabilities as at 31 March 2014 (2013: 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 2014, the Group had 163 staff (2013: 178 staff), with 154 and 9 staff employed in the PRC and Hong Kong respectively.

| | **At 31 March 2014 Number of staff** | At 31 March 2013 Number of staff |
|---|---|---|
| Management, finance and administration | **32** | 44 |
| Research and development | **58** | 116 |
| Sales and after-sales maintenance | **73** | 18 |
| Total | **163** | 178 |

The total staff costs, including Directors' emoluments, amounted to approximately HK$17,359,000 (2013: approximately HK$18,946,000) 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.

## EXECUTIVE DIRECTORS

**Mr. Ma Yuanguang** (馬遠光), aged 60, 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 50, 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), all being subsidiaries of the Company.

**Mr. Lo Kam Hon, Gary** (勞錦漢), aged 50, is the financial controller of the Group and is also the Group's company secretary, responsible for the Group's financial and cash flow management and budget control. Mr. Lo is also an authorized representative of the Company. 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 the Chief Financial Officer of Goldenmars Technology Holdings Limited (Stock Code: 8036), a company listed on GEM.

## NON-EXECUTIVE DIRECTOR

**Mr. Wing Kee Eng, Lee**, aged 61. 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 63. 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 thirty years' experience in telecommunications, computer systems, data warehouse and information network. 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.

# BIOGRAPHICAL DETAILS OF DIRECTORS AND SENIOR MANAGEMENT



**Professor Lu Ting Jie** (呂廷杰), aged 59. 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 51, 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 39, joined Guangzhou Global Link Communications Inc, in October 2007 and is the finance controller. Mr. Xian graduated from Guangdong University of Finance & Economics 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., subsidiaries of the Company.

The Directors herein submit their report together with the audited financial statements of the Group for the year ended 31 March 2014.

## 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 17 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 profit or loss and other comprehensive income on page 29.

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

## 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 26 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 26 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 2014, the Company's reserves available for distribution amounted to approximately HK$30,903,000 (2013: approximately HK$30,883,000).

## 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***

| | **2014** | 2013 | 2012 | 2011 | 2010 |
|---|---|---|---|---|---|
| | **HK$'000** | HK$'000 | HK$'000 | HK$'000 | HK$'000 |
| Revenue | **68,133** | 121,120 | 79,357 | 111,474 | 89,693 |
| Gross profit | **14,181** | 38,324 | 24,261 | 48,531 | 27,937 |
| (Loss)/profit before tax | **(53,042)** | 23,584 | 11,412 | 31,980 | 18,317 |
| (Loss)/profit attributable to equity shareholders of the Company | **(56,809)** | 19,267 | 13,373 | 29,262 | 16,435 |
| Total assets | **125,033** | 178,669 | 157,298 | 149,985 | 72,406 |
| Total liabilities | **28,035** | 27,307 | 27,978 | 36,942 | 26,015 |
| Non-controlling interests | **(19)** | (1,329) | (2,467) | (1,847) | (399) |
| Net assets | **96,998** | 151,362 | 129,320 | 113,043 | 46,391 |

## 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 | 37% |
| – five largest suppliers combined | 63% |
| | |
| Sales | |
| – the largest customer | 35% |
| – five largest customers combined | 85% |

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 Professor Lu Ting Jie will retire by rotation and, being eligible, will offer themselves for re-election at the forthcoming annual general meeting.

The Company 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 profit or loss for the year are set out in note 28 and note 9(a) 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 2012. Mr. Lo Kam Hon, Gary has entered into a service contract with the Company for a term of two years commencing from 23 September 2012. 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 2012 while Mr. Leung Kwok Keung has been appointed for a term of two years commencing from 23 September 2012. 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 10 to 11 of this report.

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

As at 31 March 2014, 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 2014, 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 2014, 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 shareholding |
|---|---|---|---|
| Bright Cosmos Holdings Limited | Beneficial owner | 79,347,600 ordinary shares Long position | 8.26% |

*Note:*

The entire issued share capital of Bright Cosmos Holdings Limited is held by Hu Zhi Jian.

Save as disclosed above, as at 31 March 2014, 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

The Company adopted two share option schemes, namely, Pre-IPO Share Option Scheme (the "Pre-IPO Share Option Scheme") and Share Option Scheme (the "Share Option Scheme") on 24 October 2002.

Pursuant to the Pre-IPO Share Option Scheme, 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. 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. 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 GEM Board. The Pre-IPO Share Options had lapsed on 23 October 2012.

Pursuant to the Share Option Scheme, 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 options granted on 10 December 2003 and 5 October 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.

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 the Share Option Scheme** | | | |
|---|---|---|---|---|---|---|---|
| **Capacity** | **Date of grant** | **Number of share options granted** | **Outstanding as at 1 April 2013** | **Lapsed during the year under review** | **Exercised during the year under review** | **Outstanding as at 31 March 2014** | **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 2013 | 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 2)* | – | – | |

*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, the options had lapsed on 9 December 2013.

(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 on 4 October 2009.

As as the date of this report, there is no outstanding share option of the Company. Details of the Pre-IPO Share Option Scheme and Share Option Scheme are set out in the prospectus of the Company dated 31 October 2002 (the "Prospectus") and note 27 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 2014.

## 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 and Corporate Governance Report 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, 26 June 2014

## 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 and Corporate Governance Report (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 2014.

## 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 "Biographical 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 2012 while Mr. Leung Kwok Keung has been appointed for a term of two years commencing from 23 September 2012. 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.

In particular, Professor Lu Ting Jie was appointed as an independent non-executive Director (the "**INED**") since 1 November 2002 and has served the Company for more than nine years. Notwithstanding such a long continuous period of his holding office as an INED, given that he has confirmed in writing to the Company of his independence with reference to various matters set out in Rule 5.09 of the GEM Listing Rules, the Board is satisfied with his independence and believes he is still independent. Furthermore, given the extensive knowledge and experience of Professor Lu, the Board believes that his re-election is in the best interests of the Company and its Shareholders and therefore he should be re-elected. Pursuant to Code Provision A.4.3 of the Corporate Governance Code and Corporate Governance Report set out in Appendix 15 of the GEM Listing Rules, such re-election will be subject to a separate resolution to be approved by the Shareholders at the forthcoming annual general meeting of the Company dated 8 August 2014.

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

As part of an ongoing process of directors' training, the Directors are updated with latest developments regarding the GEM Listing Rules and other applicable regulatory requirements from time to time to ensure compliance of the same by all Directors. All Directors are encouraged to attend external forum or training courses on relevant topics which may count towards continuous professional development training. Continuing briefings and professional development to Directors will be arranged whenever necessary.

Pursuant to the Corporate Governance Code which has come into effect on 1 April 2012, all directors should participate in continuous professional development to develop and refresh their knowledge and skills. This is to ensure that their contribution to the board remains informed and relevant. During the year and up to the date of this report, all Directors have participated in appropriate continuous professional development activities either by attending training courses or by reading materials relevant to the Company's business or to the Directors' duties and responsibilities.

## 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 making of recommendations to the Board on the remuneration packages of all 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 26 March 2014. 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. 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 26 June 2014. 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 Professor Lu Ting Jie will retire, and being eligible, will offer themselves for re-election at the forthcoming annual general meeting of the Company.

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$422,000 to the external auditors for its audit services and the auditor's remuneration for non-audit services was nil.

## 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 2014 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 2014 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 Board is responsible for the corporate governance functions with the following duties:

- to develop and review the Company's policies and practices on corporate governance and make recommendations on changes and updating;
- to review and monitor the training and continuous professional development of Directors;
- to review and monitor the Company's policies and practices on compliance with legal and regulatory requirements;
- to develop, review and monitor the code of conduct and compliance manual (if any) applicable to employees and Directors;
- to review the Company's compliance with the Corporate Governance Code and disclosure in the Corporate Governance Report in the Company's annual report; and
- such other corporate governance duties and functions set out in the Corporate Governance Code (as amended from time to time) for which the Board are responsible.

During the year under review, the Board has performed the corporate governance duties accordingly.

## 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 C, 17th Floor, Hollywood Centre, 77-91 Queen's Road West, 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.

The attendance of members of the Board to the general meeting held on 9 August 2013 is as follows:

| **Directors** | ***Attendance*** |
|---|---|
| *Executive Directors* | |
| Mr. Ma Yuanguang *(Chairman)* | 1/1 |
| Mr. Hu Zhi Jian *(Chief executive officer)* | 1/1 |
| Mr. Lo Kam Hon, Gary | 0/1 |
| *Non-executive Director* | |
| Mr. Wing Kee Eng, Lee | 0/1 |
| *Independent non-executive Directors* | |
| Mr. Hu Tiejun | 1/1 |
| Professor Lu Ting Jie | 0/1 |
| Mr. Leung Kwok Keung | 0/1 |

During the year under review, there had been no significant change in the Company's constitutional documents.

