THIS CIRCULAR IS IMPORTANT AND REQUIRES YOUR IMMEDIATE ATTENTION

If you are in doubt as to any aspect of this circular or as to the action to be taken, you should consult your licensed securities dealer, registered institution in securities, bank manager, solicitor, professional accountant or other professional adviser.

If you have sold or transferred all your shares in China Electric Power Technology Holdings Limited (the "**Company**"), you should at once hand this circular and the accompanying form of proxy to the purchaser(s) or transferee(s) or to the bank, licensed securities dealer, registered institution in securities or other agent through whom the sale or transfer was effected for transmission to the purchaser(s) or transferee(s).

This circular is for information purpose only and does not constitute an invitation or offer to acquire, purchase or subscribe for the shares or other securities of the Company.

中電科

CHINA ELECTRIC POWER
TECHNOLOGY HOLDINGS LIMITED
中國電力科技控股有限公司

(Incorporated in the Cayman Islands with limited liability)
(Stock Code: 8053)

(1) PROPOSED INCREASE IN AUTHORISED SHARE CAPITAL; (2) PROPOSED OPEN OFFER OF NOT LESS THAN 754,975,576 OFFER SHARES AND NOT MORE THAN 837,353,336 OFFER SHARES ON THE BASIS OF FOUR OFFER SHARES FOR EVERY ONE NEW SHARE HELD ON THE RECORD DATE; AND (3) APPLICATION FOR WHITEWASH WAIVER

Financial adviser to the Company

VC CAPITAL LIMITED
滙盈融資有限公司

Independent financial adviser to the Independent Board Committee and the Independent Shareholders

VEDA | CAPITAL
智略資本

Terms used in this cover shall have the same meanings as defined in this circular.

A letter from the Board is set out on pages 10 to 35 of this circular. A letter from the Independent Board Committee containing its recommendation to the Independent Shareholders in connection with the Open Offer, the Underwriting Agreement and the Whitewash Waiver is set out on page 36 of this circular. A letter from Veda Capital Limited, the independent financial adviser to the Independent Board Committee and the Independent Shareholders, containing its advice and recommendation in connection with the Open Offer, the Underwriting Agreement and the Whitewash Waiver, is set out on pages 37 to 53 of this circular.

A notice convening the EGM to be held on Monday, 16 January 2012 at 9:00 a.m. at Room 1201-1206, 12th Floor, Block A, Di Sam Ji Plaza, No. 66 North Fourth Ring West Road, Haidian District, Beijing, the PRC is set out on pages 170 to 172 of this circular. A form of proxy for use at the EGM is enclosed. Whether or not you are able to attend the EGM in person, you are requested to complete the enclosed form of proxy in accordance with the instructions printed thereon and return the same to the Company's branch share registrar in Hong Kong, Computershare Hong Kong Investor Services Limited, at Shops 1712-1716, 17th Floor, Hopewell Centre, 183 Queen's Road East, Wanchai, Hong Kong as soon as possible and in any event not later than 48 hours before the time fixed for the holding the EGM of the Company or any adjournment thereof. Completion and return of the form of proxy will not preclude you from attending and voting in person in the EGM or any adjournment thereof, if you so wish.

The Open Offer is conditional, among other things, upon the fulfillment or waiver of the conditions set out under the section headed "Conditions of the Open Offer" of the letter from the Board on pages 22 to 23 of this circular. In particular, the Open Offer is conditional upon the Whitewash Waiver having been granted by the Executive and the approval of the Open Offer and the Whitewash Waiver by the Independent Shareholders at the EGM by way of poll. The Underwriters are entitled under the Underwriting Agreement to terminate the Underwriting Agreement on the occurrence of certain events, including but not limited to force majeure, as described in the section headed "Termination or rescission of the Underwriting Agreement" on pages 24 to 25 of this circular. Accordingly, the Open Offer may or may not proceed.

Any dealing in Shares from the date of this circular up to the date on which all conditions of the Open Offer are fulfilled or waived (if applicable) will bear the risk that the Open Offer may not become unconditional or may not proceed. If the Underwriters shall terminate or rescind the Underwriting Agreement, the Open Offer will not proceed and will lapse. Any Shareholders or other persons contemplating any dealings in the Shares are advised to consult their own professional advisers.

21 December 2011

CHARACTERISTICS OF GEM

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

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

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In this circular, the following expressions have the following meanings, unless the context otherwise requires:

"acting in concert"	has the meaning ascribed to it under the Takeovers Code
"Announcement"	the announcement of the Company dated 23 November 2011 in relation to the proposed increase in authorised share capital, the proposed Open Offer and application for Whitewash Waiver
"Application Form(s)"	the application form(s) to be issued to the Qualifying Shareholders in respect of their assured entitlements under the Open Offer
"associates"	has the meaning ascribed to it in the GEM Listing Rules
"Board"	board of Directors
"Business Day"	a day (other than a Saturday, a Sunday or days on which a typhoon signal no. 8 or above or black rainstorm signal is hoisted in Hong Kong between 9:00 a.m. to 5:00 p.m.) on which banks in Hong Kong are generally open for business
"Capital Reduction"	the proposed reduction whereby (i) the issued share capital of the Company be reduced by the cancellation of the paid-up capital of the Company to the extent of HK$0.49 on each of the then issued consolidated shares such that the nominal value of each issued consolidated share will be reduced from HK$0.50 to HK$0.01; and (ii) the diminution of the authorised share capital of the Company by sub-dividing each of the unissued consolidated shares into fifty New Shares of HK$0.01 each and the cancelling of such number of New Shares of HK$0.01 such that the authorised share capital of the Company is diminished from HK$200,000,000 divided into 400,000,000 consolidated shares of HK$0.50 each to HK$4,000,000 divided into 400,000,000 New Shares of HK$0.01 each
"Capital Reorganisation"	the capital reorganisation of the Company involving the Share Consolidation, the Capital Reduction and the Share Premium Cancellation, details of which are set out in the announcements dated 20 July 2011, 7 October 2011 and 8 December 2011 respectively and circular dated 11 August 2011 of the Company
"CCASS"	The Central Clearing and Settlement System established and operated by HKSCC
"Company"	China Electric Power Technology Holdings Limited, a company incorporated in the Cayman Islands with limited liability, the Shares of which are listed on GEM