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

9/F Leighton Centre,
77 Leighton Road,
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 87, which comprise the consolidated and company statements of financial position as at 31 March 2014, and the consolidated statement of profit or loss and other 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 2014, and of the Group's loss and cash flows for the year then ended in accordance with Hong Kong Financial Reporting Standards and have been properly prepared in accordance with the disclosure requirements of the Hong Kong Companies Ordinance.

**Crowe Horwath (HK) CPA Limited**
*Certified Public Accountants*
Hong Kong, 26 June 2014

Lau Kwok Hung
Practising Certificate Number: P04169

# CONSOLIDATED STATEMENT OF PROFIT OR LOSS AND OTHER COMPREHENSIVE INCOME

FOR THE YEAR ENDED 31 MARCH 2014

| | Note | 2014 HK$'000 | 2013 HK$'000 |
|---|---|---|---|
| **Revenue** | 6 | **68,133** | 121,120 |
| Cost of sales | | **(53,952)** | (82,796) |
| Gross profit | | **14,181** | 38,324 |
| Other revenue and net income | 7 | **3,238** | 5,664 |
| Selling expenses | | **(15,817)** | (8,697) |
| Administrative expenses | | **(14,359)** | (11,707) |
| Loss on disposal of a subsidiary | 29 | **(1,622)** | – |
| Other operating expenses | | **(38,663)** | – |
| **(Loss)/profit before taxation** | 9 | **(53,042)** | 23,584 |
| Income tax | 10 | **(3,780)** | (3,189) |
| **(Loss)/profit for the year** | | **(56,822)** | 20,395 |
| **Other comprehensive income for the year:** | | | |
| Items that may be reclassified subsequently to profit or loss | | | |
| Exchange differences on translating of financial statements of foreign operations | | **836** | 1,647 |
| Reclassification adjustments relating to overseas subsidiary disposed of during the year | 29 | **299** | – |
| **Other comprehensive income for the year, net of income tax** | | **1,135** | 1,647 |
| **Total comprehensive (loss)/income for the year** | | **(55,687)** | 22,042 |
| **(Loss)/profit attributable to:** | | | |
| Equity shareholders of the Company | | **(56,809)** | 19,267 |
| Non-controlling interests | | **(13)** | 1,128 |
| | | **(56,822)** | 20,395 |
| **Total comprehensive (loss)/income attributable to:** | | | |
| Equity shareholders of the Company | | **(55,674)** | 20,904 |
| Non-controlling interests | | **(13)** | 1,138 |
| | | **(55,687)** | 22,042 |
| **(Loss)/earnings per share (in HK cents):** | | | |
| – Basic | 12 | **(5.91 cents)** | 2.01 cents |
| – Diluted | 12 | **(5.91 cents)** | 2.00 cents |

The notes on pages 34 to 87 form an integral part of these financial statements.

# CONSOLIDATED STATEMENT OF FINANCIAL POSITION

AT 31 MARCH 2014

| | Note | 2014 HK$'000 | 2013 HK$'000 |
|---|---|---|---|
| **Non-current assets** | | | |
| Property, plant and equipment | 14 | **1,433** | 1,941 |
| Intangible asset | 15 | **2,420** | 3,061 |
| Pledged bank deposit | 22 | **–** | 808 |
| Deferred tax assets | 16 | **346** | 3,516 |
| | | **4,199** | 9,326 |
| **Current assets** | | | |
| Inventories | 18 | **23,579** | 24,269 |
| Trade and other receivables | 19 | **57,130** | 95,503 |
| Deposits and prepayments | 20 | **10,020** | 17,897 |
| Pledged bank deposit | 22 | **808** | – |
| Cash and cash equivalents | 21 | **29,297** | 31,674 |
| | | **120,834** | 169,343 |
| **Current liabilities** | | | |
| Trade and other payables | 23 | **13,181** | 18,714 |
| Provision | 24 | **5,743** | – |
| Provision for taxation | | **7,798** | 8,593 |
| | | **26,722** | 27,307 |
| **Net current assets** | | **94,112** | 142,036 |
| **Total assets less current liabilities** | | **98,311** | 151,362 |
| **Non-current liabilities** | | | |
| Provision | 24 | **1,257** | – |
| Provision for long service payments | 25 | **56** | – |
| | | **1,313** | – |
| **NET ASSETS** | | **96,998** | 151,362 |
| **CAPITAL AND RESERVES** | | | |
| Equity attributable to equity shareholders of the Company | | | |
| Share capital | 26 | **9,608** | 9,608 |
| Reserves | | **87,409** | 143,083 |
| | | **97,017** | 152,691 |
| Non-controlling interests | | **(19)** | (1,329) |
| **TOTAL EQUITY** | | **96,998** | 151,362 |

Approved and authorised for issue by the board of directors on 26 June 2014.

**Ma Yuanguang**
*Director*

**Hu Zhi Jian**
*Director*

The notes on pages 34 to 87 form an integral part of these financial statements.

# STATEMENT OF FINANCIAL POSITION

AT 31 MARCH 2014

| | Note | **2014** **HK$'000** | 2013 HK$'000 |
|---|---|---|---|
| **Non-current assets** | | | |
| Investments in subsidiaries | 17 | **411** | 411 |
| **Current assets** | | | |
| Other receivables | 19 | **40,669** | 41,802 |
| Deposits and prepayments | 20 | **203** | 203 |
| | | **40,872** | 42,005 |
| **Current liabilities** | | | |
| Other payables | 23 | **772** | 730 |
| | | **772** | 730 |
| **Net current assets** | | **40,100** | 41,275 |
| **NET ASSETS** | | **40,511** | 41,686 |
| **CAPITAL AND RESERVES** | | | |
| Share capital | 26 | **9,608** | 9,608 |
| Reserves | 26 | **30,903** | 32,078 |
| **TOTAL EQUITY** | | **40,511** | 41,686 |

Approved and authorised for issue by the board of directors on 26 June 2014.

**Ma Yuanguang**
*Director*

**Hu Zhi Jian**
*Director*

The notes on pages 34 to 87 form an integral part of these financial statements.

# CONSOLIDATED STATEMENT OF CHANGES IN EQUITY



FOR THE YEAR ENDED 31 MARCH 2014

| | 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 2012 | 9,608 | 58,725 | 2,135 | 9,281 | 1,195 | 42,284 | 8,559 | 131,787 | (2,467) | 129,320 |
| Profit for the year | – | – | – | – | – | 19,267 | – | 19,267 | 1,128 | 20,395 |
| Other comprehensive income | – | – | – | 1,637 | – | – | – | 1,637 | 10 | 1,647 |
| Total comprehensive income for the year | – | – | – | 1,637 | – | 19,267 | – | 20,904 | 1,138 | 22,042 |
| Transfer to reserve | – | – | – | – | – | (2,248) | 2,248 | – | – | – |
| At 31 March 2013 | 9,608 | 58,725(#) | 2,135(#) | 10,918(#) | 1,195(#) | 59,303(#) | 10,807(#) | 152,691 | (1,329) | 151,362 |
| At 1 April 2013 | 9,608 | 58,725 | 2,135 | 10,918 | 1,195 | 59,303 | 10,807 | 152,691 | (1,329) | 151,362 |
| Loss for the year | – | – | – | – | – | (56,809) | – | (56,809) | (13) | (56,822) |
| Other comprehensive income | – | – | – | 1,135 | – | – | – | 1,135 | – | 1,135 |
| Total comprehensive (loss)/income for the year | – | – | – | 1,135 | – | (56,809) | – | (55,674) | (13) | (55,687) |
| Transfer of share option reserve upon the expiry of share options | – | – | – | – | (1,195) | 1,195 | – | – | – | – |
| Disposal of a subsidiary *(note 29)* | – | – | – | – | – | – | – | – | 1,323 | 1,323 |
| **At 31 March 2014** | **9,608** | **58,725(#)** | **2,135(#)** | **12,053(#)** | **– (#)** | **3,689(#)** | **10,807(#)** | **97,017** | **(19)** | **96,998** |

(#) These accounts comprise the consolidated reserves of approximately HK$87,409,000 (2013: HK$143,083,000) in the consolidated statement of financial position.

The notes on pages 34 to 87 form an integral part of these financial statements.