"Companies Ordinance"	the Companies Ordinance (Chapter 32 of the Laws of Hong Kong)
"connected person(s)"	has the meaning ascribed to it in the GEM Listing Rules
"Convertible Bonds"	the tranche A convertible bonds issued by the Company pursuant to the agreement dated 25 July 2008 (as supplemented on 7 August 2008) entered into between Topsheen Limited, a wholly owned subsidiary of the Company, as purchaser, and Union Victory Investments Limited and China Venture Enterprise Limited as vendors as announced by the Company on 7 August 2008 with the outstanding principal amount of HK$85,560,000 held by the Convertible Bondholder
"Convertible Bondholder"	the existing holder of the Convertible Bonds, Expert Intelligence Limited, as at the Latest Practicable Date
"Crown Castle"	Crown Castle International Limited, a company incorporated in British Virgin Islands and a substantial shareholder of the Company as at the Latest Practicable Date
"Daily Growth"	Daily Growth Securities Limited, a corporation licensed to conduct Type 1 (dealing in securities) regulated activity under the Securities and Futures Ordinance (Chapter 571 of the Laws of Hong Kong)
"Derivatives"	the outstanding Share Options, Existing Warrants and Convertible Bonds
"Director(s)"	director(s) of the Company
"EAF(s)"	the form(s) of application for use by the Qualifying Shareholders who wish to apply for excess Offer Shares over and above their assured allotments under the Open Offer
"EGM"	the extraordinary general meeting of the Company to be convened and held to consider and, if thought fit, approve, among other things, the Open Offer, the Underwriting Agreement and the Whitewash Waiver
"Excluded Shareholder(s)"	those Overseas Shareholder(s) as at the Record Date to whom the Board, after making enquires, considers it necessary or expedient on account either of legal restrictions under the laws of the relevant place or the requirements of the relevant regulatory body or stock exchange in that place not to offer the Offer Shares to such Overseas Shareholders

"Executive"	Executive Director of the Corporate Finance Division of the SFC of Hong Kong or any of his delegates
"Existing Share(s)"	ordinary share(s) of HK$0.10 each in the share capital of the Company before the Capital Reorganisation becoming effective
"Existing Warrant(s)"	the outstanding warrants in an aggregate principal amount of HK$7,759,510 entitling the holders thereof to subscribe for 30,670,000 Existing Shares at a subscription price of HK$0.253 per Existing Share (subject to adjustment) pursuant to the warrant instrument issued by the Company on 28 July 2009
"GEM"	the Growth Enterprise Market of the Stock Exchange
"GEM Listing Rules"	the Rules Governing the Listing of Securities on GEM
"Gold Oriental"	Gold Oriental Group Limited, a company incorporated in the British Virgin Islands and a substantial shareholder of the Company as at the Latest Practicable Date
"Group"	the Company and its subsidiaries
"HKSCC"	Hong Kong Securities Clearing Company Limited
"Hong Kong"	the Hong Kong Special Administrative Region of the People's Republic of China
"Independent Board Committee"	a committee of the Board, comprising all independent non-executive Directors (but excluding the non-executive Director who is the managing director of VC Capital acting as the financial adviser to the Company in relation to the Open Offer) to advise the Independent Shareholders on the Open Offer, the Underwriting Agreement and the Whitewash Waiver
"Independent Shareholders"	Shareholders other than the Directors (excluding independent non-executive Directors who were not involved in the discussion of, or had any involvement or interest in the Open Offer, the Underwriting Agreement or the Whitewash Waiver), the chief executive, namely Mr. Wang Dongbin, and their respective associates and concert parties and those who are involved in, or interested in the Underwriting Agreement, the Open Offer and the Whitewash Waiver
"Last Trading Day"	16 November 2011, being the last trading day for the Existing Shares on the Stock Exchange before the release of the Announcement