# CONSOLIDATED STATEMENT OF CASH FLOWS

FOR THE YEAR ENDED 31 MARCH 2014

| | Note | 2014 HK$'000 | 2013 HK$'000 |
|---|---|---|---|
| **Operating activities** | | | |
| (Loss)/profit before tax | | **(53,042)** | 23,584 |
| Adjustments for: | | | |
| Depreciation | 9(b) | **605** | 960 |
| Amortisation of intangible asset | 9(b) | **649** | 144 |
| Loss on disposal of property, plant and equipment | 9(b) | **29** | – |
| Loss on disposal of a subsidiary | 9(b) | **1,622** | – |
| Write-back of trade and other payables | 7(a) | **(1,007)** | (3,497) |
| Allowance for doubtful debts | 9(b) | **7,137** | 222 |
| (Reversal of)/provision for impairment of deposits | 9(b) | **(997)** | 2,474 |
| Bank interest income | 7(a) | **(706)** | (748) |
| **Changes in working capital** | | **(45,710)** | 23,139 |
| Decrease/(increase) in inventories | | **690** | (18,236) |
| Decrease/(increase) in trade and other receivables | | **31,233** | (7,788) |
| Decrease/(increase) in deposits and prepayments | | **8,887** | (5,126) |
| (Decrease)/increase in trade and other payables | | **(4,526)** | 2,726 |
| Increase in provision for product warranties | | **7,088** | – |
| Increase in provision for long service payments | | **56** | – |
| **Cash (used in) operations** | | **(2,282)** | (5,285) |
| PRC enterprise income taxes paid | | **(1,359)** | (2,403) |
| **Net cash (used in) operating activities** | | **(3,641)** | (7,688) |
| **Investing activities** | | | |
| Payment for purchase of property, plant and equipment | | **(122)** | (38) |
| Payment for purchase of intangible asset | | **–** | (3,205) |
| Proceeds from disposals of property, plant and equipment | | **–** | 52 |
| Bank interest received | | **706** | 748 |
| Increase in pledged bank deposit | | **–** | (808) |
| **Net cash generated from/(used in) investing activities** | | **584** | (3,251) |
| **Net (decrease) in cash and cash equivalents** | | **(3,057)** | (10,939) |
| **Cash and cash equivalents at the beginning of the year** | | **31,674** | 42,007 |
| Effect of foreign exchange rate changes | | **680** | 606 |
| **Cash and cash equivalents at the end of the year** | | **29,297** | 31,674 |
| **Analysis of the balances of cash and cash equivalents:** | | | |
| Cash and cash equivalents | 21 | **29,297** | 31,674 |

The notes on pages 34 to 87 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 17 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 HKFRSs issued by the Hong Kong Institute of Certified Public Accountants.

| | |
|---|---|
| Amendments to HKFRSs | Annual Improvements to HKFRSs 2009-2011 Cycle |
| Amendments to HKAS 1 | Presentation of Items of Other Comprehensive Income |
| Amendments to HKFRS 7 | Disclosures – Offsetting Financial Assets and Financial Liabilities |
| Amendments to HKFRS 10, HKFRS 11 and HKFRS 12 | Consolidated Financial Statements, Joint Arrangements and Disclosure of Interests in Other Entities: Transition Guidance |
| HKFRS 10 | Consolidated Financial Statements |
| HKFRS 11 | Joint Arrangements |
| HKFRS 12 | Disclosure of Interests in Other Entities |
| HKFRS 13 | Fair Value Measurement |
| HKAS 19 (as revised in 2011) | Employee Benefits |
| HKAS 27 (as revised in 2011) | Separate Financial Statements |
| HKAS 28 (as revised in 2011) | Investments in Associates and Joint Ventures |
| HK(IFRIC) – Int 20 | Stripping Costs in the Production Phase of a Surface Mine |

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

### Amendments to HKAS 1 Presentation of Items of Other Comprehensive Income

The amendments to HKAS 1 Presentation of Items of Other Comprehensive Income introduce new terminology for statement of comprehensive income. Under the amendments to HKAS 1, a statement of comprehensive income is renamed as a statement of profit or loss and other comprehensive income. The amendments to HKAS 1 retain the option to present profit or loss and other comprehensive income in either a single statement or in two separate but consecutive statements. However, the amendments to HKAS 1 require items of other comprehensive income to be grouped into two categories: (a) items that will not be reclassified subsequently to profit or loss; and (b) items that may be reclassified subsequently to profit or loss when specific conditions are met. Income tax on items of other comprehensive income is required to be allocated on the same basis – the amendments do not change the option to present items of other comprehensive income either before tax or net of tax.

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

### Amendments to HKAS 1 Presentation of Items of Other Comprehensive Income *(continued)*

The Group's "consolidated statement of comprehensive income" is renamed as "consolidated statement of profit or loss and other comprehensive income".

### Amendments to HKFRS 7 Disclosures – Offsetting Financial Assets and Financial Liabilities

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

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

### HKFRS 10 Consolidated Financial Statements

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

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

### HKFRS 12 Disclosure of Interests in Other Entities

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

## 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") and accounting principles generally accepted in Hong Kong. These financial statements also comply with the applicable disclosure requirements of the Hong Kong Companies Ordinance, which for this financial year and the comparative period continue to be those of the predecessor Companies Ordinance (Cap. 32), in accordance with transitional and saving arrangements for Part 9 of the new Hong Kong Companies Ordinance (Cap. 622), "Accounts and Audit", which are set out in sections 76 to 87 of Schedule 11 to that 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 2014 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 of the primary economic environment in which the entity operates (the "functional currency"). 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 major sources of estimation uncertainty are discussed in note 4.

### c) Going concern

The Group has incurred loss for the year of approximately HK$56,822,000 and net cash outflow of approximately HK$3,057,000 for the year ended 31 March 2014 which indicated the existence of an uncertainty that may cast doubt on the Group's ability to continue as a going concern. The directors of the Company have evaluated all the relevant facts available, which included operation plan and cash flow forecast of the Group, and are of the opinion that the Group will have the necessary liquid funds to finance its working capital and capital expenditure requirements. Accordingly, the consolidated financial statements have been prepared on a going concern basis.

### d) 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 measured.

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.

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

### e) Subsidiaries and non-controlling interests

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

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, transactions and cash flows 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.

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 profit or loss and other 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. 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(r)).

### f) 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 any accumulated impairment losses (see note 3(r)).

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.

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

### f) Property, plant and equipment *(continued)*

Depreciation is recognised so as to write off the cost of items of property, plant and equipment, less their estimated residual values over their estimated 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 | 5 years |
| Office equipment | 5 years |
| Leasehold improvements | 3 years or over the lease term |
| Tools and equipment | 5 to 10 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.

### g) 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.

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

### g) Leased assets *(continued)*

*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.

### h) 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.

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.

### i) 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(r)).

### j) 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.

### 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 and contributions to defined contribution retirement plans*

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.

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

### m) Employee benefits *(continued)*

*iii) Pension schemes (continued)*

The employees of the Group's subsidiaries which operate in the 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.

*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 at the earlier of when the Group can no longer withdraw the offer of those benefits and when it recognises restructuring costs involving the payment of termination benefits.

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

### n) 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 profit or loss and other 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 the related tax benefit to be utilised. Any such reduction is reversed to the extent that it becomes probable that sufficient taxable profits will be available.

Additional income taxes that arise from the distribution of dividends are recognised when the liability to pay the related dividends is recognised.

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)*

### n) 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.

### o) Provisions and contingent liabilities

Provisions are recognised for liabilities of uncertain timing or amount when the Group or the Company has a 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.

### p) 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)*

### q) 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)*

### r) 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 current receivables and other financial assets carried at amortised cost, the 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.

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

### r) Impairment of assets *(continued)*

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

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.

– 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;

– intangible asset; 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 greater of its fair value less costs of disposal and value in use. In assessing value in use, the estimated future cash flows are discounted to their present value using a pre-tax discount rate that reflects current market assessments of the time value of money and the risks specific to the asset. 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).

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

### r) Impairment of assets *(continued)*

*ii) Impairment of other assets (continued)*

– 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 of disposal (if measureable), or value in use, if determinable.

– 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.

### s) Intangible assets (other than goodwill)

*(i) Intangible assets acquired separately*

Intangible assets with finite useful lives that are acquired separately are carried at cost less accumulated amortisation and accumulated impairment losses (see note 3(r)). Amortisation is recognised on a straight-line basis over their estimated useful lives. The estimated useful life and amortisation method are reviewed at the end of each reporting period, with the effect of any changes in estimate being accounted for on a prospective basis. Intangible assets with indefinite useful lives that are acquired separately are carried at cost less accumulated impairment losses.

Software with finite useful lives are amortised on a straight-line basis over 5 years.

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

### s) Intangible assets (other than goodwill) *(continued)*

*(ii) Research and development expenditure*

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(r)), on the same basis as intangible assets that are acquired separately.