"Latest Practicable Date"	19 December 2011, being the latest practicable date prior to the despatch of this circular for ascertaining certain information contained in this circular
"Latest Time for Acceptance"	4:00 p.m. on Wednesday, 15 February 2012 or such later time or date as may be agreed between the Company and the Underwriters, being the latest time for acceptance of and payment for, the Offer Shares and excess Offer Shares in the manner as set out in the Prospectus (or such other time or date as the Underwriters and the Company may agree in writing)
"Latest Time for Termination"	4:00 p.m. on the following Business Day after the Latest Time for Acceptance or such later time or date as may be agreed between the Company and the Underwriters, being the latest time to terminate the Underwriting Agreement (or such other time or date as the Underwriters and the Company may agree in writing)
"Mr. Cheng"	Mr. Cheng Wai Lam James, an executive Director
"Mr. Cheung"	Mr. Cheung Jonathan, an executive Director
"New Share(s)"	ordinary share(s) of HK$0.01 each in the share capital of the Company upon the Capital Reorganisation becoming effective
"Offer Share(s)"	not less than 754,975,576 New Shares (assuming none of the outstanding Derivatives having been exercised on or before the Record Date); and not more than 837,353,336 New Shares (assuming the outstanding Share Options and Existing Warrants having been exercised in full on or before the Record Date) proposed to be offered to the Qualifying Shareholders for subscription under the Open Offer
"Open Offer"	the proposed issue of Offer Shares by the Company on the basis of four Offer Shares for every one New Share to the Qualifying Shareholders held on the Record Date at the Subscription Price, which is subject to the terms and conditions of the Prospectus Documents
"Overseas Shareholders"	the Shareholders with registered addresses on the register of members of the Company which are outside Hong Kong on the Record Date
"Pacific Motion"	Pacific Motion Limited, a company incorporated in the British Virgin Islands, the entire issued share capital of which is wholly and beneficially owned by Mr. Cheung

"Prospectus"	the prospectus to be issued by the Company for despatch to the Qualifying Shareholders together with the Application Forms and EAFs in relation to the Open Offer, and if, to the extent legally and practically permissible, for despatch (without the Application Forms and the EAFs) to the Excluded Shareholders for information purpose only
"Prospectus Documents"	the Prospectus, the Application Form and EAF
"Prospectus Posting Date"	Wednesday, 1 February 2012 or such later date as may be agreed between the Underwriters and the Company for the despatch of the Prospectus Documents
"Qualifying Shareholder(s)"	the Shareholder(s), other than the Excluded Shareholders, whose name(s) appear(s) on the register of members of the Company as at the close of business on the Record Date
"Record Date"	Tuesday, 31 January 2012, or such other date as may be agreed by the Company and the Underwriters, being the date by reference to which entitlements to the Open Offer will be determined
"Registrar"	Computershare Hong Kong Investor Services Limited, the branch share registrar and transfer office of the Company in Hong Kong
"Relevant Period"	the period beginning six months prior to the date of the Announcement and ending on the Latest Practicable Date
"SFC"	Securities and Futures Commission of Hong Kong
"SFO"	the Securities and Future Ordinance (Chapter 571 of the Laws of Hong Kong)
"Share(s)"	the Existing Share(s) or the New Share(s), as the case may be
"Shareholder(s)"	holder(s) of the Shares
"Share Consolidation"	the proposed consolidation of every five issued and unissued Existing Shares of HK$0.10 each into one New Share of HK$0.50 each
"Share Options"	the share options granted under the share option scheme adopted by the Company on 23 July 2004
"Share Premium Cancellation"	the cancellation of the then existing entire amount standing to the credit of the share premium account and the credit arising therefrom to eliminate the accumulated loss of the Company

"Specified Event"	an event occurring or matter arising on or after the date of the Underwriting Agreement and prior to the Latest Time for Termination which if it had occurred or arisen before the date hereof would have rendered any of the warranties contained in the Underwriting Agreement untrue or incorrect in any material respect
"Stock Exchange"	The Stock Exchange of Hong Kong Limited
"substantial shareholder(s)"	has the meaning ascribed thereto under the GEM Listing Rules
"Subscription Price"	HK$0.0674 per Offer Share
"Takeovers Code"	the Hong Kong Code on Takeovers and Mergers
"Underwritten Shares"	all the Offer Shares
"Underwriters"	Pacific Motion and Daily Growth
"Underwriting Agreement"	the underwriting agreement dated 16 November 2011 entered into between the Company and the Underwriters in relation to the underwriting arrangement in respect of the Open Offer
"Untaken Shares"	Offer Shares not taken up by the Qualifying Shareholders under the Open Offer and not applied for by the Qualifying Shareholders under the excess application
"VC Capital"	VC Capital Limited, a corporation licensed to carry on Type 6 (advising on corporate finance) regulated activity under the SFO and the financial adviser to the Company in relation to the Open Offer
"Veda Capital"	Veda Capital Limited, a corporation licensed to carry on Type 6 (advising corporate finance) regulated activity under the SFO and the independent financial adviser appointed by the Company and approved by the Independent Board Committee to advise the Independent Board Committee and the Independent Shareholders in relation to the Open Offer, the Underwriting Agreement and the Whitewash Waiver

"Whitewash Waiver"	a waiver from the Executive pursuant to note 1 on dispensations from Rule 26 of the Takeovers Code in respect of the obligations of Pacific Motion and parties acting in concert with it (including Mr. Cheung) to make a mandatory offer for all the issued securities including all outstanding Derivatives of the Company not already owned or agreed to be acquired by Pacific Motion, Mr. Cheung and parties acting in concert with any of them, which would otherwise arise as a result of the Underwriters being required to perform its underwriting commitment under the Underwriting Agreement
"HK$"	Hong Kong dollars, the lawful currency of Hong Kong
"%"	per cent

The expected timetable for the Open Offer as set out below is for indicative purposes only. The expected timetable is subject to change, and any changes will be announced in a separate announcement by the Company as and when appropriate.