*(iii) Derecognition of intangible assets*

An intangible asset is derecognised on disposal, or when no future economic benefits are expected from use or disposal. Gains and losses arising from derecognition of an intangible asset, measured as the difference between the net disposal proceeds and the carrying amount of the asset, are recognised in profit or loss when the asset is derecognised.

## 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 and intangible asset*

If circumstances indicate that the carrying amounts of property, plant and equipment and intangible asset 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 and intangible asset as described in note 3(r). The carrying amounts of property, plant and equipment and intangible asset 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. As at 31 March 2014, the carrying amount of property, plant and equipment and intangible asset were approximately HK$1,433,000 (2013: HK$1,941,000) and HK$2,420,000 (2013: HK$3,061,000).

## 4. ACCOUNTING ESTIMATES AND JUDGEMENTS *(continued)*

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

*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. As at 31 March 2014, the carrying amount of trade and other receivables was approximately HK$57,130,000 (2013: HK$95,503,000).

*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.

*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(h). 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. As at 31 March 2014, the carrying amount of inventories was approximately HK$23,579,000 (2013: HK$24,269,000).

## 4. ACCOUNTING ESTIMATES AND JUDGEMENTS *(continued)*

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

*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.

### 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.

*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. As at 31 March 2014, the carrying amount of provision for taxation was approximately HK$7,798,000 (2013: HK$8,593,000).

## 4. ACCOUNTING ESTIMATES AND JUDGEMENTS *(continued)*

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

*ii) Income taxes (continued)*

Deferred tax assets are recognised for certain deductible temporary differences as management considers it is probable that future taxable profit will be available against which the 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. The carrying amount of deferred tax assets at 31 March 2014 was approximately HK$346,000 (2013: HK$3,516,000).

## 5. FINANCIAL RISK MANAGEMENT AND FAIR VALUES OF FINANCIAL INSTRUMENTS

### Financial assets

*The Group*

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

| | **2014** | 2013 |
|---|---|---|
| | ***HK$'000*** | *HK$'000* |
| Pledged bank deposit | **808** | 808 |
| Trade and other receivables | **57,130** | 95,503 |
| Deposits | **39** | 51 |
| Cash and cash equivalents | **29,297** | 31,674 |
| | **87,274** | 128,036 |

*The Company*

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

| | **2014** | 2013 |
|---|---|---|
| | ***HK$'000*** | *HK$'000* |
| Amounts due from subsidiaries | **40,669** | 41,802 |

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

### Financial liabilities

*The Group*

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

| | **2014** | 2013 |
|---|---|---|
| | ***HK$'000*** | *HK$'000* |
| Trade and other payables | **12,508** | 18,577 |

*The Company*

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

| | **2014** | 2013 |
|---|---|---|
| | ***HK$'000*** | *HK$'000* |
| Other payables | **772** | 730 |

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 OF FINANCIAL INSTRUMENTS *(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, 15% (2013: 30%) and 50% (2013: 84%) of the total trade receivables was due from the Group's largest customer and the five largest customers respectively within PRC segment.

iv) The Company's concentration of credit risk is on amounts due from subsidiaries. The Company reviews the recoverable amounts of individual debts at the end of each reporting period to ensure that adequate impairment losses are made for irrecoverable amounts. With respect to credit risk arising from amounts due from subsidiaries, the Company's exposure to credit risk arising from default of the counterparties is limited as the Company does not expect to incur a significant loss for uncollected amounts due from subsidiaries.

v) In respect of amounts due from subsidiaries, the Company has concentration of credit risk as 100% (2013: 100%) of the amounts due from subsidiaries are owed from 2 subsidiaries within Hong Kong segment.

vi) 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 19.

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

## c) Liquidity risk

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

The following tables 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*

| | 2014 | | | | 2013 | | | |
|---|---|---|---|---|---|---|---|---|
| | Within 1 year or on demand HK$'000 | More than 1 year HK$'000 | Total contractual undiscounted cash flow HK$'000 | Carrying amount at 31/3/2014 HK$'000 | Within 1 year or on demand HK$'000 | More than 1 year HK$'000 | Total contractual undiscounted cash flow HK$'000 | Carrying amount at 31/3/2013 HK$'000 |
| Trade and other payables | 12,508 | – | 12,508 | 12,508 | 18,577 | – | 18,577 | 18,577 |

*The Company*

| | 2014 | | | | 2013 | | | |
|---|---|---|---|---|---|---|---|---|
| | Within 1 year or on demand HK$'000 | More than 1 year HK$'000 | Total contractual undiscounted cash flow HK$'000 | Carrying amount at 31/3/2014 HK$'000 | Within 1 year or on demand HK$'000 | More than 1 year HK$'000 | Total contractual undiscounted cash flow HK$'000 | Carrying amount at 31/3/2013 HK$'000 |
| Other payables | 772 | – | 772 | 772 | 730 | – | 730 | 730 |

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

### d) Interest rate risk

The Group is exposed to fair value interest rate risk in relation to fixed-rate bank balances and cash flow interest rate risk in relation to variable rate bank balances and deposits. The management will continuously monitor interest rate fluctuation and will consider hedging significant interest rate risk should the need arise.

*i) Interest rate profile*

The Group

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

| | The Group | | | |
|---|---|---|---|---|
| | **2014** | | 2013 | |
| | **Effective interest rates** | | Effective interest rates | |
| | **%** | ***HK$'000*** | % | *HK$'000* |
| Fixed rate bank deposit | **3.75** | **808** | 3.75 | 808 |
| Variable rate bank balances and deposits | **0.01-3.8** | **29,205** | 0.01-1.8 | 31,495 |

The Company

The Company has no significant interest rate risk. Accordingly, no sensitivity analysis has been prepared for the Company for 2013 and 2014.

*ii) Sensitivity analysis*

At 31 March 2014, 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 decrease/increase the Group's loss after tax and increase/decrease the retained profits by approximately HK$274,000 (2013: increase/decrease the Group's profit after tax and retained profits by approximately HK$300,000). 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 (2013: 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 2013.

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 OF FINANCIAL INSTRUMENTS *(continued)*

### e) Currency risk

*(i) Exposure to currency risk*

The Group

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 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 ("HK$"), translated using the spot rate at the end of the reporting period.

| | **The Group** | |
|---|---|---|
| | **2014** | 2013 |
| | ***HK$'000*** | *HK$'000* |
| Cash and cash equivalents | | |
| US$ | **170** | 451 |
| RMB | **14,937** | 18,291 |
| Net exposure arising from recognised assets and liabilities | **15,107** | 18,742 |

The Company

The Company has no significant currency risk. Accordingly, no sensitivity analysis has been prepared for the Company for 2013 and 2014.

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

### e) Currency risk *(continued)*

*(ii) Sensitivity analysis*

The following table indicates the instantaneous change in the Group's (loss)/profit after tax (and retained profits) that would arise if foreign exchange rates to which the Group has significant exposure at the end of the reporting period had changed at that date, assuming all other risk variables remained constant. In this respect, it is assumed that the pegged rate between the Hong Kong dollar and the United States dollar would be materially unaffected by any changes in movement in value of the United States dollar against other currencies.

| | **The Group** | | | | |
|---|---|---|---|---|---|
| | **2014** | | | 2013 | |
| | **Increase/ (decrease) in foreign exchange rates** | **Effect on loss after tax** | **Effect on retained profits** | Increase/ (decrease) in foreign exchange rates | Effect on profit after tax and retained profits |
| | | ***HK$'000*** | ***HK$'000*** | | *HK$'000* |
| RMB | **5%** | **(747)** | **747** | 5% | 915 |
| | **(5%)** | **747** | **(747)** | (5%) | (915) |

Results of the analysis as presented in the above table represent an aggregation of the instantaneous effects on each of the group entities' profit/(loss) after tax and equity measured in the respective functional currencies, translated into HK$ at the exchange rate ruling at the end of the reporting period for presentation purposes.

The sensitivity analysis has been determined assuming that the change in foreign exchange rates had been applied to re-measure those financial instruments held by the Group which expose the Group to foreign currency risk at the end of the reporting period. The analysis is performed on the same basis for 2013.

In management's opinion, the sensitivity analysis is unrepresentative of the inherent foreign exchange risk as the year end exposure at the end of the reporting period does not reflect the exposure during the year.

### f) Fair values measurements

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 the Group's and the Company's financial instruments carried at cost or amortised cost are not materially different from their fair values as at 31 March 2014 and 31 March 2013.