	2012
Latest time for lodging transfer of the New Shares in order to be qualified for attendance and voting at the EGM	4:30 p.m. on Monday, 9 January
Register of members of the Company closes (both dates inclusive)	Tuesday, 10 January to Monday, 16 January
Record date for attendance and voting at the EGM	Monday, 16 January
EGM	Monday, 16 January
Announcement of result of EGM to be posted on the Stock Exchange's and the Company's website	Monday, 16 January
Capital Reorganisation becoming effective *(Note 1)*	After 4:00 p.m. on Monday, 16 January and before 9:00 a.m. on Tuesday, 17 January
Last day of dealing in the New Shares on a cum-entitlement basis	Tuesday, 17 January
First day of dealing in the New Shares on an ex-entitlement basis	Wednesday, 18 January
Latest time for lodging transfer of the New Shares in order to be qualified for the Open Offer	4:30 p.m. on Thursday, 19 January
Register of members of the Company closes (both dates inclusive)	Friday, 20 January to Tuesday, 31 January
Record Date for Open Offer	Tuesday, 31 January
Register of members of the Company reopens	Wednesday, 1 February
Despatch of Prospectus Documents	Wednesday, 1 February
Latest time for acceptance of and payment for Offer Shares and application for excess Offer Shares	4:00 p.m. on Wednesday, 15 February
Latest time for the termination of the Underwriting Agreement (if applicable)	4:00 p.m. on Thursday, 16 February

EXPECTED TIMETABLE

Announcement of the results of the Open Offer . . . . Wednesday, 22 February

Despatch of share certificates for fully-paid Offer Shares
and refund cheque . . . . Thursday, 23 February

Despatch of refund cheques in respect of wholly or partially
unsuccessful applications for excess Offer Shares . . . . Thursday, 23 February

Dealing in Offer Shares commences . . . . Monday, 27 February

Notes:

1. For the timetable regarding implementation of the Capital Reorganisation and the associated trading arrangement, please refer to the announcements dated 20 July 2011, 7 October 2011 and 8 December 2011 and the circular dated 11 August 2011 of the Company.

2. All times and dates stated in this timetable refer to Hong Kong local times and dates.

CHINA ELECTRIC POWER TECHNOLOGY HOLDINGS LIMITED
中國電力科技控股有限公司
中電科

(Incorporated in the Cayman Islands with limited liability)
(Stock Code: 8053)

Executive Directors:
Mr. Li Kangying *(Chairman)*
Mr. Wang Dongbin
Mr. Cheung Jonathan
Mr. Cheng Wai Lam James

Non-executive Director:
Mr. Chau King Fai

Independent non-executive Directors:
Mr. Yeung Kenneth King Wah
Mr. Gao Feng
Mr. Chiang Sheung Yee Anthony

Registered office:
Cricket Square
Hutchins Drive
P.O. Box 2681
Grand Cayman KY1-1111
Cayman Islands

Principal offices in the PRC and Hong Kong:
Room 908, Block E
Jiahua Building
No. 9 3rd Shangdi Street
Haidian District, Beijing
PRC

Unit A, 11th Floor
Two Chinachem Plaza
68 Connaught Road Central
Hong Kong

21 December 2011

To the Shareholders and, for information, holders of outstanding Derivatives

Dear Sir or Madam,

(1) PROPOSED INCREASE IN AUTHORISED SHARE CAPITAL;
(2) PROPOSED OPEN OFFER OF NOT LESS THAN 754,975,576 OFFER SHARES AND NOT MORE THAN 837,353,336 OFFER SHARES ON THE BASIS OF FOUR OFFER SHARES FOR EVERY ONE NEW SHARE HELD ON THE RECORD DATE;
AND
(3) APPLICATION FOR WHITEWASH WAIVER

INTRODUCTION

It was announced by the Company on 23 November 2011 that the Company proposed to: (i) increase the authorised share capital of the Company from HK$4,000,000 divided into 400,000,000

New Shares of HK$0.01 each after completion of the Capital Reorganisation to HK$15,000,000 divided into 1,500,000,000 New Shares of HK$0.01 each by creation of an additional 1,100,000,000 unissued New Shares of HK$0.01 each which shall rank *pari passu* in all respects with the then existing New Shares; and (ii) raise not less than approximately HK$50.9 million, before expenses, by issuing not less than 754,975,576 Offer Shares (assuming none of the outstanding Derivatives having been exercised on or before the Record Date) and not more than 837,353,336 Offer Shares (assuming the outstanding Share Options and Existing Warrants having been exercised in full on or before the Record Date) at the Subscription Price of HK$0.0674 per Offer Share on the basis of four Offer Shares for every one New Share held by the Qualifying Shareholders on the Record Date and payable in full on application. The underwriting of the Offer Shares by Pacific Motion will trigger an obligation on Pacific Motion, together with parties acting in concert with it (including Mr. Cheung), to make a mandatory offer under Rule 26 of the Takeovers Code for all the issued securities including all outstanding Derivatives of the Company not already owned or agreed to be acquired by Pacific Motion, Mr. Cheung and parties acting in concert with any of them. An application has been made by Pacific Motion to the Executive for the Whitewash Waiver pursuant to Note 1 on dispensation from Rule 26 of the Takeovers Code.

The Independent Board Committee comprising all independent non-executive Directors (but excluding Mr. Chau King Fai, a non-executive Director who is the managing director of VC Capital acting as the financial adviser to the Company in relation to the Open Offer) has been formed to advise the Independent Shareholders on the Open Offer, the Underwriting Agreement and the Whitewash Waiver. Veda Capital has been appointed to advise the Independent Board Committee and the Independent Shareholders to advise on the terms of the Open Offer, the Underwriting Agreement and the Whitewash Waiver, and to make a recommendation (i) as to whether the Open Offer, the Underwriting Agreement and the Whitewash Waiver are fair and reasonable; and (ii) as to voting of the resolution(s) to approve the Open Offer, the Underwriting Agreement and the Whitewash Waiver.

The purpose of this circular is to provide you with, among others, (i) details of the increase in authorised share capital, the Open Offer, the Underwriting Agreement and the Whitewash Waiver; (ii) a letter from the Independent Board Committee to the Independent Shareholders setting out its recommendations in relation to the Open Offer, the Underwriting Agreement and the Whitewash Waiver; (iii) a letter from Veda Capital to the Independent Board Committee and the Independent Shareholders setting out its advice in relation to the Open Offer, the Underwriting Agreement and the Whitewash Waiver; and (iv) a notice of the EGM.

PROPOSED INCREASE IN AUTHORISED SHARE CAPITAL

In order to accommodate the future expansion and growth of the Group and the issue of the Offer Shares pursuant to the proposed Open Offer and the Underwriting Agreement, the Company proposes to increase the authorised share capital of the Company from HK$4,000,000 divided into 400,000,000 New Shares of HK$0.01 each after completion of the Capital Reorganisation to HK$15,000,000 divided into 1,500,000,000 New Shares of HK$0.01 each by creation of an additional 1,100,000,000 unissued New Shares of HK$0.01 each which shall rank *pari passu* in all respects with the then existing New Shares.

The increase of authorised share capital is subject to and conditional upon the Capital Reorganisation becoming effective and the passing of an ordinary resolution by the Shareholders at the EGM.

PROPOSED OPEN OFFER

The Open Offer is conditional upon, among other things, the Capital Reorganisation becoming effective. The Capital Reorganisation is expected to become effective on 17 January 2012.

Issue statistics

Basis of the Open Offer:	Four Offer Shares for every one New Share held on the Record Date (rounded down to the nearest whole number). No Offer Share will be offered to the Excluded Shareholders, if any
Subscription Price:	HK$0.0674 per Offer Share payable in full on application at or prior to 4:00 p.m. on a date which is currently expected to be Wednesday, 15 February 2012
Expected gross proceeds from the Open Offer assuming none of the outstanding Derivatives having been exercised on or before the Record Date; and assuming the outstanding Share Options and Existing Warrants having been exercised in full on or before the Record Date:	Approximately HK$50.9 million; and approximately HK$56.4 million
Number of Existing Shares in issue as at the Latest Practicable Date:	943,719,473 Existing Shares
Number of New Shares (assuming the Capital Reorganisation having become effective and none of the outstanding Derivatives having been exercised on or before the Record Date) in issue:	188,743,894 New Shares
Number of New Shares (assuming the Capital Reorganisation having become effective and the outstanding Share Options and Existing Warrants having been exercised in full on or before the Record Date) in issue:	209,338,334 New Shares

Number of Offer Shares:	Not less than 754,975,576 Offer Shares (with nominal value of HK$0.01 each) (assuming none of the outstanding Derivatives having been exercised on or before the Record Date); and Not more than 837,353,336 Offer Shares (with nominal value of HK$0.01 each) (assuming the outstanding Share Options and Existing Warrants having been exercised in full on or before the Record Date).
Number of New Shares in issue immediately upon completion of the Open Offer:	Not less than 943,719,470 New Shares (with nominal value of HK$0.01 each) (assuming none of the outstanding Derivatives having been exercised on or before the Record Date); and Not more than 1,046,691,670 New Shares (with nominal value of HK$0.01 each) (assuming the outstanding Share Options and Existing Warrants having been exercised in full on or before the Record Date).
Right of excess applications:	Qualifying Shareholders will have the right to apply for the Offer Shares in excess of their assured allotments
Underwriters and number of Underwritten Shares:	Pacific Motion and Daily Growth; all of the Offer Shares

Adjustment to Derivatives

As at the Latest Practicable Date, there are (i) 72,302,200 Share Options entitling the holders thereof to subscribe for 72,302,200 Existing Shares; (ii) Existing Warrants in the aggregate outstanding principal amount of HK$7,759,510 entitling the holders thereof to subscribe for a total of 30,670,000 Existing Shares; and (iii) the Convertible Bonds with the outstanding principal amount of HK$85,560,000 entitling the Convertible Bondholder to convert into 37,200,000 Existing Shares at the conversion price of HK$2.30 per Existing Share.

Save as disclosed above, the Company has no derivatives, options, warrants and conversion rights or other similar rights which are convertible or exchangeable into Existing Shares as at the Latest Practicable Date.