FOR THE YEAR ENDED 31 MARCH 2014

## 6. REVENUE

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

| | **2014** | 2013 |
|---|---|---|
| | ***HK$'000*** | *HK$'000* |
| Revenue from the supply, development and integration of message communication system, passenger information management system and electricity monitoring system | **68,133** | 121,120 |

## 7. OTHER REVENUE AND NET INCOME

| | | **2014** | 2013 |
|---|---|---|---|
| | | ***HK$'000*** | *HK$'000* |
| a) | Other revenue | | |
| | Bank interest income | **706** | 748 |
| | Total interest income on financial assets not at fair value through profit or loss | **706** | 748 |
| | Refund on value-added tax | **1,488** | 1,109 |
| | Write-back of trade and other payables | **1,007** | 3,497 |
| | Other income | **8** | 84 |
| | | **3,209** | 5,438 |
| b) | Other net income | | |
| | Net exchange gain | **29** | 226 |
| | | **3,238** | 5,664 |

## 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 the 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 and passenger information management system.

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 or amortisation of assets 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 profit or loss and other comprehensive income.

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

## 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 2014 and 2013 is set out below.

| | PRC | | Hong Kong | | Total | |
|---|---|---|---|---|---|---|
| | **2014** | 2013 | **2014** | 2013 | **2014** | 2013 |
| | ***HK$'000*** | *HK$'000* | ***HK$'000*** | *HK$'000* | ***HK$'000*** | *HK$'000* |
| **Reportable segment revenue** | | | | | | |
| Inter-segment revenue | **–** | 27 | **–** | 318 | **–** | 345 |
| Revenue from external customers | **68,133** | 120,865 | **–** | 255 | **68,133** | 121,120 |
| | **68,133** | 120,892 | **–** | 573 | **68,133** | 121,465 |
| **Reportable segment (loss)/profit** | **(35,509)** | 39,455 | **(137)** | 345 | **(35,646)** | 39,800 |
| Research and development costs | **(13,473)** | (15,228) | **–** | – | **(13,473)** | (15,228) |
| Interest revenue | **280** | 348 | **426** | 400 | **706** | 748 |
| Depreciation | **(496)** | (852) | **(109)** | (108) | **(605)** | (960) |
| Amortisation of intangible asset | **(649)** | (144) | **–** | – | **(649)** | (144) |
| Allowance for doubtful debts | **(7,137)** | (222) | **–** | – | **(7,137)** | (222) |
| Loss on disposal of property, plant and equipment | **(28)** | – | **(1)** | – | **(29)** | – |
| Increase in provision | **(7,088)** | – | **–** | – | **(7,088)** | – |
| Provision for long service payments | **–** | – | **(56)** | – | **(56)** | – |
| Reversal of/(provision for) impairment of deposits | **997** | (2,474) | **–** | – | **997** | (2,474) |
| **Reportable segment assets** | **108,927** | 156,010 | **18,087** | 21,470 | **127,014** | 177,480 |
| Reportable segment assets includes: | | | | | | |
| Additions to non-current assets (other than financial instruments and deferred tax assets) | **119** | 3,237 | **3** | 6 | **122** | 3,243 |
| **Reportable segment liabilities** | **19,898** | 19,007 | **2,666** | 2,034 | **22,564** | 21,041 |

FOR THE YEAR ENDED 31 MARCH 2014

## 8. SEGMENT INFORMATION *(continued)*

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

| | **2014** | 2013 |
|---|---|---|
| | ***HK$'000*** | *HK$'000* |
| **Revenue** | | |
| Total reportable segments' revenue | **68,133** | 121,465 |
| Elimination of inter-segment revenue | **–** | (345) |
| Consolidated turnover | **68,133** | 121,120 |
| **(Loss)/Profit** | | |
| Total reportable segments' (loss)/profit | **(35,646)** | 39,800 |
| Elimination of inter-segment profits | **–** | – |
| Reportable segment (loss)/profit derived from Group's external customer | **(35,646)** | 39,800 |
| Bank interest income | **706** | 748 |
| Unallocated head office and corporate expenses | **(18,102)** | (16,964) |
| Consolidated (loss)/profit before tax expenses | **(53,042)** | 23,584 |
| **Assets** | | |
| Total reportable segments' assets | **127,014** | 177,480 |
| Elimination of inter-segment receivables | **(2,327)** | (2,327) |
| | **124,687** | 175,153 |
| Deferred tax assets | **346** | 3,516 |
| Consolidated total assets | **125,033** | 178,669 |
| **Liabilities** | | |
| Total reportable segments' liabilities | **22,564** | 21,041 |
| Elimination of inter-segment payables | **(2,327)** | (2,327) |
| | **20,237** | 18,714 |
| Current tax liabilities | **7,798** | 8,593 |
| Consolidated total liabilities | **28,035** | 27,307 |

## 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:

| | **2014** | 2013 |
|---|---|---|
| | ***HK$'000*** | *HK$'000* |
| Supply, development and integration of passenger information management system | **68,133** | 119,357 |
| Electricity monitoring system | **–** | 1,763 |
| | **68,133** | 121,120 |

### d) Other geographical information

| | **Non-current assets** | |
|---|---|---|
| | **2014** | 2013 |
| | ***HK$'000*** | *HK$'000* |
| PRC | **3,822** | 4,864 |
| Hong Kong | **31** | 138 |
| | **3,853** | 5,002 |

The Group's non-current assets, which include property, plant and equipment and intangible asset exclude financial instruments and deferred tax assets. The geographical location of the Group's non-current assets are based on the physical location of the asset under consideration in case of tangible assets, and the location of the operation to which they are allocated, in the case of intangible asset.

### e) Information about major customers

Revenue from four (2013: four) customers in PRC operating and reportable segment amounted to approximately HK$24,462,000, HK$14,133,000, HK$7,562,000 and HK$6,961,000 (2013: HK$52,065,000, HK$20,604,000, HK$12,984,000 and HK$12,768,000), which individually represent more than 10% of the Group's total revenue.

No other single customer contributed 10% or more to the Group's total revenue for both 2014 and 2013.

## 9. (LOSS)/PROFIT BEFORE TAXATION

| | | 2014<br>HK$'000 | 2013<br>HK$'000 |
|---|---|---|---|
| a) | **Staff costs, including directors' emoluments** *(note 13)* | | |
| | Salaries and wages | **14,946** | 15,900 |
| | Contributions to retirement benefit schemes | **1,515** | 1,456 |
| | Provision for staff welfare benefits | **842** | 1,590 |
| | Provision for long service payments | **56** | – |
| | | **17,359** | 18,946 |
| b) | **Other items** | | |
| | Auditors' remuneration | **422** | 360 |
| | Allowance for doubtful debts | **7,137** | 222 |
| | (Reversal of)/provision for impairment of deposits | **(997)** | 2,474 |
| | Cost of inventories sold * | **53,952** | 64,671 |
| | Research and development costs # | **13,473** | 15,228 |
| | Depreciation | **605** | 960 |
| | Amortisation of intangible asset | **649** | 144 |
| | Loss on disposal of property, plant and equipment | **29** | – |
| | Increase in provision *(note 24)* | **7,088** | – |
| | Provision for long service payments *(note 25)* | **56** | – |
| | Net exchange gain | **(29)** | (226) |
| | Minimum lease payments under operating lease – land and buildings | **1,675** | 1,711 |
| | Loss on disposal of a subsidiary *(note 29)* | **1,622** | – |

* Cost of inventories sold includes approximately HK$10,671,000 (2013: HK$10,169,000) relating to staff costs, depreciation expenses and amortisation charge 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 approximately HK$13,473,000 (2013: HK$15,228,000) which was included in cost of sales.

## 10. INCOME TAX

Income tax in the consolidated statement of profit or loss and other comprehensive income represents:

| | 2014<br>HK$'000 | 2013<br>HK$'000 |
|---|---|---|
| Current year provision: | | |
| PRC enterprise income tax | **529** | 1,687 |
| Underprovision in respect of prior years: | | |
| PRC enterprise income tax | **41** | – |
| Deferred taxation *(note 16)* | | |
| Origination and reversal of temporary differences | **3,210** | 1,502 |
| | **3,780** | 3,189 |

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. (2013: 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% (2013: 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 (loss)/profit at the applicable tax rates:

| | **2014** | 2013 |
|---|---|---|
| | ***HK$'000*** | *HK$'000* |
| (Loss)/profit before taxation | **(53,042)** | 23,584 |
| Notional tax on (loss)/profit before taxation, calculated at the rates applicable to (loss)/profits in the tax jurisdictions concerned | **(7,721)** | 5,966 |
| Tax effect of profits entitled to tax exemption in the PRC | **(254)** | (2,776) |
| Tax effect of non-taxable income | **(77)** | (243) |
| Tax effect of non-deductible expenses | **2,262** | 417 |
| Tax effect of unused tax losses not recognised | **6,995** | 1,144 |
| Tax effect of deductible temporary differences not recognised | **2,824** | – |
| Tax effect of utilisation of unused tax losses not recognised in prior years | **–** | (1,319) |
| Underprovision in respect of prior years | **41** | – |
| Others | **(290)** | – |
| Tax expenses | **3,780** | 3,189 |

## 11. LOSS FOR THE YEAR ATTRIBUTABLE TO EQUITY SHAREHOLDERS OF THE COMPANY

The consolidated loss for the year attributable to the equity shareholders of the Company includes a loss of approximately HK$1,175,000 (2013: loss of HK$1,196,000) which has been dealt with in the financial statements of the Company (note 26(b)).