References are made to the announcements dated 23 November 2011 and 29 November 2011 issued by the Company. As a result of the Capital Reorganisation, adjustments will be made to the exercise price of the Share Options, the subscription price of the Existing Warrants and the conversion price of the Convertible Bonds; and to the number of New Shares falling to be allotted and issued upon exercise or conversion of the outstanding Derivatives in compliance with Chapter 23 of the GEM Listing Rules and the supplementary guidance issued by the Stock Exchange on 5 September 2005 and in accordance with their respective terms. The Company's auditor has checked and confirmed the adjustments set out as below:

Share Options

	Share Options granted on 26 March 2008	**Share Options granted on 18 March 2009**	**Share Options granted on 27 April 2010**
Exercise price before adjustment	HK$1.677	HK$0.149	HK$0.450
Exercise price after adjustment	HK$8.385	HK$0.745	HK$2.250
Number of Existing Shares upon exercise of all outstanding Share Options before adjustment	28,339,200	1,190,000	42,773,000
Number of New Shares upon exercise of all outstanding Share Options after adjustment	5,667,840	238,000	8,554,600

Existing Warrants

Aggregate outstanding principal amount of the Existing Warrants	HK$7,759,510
Subscription price before adjustment	HK$0.253
Subscription price after adjustment	HK$1.265
Number of Existing Shares upon exercise of the conversion rights attaching to all the outstanding Existing Warrants before adjustment	30,670,000
Number of New Shares upon exercise of the conversion rights attaching to all the outstanding Existing Warrants after adjustment	6,134,000

Convertible Bonds

Outstanding principal amount of the Convertible Bonds	HK$85,560,000
Conversion price before adjustment	HK$2.30
Conversion price after adjustment	HK$11.50
Number of Existing Shares upon exercise of the conversion rights attaching to all the outstanding Convertible Bonds before adjustment	37,200,000
Number of New Shares upon exercise of the conversion rights attaching to all the outstanding Convertible Bonds after adjustment	7,440,000

The Open Offer will cause adjustments, as the case may be, to the exercise or conversion prices and/or the number of the New Shares falling to be allotted and issued upon exercise or conversion of the outstanding Derivatives. The Company will instruct its auditor or an approved financial adviser to review and certify the bases of such adjustments to the Derivatives in compliance with Chapter 23 of the GEM Listing Rules and the supplementary guidance issued by the Stock Exchange on 5 September 2005 and in accordance with the respective terms of the Derivatives. The Company will inform the holders of the Derivatives and publish an announcement accordingly.

The Convertible Bondholder and its sole shareholder have given their irrevocable undertakings that it will not and she will ensure that the Convertible Bondholder will not exercise any of its conversion rights attaching to the Convertible Bonds at any time on or before the Record Date. Except for the aforesaid irrevocable undertakings, none of the holders of the Derivatives has given any undertaking in relation to the exercise of the Derivatives nor acceptance or non-acceptance of Offer Shares.

Qualifying Shareholders and Excluded Shareholders

The Open Offer is only available to the Qualifying Shareholders.

To qualify for the Open Offer, a Shareholder must at the close of business on the Record Date:

1. be registered on the register of members of the Company; and

2. not be an Excluded Shareholder.

In order to be registered as a member of the Company on the Record Date, Shareholders must lodge any transfers of the New Shares (with the relevant share certificates) for registration with the Registrar at Shops 1712-1716, 17/F., Hopewell Centre, 183 Queen's Road East, Wanchai, Hong Kong by 4:30 p.m. on Thursday, 19 January 2012.

If, at the close of business on the Record Date, any Shareholder whose address as shown on the register of members of the Company is in a place outside of Hong Kong, such Shareholder(s) may not be eligible to take part in the Open Offer as the Prospectus Documents will not be registered and/or filed under the applicable securities legislation of any jurisdictions other than Hong Kong. The Board will, if necessary, make enquiries to its legal advisers of the relevant jurisdictions regarding the legal restrictions under the law of the relevant place and the requirements of the relevant regulatory body or stock exchange. If after making such enquiries and based on the legal opinions obtained, the Board is of the opinion that it would be necessary or expedient not to offer the Offer Shares to such Overseas Shareholders, the Open Offer will not be available to such Overseas Shareholders. Accordingly, the Open Offer will not be extended to the Excluded Shareholders. The results of the enquiries and the basis of exclusion of the Overseas Shareholders will be included in the Prospectus.

Qualifying Shareholders will be assured of receiving the number of Offer Shares applied and paid for if application is made for equal or less than the number of their assured allotments. Application for Offer Shares in excess of assured allotments will be dealt with on a fair and equitable basis, details of which are set out in the section headed "Application for excess Offer Shares".

The assured entitlements to the Offer Shares are not transferable or capable of renunciation and there will not be any trading in the assured entitlements on the Stock Exchange.

The Company shall, on or before the Prospectus Posting Date, post the Prospectus marked "For Information only" and a letter explaining the circumstances in which the Excluded Shareholders are not permitted to participate in the Open Offer, without the Application Forms and the EAFs to the Excluded Shareholders. The Excluded Shareholders will be entitled to attend and vote at the EGM. This circular will be despatched to all Shareholders.

The Offer Shares to which the Excluded Shareholders would have been entitled will be made available for application by the Qualifying Shareholders by way of excess application.

Closure of register of members

The register of members of the Company will be closed from Tuesday, 10 January 2012 to Monday, 16 January 2012, both dates inclusive, to determine the eligibility for voting at the EGM and from Friday, 20 January 2012 to Tuesday, 31 January 2012, both dates inclusive, to determine the eligibility for the Open Offer. No transfer of the Shares will be registered during such periods.

Subscription Price

The Subscription Price is HK$0.0674 per Offer Share, payable in full on application. The Subscription Price represents:

(i) a discount of approximately 77.53% to the adjusted closing price of HK$0.30 per New Share (adjusted for the effect of the Capital Reorganisation), based on the closing price of HK$0.06 per Existing Share as quoted on Stock Exchange on the Last Trading Day;

(ii) a discount of approximately 40.84% to the theoretical ex-entitlement price of approximately HK$0.11392 per New Share after the Open Offer (adjusted for the effect of the Capital Reorganisation), based on the closing price of HK$0.06 per Existing Share as quoted on the Stock Exchange on the Last Trading Day;

(iii) a discount of approximately 77.53% to the adjusted average closing price of HK$0.30 per New Share (adjusted for the effect of the Capital Reorganisation), based on the average closing price of HK$0.06 per Existing Share as quoted on the Stock Exchange for the last five consecutive trading days up to and including the Last Trading;

(iv) a discount of approximately 76.92% to the adjusted average closing price of HK$0.292 per New Share (adjusted for the effect of the Capital Reorganisation), based on the average closing price of HK$0.0584 per Existing Share as quoted on the Stock Exchange for the last ten consecutive trading days up to and including the Last Trading Day;

(v) a discount of approximately 75.49% to the adjusted closing price of HK$0.275 per New Share (adjusted for the effect of the Capital Reorganisation), based on the closing price of HK$0.055 per Existing Share as quoted on the Stock Exchange on the Latest Practicable Date;

(vi) a premium of approximately 240.40% to the audited consolidated net asset value of approximately HK$0.0198 per New Share (adjusted for the effect of the Capital Reorganisation), based on the audited consolidated net asset value and number of Shares in issue as at 31 March 2011; and

(vii) a discount of approximately 65.20% to the unaudited consolidated net asset value of approximately HK$0.1937 per New Share (adjusted for the effect of the Capital Reorganisation), based on the unaudited consolidated net asset value and number of Shares in issue as at 30 September 2011.

Assuming none of the outstanding Derivatives having been exercised on or before the Record Date, the net price for the Offer Shares is approximately HK$0.0643 per Offer Share (calculated as the estimated net proceeds from the Open Offer divided by the total number of the Offer Shares). Assuming the outstanding Share Options and Existing Warrants having been exercised in full on or before the Record Date, the net price for the Offer Shares is approximately HK$0.0645 per Offer Share (calculated as the estimated net proceeds from the Open Offer divided by the total number of the Offer Shares). The aggregate nominal value of the Offer Shares will be HK$7,549,755.76 (assuming none of the outstanding Derivatives having been exercised on or before the Record Date) and HK$8,373,533.36 (assuming the outstanding Share Options and Existing Warrants having been exercised in full on or before the Record Date).

Basis of determining the Subscription Price

The Subscription Price was arrived at after arm's length negotiation between the Company and the Underwriters with reference to the then prevailing market price of the Existing Shares and taking into consideration the effect of the Capital Reorganisation. Taking into consideration the range of discounts of the subscription prices to the theoretical ex-entitlement prices of the shares of Main Board and the GEM listed companies recently conducted open offers or right issue, the Directors consider that the discount of the Subscription Price to the theoretical ex-entitlement per New Share is appropriate. Each Qualifying Shareholder is entitled to subscribe for the Offer Shares at the same price in proportion to his/her/its shareholding in the Company on the Record Date. The Directors consider that the discount would encourage the Qualifying Shareholders to participate in the Open Offer, which would enable the Qualifying Shareholders to maintain their respective shareholdings in the Company and participate in the future growth of the Group. The Directors (including members of the Independent Board Committee) consider the Subscription Price (including the basis) is fair and reasonable and in the interests of the Company and the Shareholders as a whole.

Basis of assured allotment

The basis of assured allotment shall be four Offer Shares for every one New Share held on the Record Date.

Odd lot arrangement

There will be no odd lot arrangement in relation to and as a result of the Open Offer.

Status of the Open Offer

The Offer Shares (when allotted, fully paid and issued) will rank *pari passu* in all respects with the New Shares then in issue. Holders of the Offer Shares will be entitled to receive all future dividends and distributions, which are declared, made or paid on or after the close of business on the date of allotment and issue of the Offer Shares.

Fractions of the Offer Shares

Entitlement to the Open Offer will be rounded down to the nearest whole number. No fractional entitlements to the Offer Shares will be allotted to the Qualifying Shareholders. All such fractional entitlements will be aggregated and shall be made available for excess applications by the Qualifying Shareholders who wish to apply for Offer Shares over and above their assured allotments.

Certificates of the Offer Shares and refund cheques

Subject to fulfillment of the conditions of the Open Offer as set out in the section headed "Conditions of the Open Offer" in this circular and save as otherwise provided in the Underwriting Agreement, share certificates for fully-paid Offer Shares (including any excess application) are expected to be posted on or around Thursday, 23 February 2012 to all Qualifying Shareholders who have applied for, accepted and paid for the Offer Shares and excess Offer Shares by ordinary post at their own risks.

Refund cheques in respect of wholly or partially unsuccessful applications for excess Offer Shares (if any) are expected to be posted on or around Thursday, 23 February 2012 by ordinary post to the applicants at their own risks.