## 12. (LOSS)/EARNINGS PER SHARE

### (a) Basic (loss)/earnings per share

The calculation of basic (loss)/earnings per share is based on the consolidated loss attributable to equity shareholders of the Company of approximately HK$56,809,000 (2013: profit of HK$19,267,000) and the weighted average number of approximately 960,808,000 ordinary shares (2013: 960,808,000 ordinary shares) in issue during the year.

### (b) Diluted (loss)/earnings per share

The calculation of diluted (loss)/earnings per share is based on the consolidated loss attributable to equity shareholders of the Company of approximately HK$56,809,000 (2013: profit of HK$19,267,000) and the weighted average number of approximately 960,808,000 ordinary shares (2013: 961,975,000 ordinary shares) calculated as follows:

## 12. (LOSS)/EARNINGS PER SHARE *(continued)*

### (b) Diluted (loss)/earnings per share *(continued)*

Weighted average number of ordinary shares (diluted)

| | **2014** | 2013 |
|---|---|---|
| | **'000** | '000 |
| Weighted average number of ordinary shares for the purpose of basic earnings per share | **960,808** | 960,808 |
| Effect of deemed issue of shares under the Company's share option schemes for nil consideration *(note 27)* | **–** | 1,167 |
| Weighted average number of ordinary shares (diluted) for the purpose of diluted earnings per share | **960,808** | 961,975 |

## 13. DIRECTORS' REMUNERATION

(a) The remuneration paid or payable to each of the seven (2013: seven) directors and disclosed pursuant to section 78 of Schedule 11 to the new Hong Kong Companies Ordinance (Cap. 622), with reference to section 161 of the predecessor Hong Kong Companies Ordinance (Cap. 32) 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 2014** | | | | |
| *Executive directors:* | | | | |
| Mr. Ma Yuanguang | – | 940 | 15 | 955 |
| Mr. Hu Zhi Jian *(Chief Executive)* | – | 645 | 9 | 654 |
| Mr. Lo Kam Hon, Gary | – | 151 | 8 | 159 |
| | – | 1,736 | 32 | 1,768 |
| *Independent non-executive directors:* | | | | |
| Mr. Hu Tiejun | 52 | – | – | 52 |
| Professor Lu Ting Jie | 44 | – | – | 44 |
| Mr. Leung Kwok Keung | 79 | – | – | 79 |
| | 175 | – | – | 175 |
| *Non-executive director:* | | | | |
| Mr. Wing Kee Eng, Lee | 70 | – | – | 70 |
| | 245 | 1,736 | 32 | 2,013 |

## 13. DIRECTORS' REMUNERATION *(continued)*

| | Fees | Salaries, allowances and benefits in kind | Retirement benefits scheme contributions | Total |
|---|---|---|---|---|
| | *HK$'000* | *HK$'000* | *HK$'000* | *HK$'000* |
| **Year ended 31 March 2013** | | | | |
| *Executive directors:* | | | | |
| Mr. Ma Yuanguang | – | 929 | 15 | 944 |
| Mr. Hu Zhi Jian *(Chief Executive)* | – | 604 | 9 | 613 |
| Mr. Lo Kam Hon, Gary | – | 145 | 7 | 152 |
| | – | 1,678 | 31 | 1,709 |
| *Independent non-executive directors:* | | | | |
| Mr. Hu Tiejun | 54 | – | – | 54 |
| Professor Lu Ting Jie | 46 | – | – | 46 |
| Mr. Leung Kwok Keung | 79 | – | – | 79 |
| | 179 | – | – | 179 |
| *Non-executive director:* | | | | |
| Mr. Wing Kee Eng, Lee | 70 | – | – | 70 |
| | 249 | 1,678 | 31 | 1,958 |

(b) The five highest-paid individuals of the Group for the year ended 31 March 2014 included two (2013: two) directors, details of which are disclosed in note 13(a). Details of the emoluments of the remaining three (2013: three) highest paid individuals are as follows:

| | **2014** | 2013 |
|---|---|---|
| | ***HK$'000*** | *HK$'000* |
| Basic salaries, other allowances and benefits in kind | **999** | 1,039 |
| Contributions to retirement benefit schemes | **34** | 31 |
| | **1,033** | 1,070 |

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

| | **2014** | 2013 |
|---|---|---|
| Nil to HK$1,000,000 | **3** | 3 |

During the year ended 31 March 2014, 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 (2013: Nil).

None of the directors waived any emoluments in the year ended 31 March 2014 (2013: Nil).

## 14. PROPERTY, PLANT AND EQUIPMENT

### The Group

| | Furniture and fixtures HK$'000 | Office equipment HK$'000 | Leasehold improvements HK$'000 | Tools and equipment HK$'000 | Motor vehicles HK$'000 | Total HK$'000 |
|---|---|---|---|---|---|---|
| **Cost** | | | | | | |
| At 1 April 2012 | 72 | 962 | 1,125 | 712 | 2,812 | 5,683 |
| Additions | 4 | 34 | – | – | – | 38 |
| Disposals | (23) | (90) | – | (11) | – | (124) |
| Exchange realignment | 1 | 11 | 14 | 9 | 29 | 64 |
| At 31 March 2013 and 1 April 2013 | 54 | 917 | 1,139 | 710 | 2,841 | 5,661 |
| Additions | 8 | 94 | – | 20 | – | 122 |
| Disposals | – | (257) | – | (30) | – | (287) |
| Exchange realignment | – | (2) | – | – | – | (2) |
| At 31 March 2014 | 62 | 752 | 1,139 | 700 | 2,841 | 5,494 |
| **Accumulated depreciation** | | | | | | |
| At 1 April 2012 | 18 | 548 | 762 | 68 | 1,394 | 2,790 |
| Charge for the year | 14 | 132 | 297 | 70 | 447 | 960 |
| Written back on disposals | (12) | (53) | – | (7) | – | (72) |
| Exchange realignment | – | 8 | 15 | 2 | 17 | 42 |
| At 31 March 2013 and 1 April 2013 | 20 | 635 | 1,074 | 133 | 1,858 | 3,720 |
| Charge for the year | 11 | 110 | 39 | 70 | 375 | 605 |
| Written back on disposals | – | (231) | – | (27) | – | (258) |
| Exchange realignment | – | (2) | – | (1) | (3) | (6) |
| At 31 March 2014 | 31 | 512 | 1,113 | 175 | 2,230 | 4,061 |
| **Carrying amounts** | | | | | | |
| At 31 March 2014 | 31 | 240 | 26 | 525 | 611 | 1,433 |
| At 31 March 2013 | 34 | 282 | 65 | 577 | 983 | 1,941 |

## 15. INTANGIBLE ASSET

### The Group

| | Software |
|---|---|
| | *HK$'000* |
| **Cost** | |
| At 1 April 2012 | – |
| Additions | 3,205 |
| At 31 March 2013 and 31 March 2014 | 3,205 |
| **Accumulated amortisation and impairment loss** | |
| At 1 April 2012 | – |
| Amortisation for the year | 144 |
| At 31 March 2013 | 144 |
| Amortisation for the year | 649 |
| Exchange realignment | (8) |
| At 31 March 2014 | 785 |
| **Carrying amount** | |
| At 31 March 2014 | 2,420 |
| At 31 March 2013 | 3,061 |

The amortisation charge for the year is included in "cost of inventories sold" in the consolidated statement of profit or loss and other comprehensive income.

## 16. DEFERRED TAXATION

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

Deferred tax assets arising from:

| | The Group | | |
|---|---|---|---|
| | **Doubtful debts and provision for impairment** | **Unrealised profits arising from intra-group sales** | **Total** |
| | *HK$'000* | *HK$'000* | *HK$'000* |
| At 1 April 2012 | 579 | 4,419 | 4,998 |
| Credited/(charged) to profit or loss *(note 10)* | 401 | (1,903) | (1,502) |
| Exchange realignment | 20 | – | 20 |
| At 31 March 2013 | 1,000 | 2,516 | 3,516 |
| (Charged) to profit or loss *(note 10)* | (662) | (2,548) | (3,210) |
| Exchange realignment | 8 | 32 | 40 |
| **At 31 March 2014** | 346 | – | 346 |

b) **Deferred tax assets not recognised**

As at 31 March 2014, the Group had unused tax losses of approximately HK$68,709,000 (2013: HK$22,857,000) 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$128,000, HK$89,000 and HK$46,028,000 (2013: HK$176,000, HK$128,000 and HK$89,000 that will expire in 2014, 2015 and 2016 respectively) that will expire in 2015, 2016 and 2019 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.

As at 31 March 2014, the Group had deferred tax assets arising from allowance for doubtful debts and provision for impairment of deposits of approximately HK$1,507,000 and unrealised profits arising from intra-group sales of approximately HK$1,280,000 respectively being not recognised. No deferred tax asset has been recognised due to the unpredictability of future profit streams for the relevant subsidiary.

## 16. DEFERRED TAXATION *(continued)*

### 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 2014, temporary differences relating to the undistributed profits of PRC subsidiaries for the period from 1 January 2008 to 31 March 2014 amounted to approximately HK$45,386,000 (2013:HK$102,318,000). Deferred tax liabilities of approximately HK$3,941,000 (2013: HK$6,697,000) 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.

## 17. INVESTMENTS IN SUBSIDIARIES

| | **The Company** | |
|---|---|---|
| | **2014** | 2013 |
| | ***HK$'000*** | *HK$'000* |
| Unlisted investments, at cost | **411** | 411 |

## 17. INVESTMENTS IN SUBSIDIARIES *(continued)*

Details of the Company's subsidiaries as at 31 March 2014 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. (廣州國聯通信有限公司) *(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 |
| Global Link Communications (HK) Limited *(note (c))* | Hong Kong | 100 Ordinary shares | 100% | – | 100% | Provision of message communication and passenger information management system and value-added telecommunications solutions and telecommunications application software |

*Notes:*

(a) 廣州國聯通信有限公司 (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 is 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.

## 18. INVENTORIES

| | The Group | |
|---|---|---|
| | **2014** | 2013 |
| | ***HK$'000*** | *HK$'000* |
| Spare parts and accessories | **22,038** | 24,269 |
| Finished goods | **1,541** | – |
| | **23,579** | 24,269 |

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

| | **2014** | 2013 |
|---|---|---|
| | ***HK$'000*** | *HK$'000* |
| Carrying amount of inventories sold | **53,952** | 64,671 |
| | **53,952** | 64,671 |

## 19. TRADE AND OTHER RECEIVABLES

| | The Group | | The Company | |
|---|---|---|---|---|
| | **2014** | 2013 | **2014** | 2013 |
| | ***HK$'000*** | *HK$'000* | ***HK$'000*** | *HK$'000* |
| Trade receivables and bills receivables | **67,632** | 98,878 | **–** | – |
| Less: allowance for doubtful debts | **(11,332)** | (4,192) | **–** | – |
| | **56,300** | 94,686 | **–** | – |
| Other receivables | **830** | 817 | **–** | – |
| Amounts due from subsidiaries | **–** | – | **40,669** | 41,802 |
| | **57,130** | 95,503 | **40,669** | 41,802 |

## 19. TRADE AND OTHER RECEIVABLES *(continued)*

Included in trade receivables are retention monies receivable of approximately HK$3,852,000 (2013: HK$5,706,000), 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$3,101,000 (2013: HK$5,236,000) which are expected to be recovered after more than one year.

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

### (a) Age analysis

The following is an analysis of trade receivables by age, presented the respective revenue recognition dates:

| | The Group | |
|---|---|---|
| | **2014** | 2013 |
| | ***HK$'000*** | *HK$'000* |
| Within 90 days | **20,179** | 27,080 |
| Between 91 and 180 days | **12,723** | 30,994 |
| Between 181 and 365 days | **14,803** | 23,575 |
| Between 1 and 2 years | **4,743** | 7,331 |
| | **52,448** | 88,980 |
| Retention receivables | **3,852** | 5,706 |
| | **56,300** | 94,686 |

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).

### (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(r)).

## 19. TRADE AND OTHER RECEIVABLES *(continued)*

### (b) Impairment of trade and bills receivables *(continued)*

Movements in the allowance for doubtful debts are as follows:

| | The Group | |
|---|---|---|
| | **2014** | 2013 |
| | ***HK$'000*** | *HK$'000* |
| At the beginning of the year | **4,192** | 3,906 |
| Impairment losses recognised | **7,137** | 222 |
| Exchange realignment | **3** | 64 |
| At the end of the year | **11,332** | 4,192 |

As at 31 March 2014, trade and bills receivables of the Group amounting to approximately HK$11,332,000 (2013: HK$4,192,000) 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 | |
|---|---|---|
| | **2014** | 2013 |
| | ***HK$'000*** | *HK$'000* |
| Neither past due nor impaired | **23,942** | 32,786 |
| Past due but not impaired: | | |
| Less than 3 months past due | **12,812** | 30,994 |
| Over 3 months past due | **19,546** | 30,906 |
| | **56,300** | 94,686 |

Receivables that were neither past due nor impaired with an aggregate balance of approximately HK$23,942,000 (2013: HK$32,786,000) relate to independent customers for whom there was no recent history of default.

Receivables that were past due but not impaired related to 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.

## 20. DEPOSITS AND PREPAYMENTS

| | The Group | | The Company | |
|---|---|---|---|---|
| | **2014** | 2013 | **2014** | 2013 |
| | ***HK$'000*** | *HK$'000* | ***HK$'000*** | *HK$'000* |
| Deposits | **11,299** | 20,146 | **–** | – |
| Prepayments | **211** | 225 | **203** | 203 |
| | **11,510** | 20,371 | **203** | 203 |
| Less: Provision of impairment | **(1,490)** | (2,474) | **–** | – |
| | **10,020** | 17,897 | **203** | 203 |

In last year, impairment loss of HK$2,474,000 has been made to deposits paid to suppliers for goods and services, as management considered the amounts are not recoverable.

During the year, reversal of provision for impairment loss made in prior year of HK$997,000 arose due to the amount has been recovered.

## 21. CASH AND CASH EQUIVALENTS

| | The Group | |
|---|---|---|
| | **2014** | 2013 |
| | ***HK$'000*** | *HK$'000* |
| Cash at bank and on hand | **29,297** | 31,674 |
| Cash and cash equivalents in the consolidated statement of financial position and the consolidated statement of cash flows | **29,297** | 31,674 |

The interest rates on the cash at bank ranged from 0.01% to 3.8% (2013: 0.01% to 1.8%) per annum.

Included in the cash and cash equivalents of the Group was approximately HK$12,482,000 (2013: HK$11,635,000) 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.

## 22. PLEDGED BANK DEPOSIT

As at 31 March 2014, the Group's bank deposit of approximately HK$808,000 (2013: HK$808,000) was pledged to a bank as collateral for the issuance of performance guarantee. The pledged bank deposit will mature in November 2014 and the collateral will be released upon the discharge of performance guarantee. The pledged bank deposits carry fixed interest rate of 3.75% (2013: 3.75%) per annum.

## 23. TRADE AND OTHER PAYABLES

| | The Group | | The Company | |
|---|---|---|---|---|
| | **2014** | 2013 | **2014** | 2013 |
| | ***HK$'000*** | *HK$'000* | ***HK$'000*** | *HK$'000* |
| Trade payables | **5,919** | 9,390 | **–** | – |
| Other payables | **2,303** | 1,708 | **382** | 340 |
| Accrued wages | **822** | 837 | **–** | – |
| Payables for value-added tax | **3,464** | 6,642 | **–** | – |
| Deposits received from customers | **673** | 137 | **–** | – |
| Amount due to a subsidiary | **–** | – | **390** | 390 |
| | **13,181** | 18,714 | **772** | 730 |

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 | |
|---|---|---|
| | **2014** | 2013 |
| | ***HK$'000*** | *HK$'000* |
| Within 90 days | **1,218** | 2,638 |
| Between 91 and 180 days | **350** | 3,582 |
| Between 181 and 365 days | **879** | 1,208 |
| Between 1 and 2 years | **2,166** | 61 |
| Over 2 years | **1,306** | 1,901 |
| | **5,919** | 9,390 |

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## 24. PROVISION

The Group provides warranties for its products and undertakes to repair or replace items that fail to perform satisfactory. The amount of provision for product warranties is estimated based on the sales volume and past experience of the level of repairs and returns. The estimation is reviewed on an ongoing basis and is revised when appropriate.

| | The Group | |
|---|---|---|
| | **2014** | 2013 |
| | ***HK$'000*** | *HK$'000* |
| At beginning of the year | **–** | – |
| Additional provision *(note 9)* | **7,088** | – |
| Exchange realignment | **(88)** | – |
| At end of the year | **7,000** | – |
| Portion classified as current liabilities | **(5,743)** | – |
| Non-current portion | **1,257** | – |

## 25. PROVISION FOR LONG SERVICE PAYMENTS

Under the Employment Ordinance, an entity is required to make long service payments to its employees upon the termination of their employment or retirement when the employee fulfils certain conditions and the termination meets the required circumstances. However, where an employee is simultaneously entitled to a long service payment and to a retirement scheme payment, the amount of the long service payment may be reduced by certain benefits arising from the retirement scheme. Based on the entity's past experience and the directors' knowledge of the business and work force, it is possible that the entity will have to make long service payments to some employees on termination of their employment or retirement.

| | The Group | |
|---|---|---|
| | **2014** | 2013 |
| | ***HK$'000*** | *HK$'000* |
| Balance at the beginning of the year | **–** | – |
| Charged to profit or loss | **56** | – |
| Balance at the end of the year | **56** | – |

## 26. CAPITAL AND RESERVES

### a) Share capital

| | **2014** | | 2013 | |
|---|---|---|---|---|
| | **No. of shares** | **Amount** | No. of shares | Amount |
| | | ***HK$'000*** | | *HK$'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 and the end of the year | **960,807,500** | **9,608** | 960,807,500 | 9,608 |

The owners 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** | **Share premium** | **Accumulated losses** | **Total** |
|---|---|---|---|---|
| | *HK$'000* | *HK$'000* | *HK$'000* | *HK$'000* |
| At 1 April 2012 | 1,195 | 58,725 | (26,646) | 33,274 |
| Loss for the year *(note 11)* | – | – | (1,196) | (1,196) |
| At 31 March 2013 | 1,195 | 58,725 | (27,842) | 32,078 |
| At 1 April 2013 | 1,195 | 58,725 | (27,842) | 32,078 |
| Loss for the year *(note 11)* | – | – | (1,175) | (1,175) |
| Transfer of share option reserve upon the expiry of share options | (1,195) | – | 1,195 | – |
| At 31 March 2014 | – | 58,725 | (27,822) | 30,903 |

### c) Dividends

No dividend was paid or proposed during the year, nor has any dividend been proposed since the end of the reporting period (2013: Nil).

## 26. CAPITAL AND RESERVES *(continued)*

### 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(d).

*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 2014, the aggregate amount of reserves available for distribution to equity shareholders of the Company was approximately HK$30,903,000 (2013: HK$30,883,000).

## 26. CAPITAL AND RESERVES *(continued)*

### f) Capital management

The capital structure of the Group consists of cash and cash equivalents in an amount of approximately HK$29,297,000 (2013: HK$31,674,000) (note 21). The Group had no bank borrowings as at 31 March 2014 and 2013.

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 regularly. As part of this review, the management considers the cost of capital and the risks associated with each class of 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 2013.

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

## 27. 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.

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 2014.

## 27. SHARE OPTION SCHEMES *(continued)*

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.

Movements in share options are as follows:

| | **2014** | | | 2013 | | |
|---|---|---|---|---|---|---|
| | | **Number of share option** | | | Number of share options | |
| | **Weighted average exercise price** | **Pre-IPO share option scheme** | **Share option scheme** | Weighted average exercise price | Pre-IPO Share Option Scheme | Share Option Scheme |
| | ***HK$ per share*** | | | *HK$ per share* | | |
| Outstanding at the beginning of year | **0.132** | **–** | **800,000** | 0.057 | 2,859,500 | 800,000 |
| Lapsed | **0.132** | **–** | **(800,000)** | 0.036 | (2,859,500) | – |
| Outstanding at the end of year | **–** | **–** | **–** | 0.132 | – | 800,000 |
| Vested and exercisable at the end of year | **–** | **–** | **–** | 0.132 | – | 800,000 |

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## 27. SHARE OPTION SCHEMES *(continued)*

Details of the outstanding share options at 31 March 2014:

| Option scheme | Date of grant | Vesting period | Remaining contractual life as at 31 March (years) | | Exercise period | Exercise price | No. of share options | No. of share options | Notes |
|---|---|---|---|---|---|---|---|---|---|
| | | | **2014** | 2013 | | *HK$* | **2014** | 2013 | |
| Pre-IPO Share Option Scheme | 24 October 2002 | 24 October 2002 – 12 November 2004 | **–** | – | 13 November 2004 – 23 October 2012 | 0.036 | **–** | – | *(a)* |
| Share Option Scheme | 10 December 2003 | 10 December 2003 – 9 December 2005 | **–** | 0.7 | 10 December 2005 – 9 December 2013 | 0.132 | **–** | 800,000 | *(b)* |

*Notes:*

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 2013 and 2014.

## 28. 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, subject to a cap of monthly relevant income of HK$20,000 and increased to HK$25,000 since June 2012. Contributions to the plan vest immediately.

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$1,515,000 (2013: HK$1,456,000) represents contributions payable to the MPF Scheme and the retirement benefit plan in the PRC (note 9(a)).

## 29. DISPOSAL OF A SUBSIDIARY

During the year ended 31 March 2014, one of the Company's subsidiaries named 廣州國聯電力科技發展有限公司("電力") was dissolved. No cash and cash equivalent had been distributed to the Company or the Group. Exchange reserve and non-controlling interests relating to 電力 were released upon dissolution. Loss on disposal of approximately HK$1,622,000 was charged to the Group's profit or loss for the year.

## 30. CAPITAL COMMITMENTS

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

| | **2014** **HK$'000** | 2013 *HK$'000* |
|---|---|---|
| Contracted, but not provided for in respect of capital contribution to a subsidiary | **8,000** | 8,000 |

## 31. OPERATING LEASE COMMITMENTS

At 31 March 2014, the Group had total future minimum lease payments in respect of land and buildings under non-cancellable operating leases are payables as follows:

| | **2014** **HK$'000** | 2013 *HK$'000* |
|---|---|---|
| Within 1 year | **1,123** | 1,529 |
| After 1 year but within 5 years | **184** | 1,125 |
| | **1,307** | 2,654 |

## 32. 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. During the year, consultancy fee of HK$120,000 (2013: HK$120,000) was paid to a spouse of an independent non-executive director of the Company.

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:

| | **2014** **HK$'000** | 2013 *HK$'000* |
|---|---|---|
| Salaries and other short-term employee benefits | **1,981** | 1,927 |
| Retirement scheme contributions | **32** | 31 |
| | **2,013** | 1,958 |

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

## 33. POSSIBLE IMPACT OF AMENDMENTS, NEW STANDARDS AND INTERPRETATIONS ISSUED BUT NOT YET EFFECTIVE FOR THE YEAR ENDED 31 MARCH 2014

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 2014 and which have not been adopted in these financial statements.

| | |
|---|---|
| Amendments to HKFRSs | Annual Improvements to HKFRSs 2010-2012 Cycle[2] |
| Amendments to HKFRSs | Annual Improvements to HKFRSs 2011-2013 Cycle[5] |
| HKFRS 9 | Financial Instruments[3] |
| HKFRS 14 | Regulatory Deferral Accounts[4] |
| Amendments to HKFRS 9 and HKFRS 7 | Mandatory Effective Date of HKFRS 9 and Transition Disclosures[3] |
| Amendments to HKFRS 10, HKFRS 12 and HKAS 27 | Investment Entities[1] |
| Amendments to HKFRS 11 | Accounting for Acquisitions of Interests in Joint Operations[6] |
| Amendments to HKAS 16 and HKAS 38 | Clarification of Acceptable Methods of Depreciation and Amortisation[6] |
| Amendments to HKAS 19 | Defined Benefit Plans: Employee Contributions[5] |
| Amendments to HKAS 32 | Offsetting Financial Assets and Financial Liabilities[1] |
| Amendments to HKAS 36 | Recoverable Amount Disclosures for Non-Financial Assets[1] |
| Amendments to HKAS 39 | Novation of Derivatives and Continuation of Hedge Accounting[1] |
| HK (IFRIC) – Int 21 | Levies[1] |

1 Effective for annual periods beginning on or after 1 January 2014

2 Effective for annual periods beginning on or after 1 July 2014, with limited exceptions

3 Available for application – the mandatory effective date will be determined when the outstanding phases of HKFRS 9 are finalised

4 Effective for first annual HKFRS financial statements beginning on or after 1 January 2016

5 Effective for annual periods beginning on or after 1 July 2014

6 Effective for annual periods beginning on or after 1 January 2016

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 consolidated financial statements.