Application for excess Offer Shares

The Offer Shares to which the Excluded Shareholders would otherwise have been entitled, any assured allotments of Offer Shares which have not been accepted by Qualifying Shareholders, and Offer Shares created by aggregation of fractional Offer Shares, will be available for excess application by the Qualifying Shareholders. Qualifying Shareholders will have the right to apply for any Offer Shares in excess of their own assured allotments under the Application Forms but are not assured of being allocated any Offer Shares in excess of those in their assured allotments. The Directors will allocate the excess Offer Shares at their discretion on a fair and equitable basis on the following principles:

(1) preference will be given to topping up odd lots to whole board lots where they appear to the Directors that such applications are made to round up odd-lot holdings to whole-lot holdings and that such applications are not made with intention to abuse this mechanism; and

(2) subject to availability of excess Offer Shares after allocation under principle (1) above, the excess Offer Shares will be allocated to Qualifying Shareholders, who have applied for excess Offer Shares, on a pro-rata basis based on the number of the excess Offer Shares applied by them, with allocations to be made in full board lots where practicable.

The above principles for allocation of excess Offer Shares shall be made with reference to the board lot size of 20,000 New Shares per board lot upon Capital Reorganisation becoming effective; and 20,000 New Shares will be used as a benchmark for the purpose of allocating excess Offer Shares. Application may be made by completing the EAF and lodging the same with a separate remittance for the excess Offer Shares being applied for.

In relation to the excess application arrangement under the proposed Open Offer, investors with their Shares held by a nominee (or which are held in CCASS) should note that the Directors will regard the nominee (including HKSCC) as a single shareholder according to the register of members of the Company. Accordingly, the top-up arrangement in relation to the allocation of excess offer shares will not be extended to the beneficial owners individually. Beneficial owners who hold their Shares through a nominee (including HKSCC) are advised to consider whether they would like to arrange registration of their Shares in their own names prior to the relevant book close period.

Application for listing

The Company will apply to the Listing Committee of the Stock Exchange for the listing of, and permission to deal in, the Offer Shares.

No part of the securities of the Company is listed or dealt in or on which listing or permission to deal is being or is proposed to be sought on any other stock exchange. Subject to the granting of the listing of, and permission to deal in, the Offer Shares on the Stock Exchange, the Offer Shares will be accepted as eligible securities by HKSCC for deposit, clearance and settlement in CCASS with effect from the commencement date of dealings in the Offer Shares on the Stock Exchange or such other dates as determined by HKSCC. Settlement of transactions between participants of the Stock Exchange on any trading day is required to take place in CCASS on the second trading day thereafter. All activities under CCASS are subject to the General Rules of CCASS and CCASS Operational Procedures in effect from time to time.

The Existing Shares are currently traded on the Stock Exchange in board lots of 10,000 Existing Shares. After the Capital Reorganisation becoming effective, the New Shares will be traded on the Stock Exchange in board lots of 20,000 New Shares (except for parallel trading of New Share in board lots of 2,000 New Shares in the form of existing share certificates). Offer Shares are expected to be traded in board lots of 20,000 Offer Shares (being the same as that of the New Shares). Dealings in the Offer Shares will be subject to the payment of stamp duty, Stock Exchange trading fee, SFC transaction levy or any other applicable fees and charges in Hong Kong.

Conditions of the Open Offer

The Open Offer is conditional upon the Underwriting Agreement having become unconditional and the Underwriters not having terminated the Underwriting Agreement in accordance with the terms thereof.

Principal terms of the Underwriting Agreement

Date: 16 November 2011

Underwriters:	Pacific Motion; and Daily Growth
Number of Offer Shares underwritten:	Not less than 754,975,576 Offer Shares (assuming none of the outstanding Derivatives having been exercised on or before the Record Date); and Not more than 837,353,336 Offer Shares (assuming the outstanding Share Options and Existing Warrants having been exercised in full on or before the Record Date).
Commission:	2.00% of the aggregate Subscription Price in respect of the number of Underwritten Shares to be underwritten by each of Pacific Motion and Daily Growth, together with all costs, fees and out-of-pocket expenses properly incurred by the Underwriters in connection with the underwriting of the Underwritten Shares and agreed in advance by the Company in writing.

The commission rate was determined after arm's length negotiation between the Company and the Underwriters by reference to the existing financial position of the Group, the size of the Open Offer, and the current and expected market condition. The Directors (including the independent non-executive Directors) consider that the terms of the Underwriting Agreement including the commission rate are fair and reasonable so far as the Company and the Shareholders are concerned.

Pursuant to the Underwriting Agreement and subject to the terms and condition thereof, the Offer Shares will be fully underwritten by the Underwriters in the following order:

(a) Firstly, Pacific Motion shall underwrite up to such number of Untaken Shares equivalent to 40% of the enlarged issued share capital of the Company upon completion of the Open Offer; and

(b) Secondly, Daily Growth shall underwrite all the remaining balance of the Untaken Shares that are not underwritten by Pacific Motion pursuant to (a) above.

Assuming none of the outstanding Derivatives having been exercised on or before the Record Date, the maximum number of Offer Shares underwritten by Pacific Motion and Daily Growth is 377,487,788 Offer Shares and 377,487,788 Offer Shares respectively. Assuming all of the outstanding Share Options and Existing Warrants having been exercised in full on or before the Record Date, the maximum number of Offer Shares underwritten by Pacific Motion and Daily Growth is 418,676,668 Offer Shares and 418,676,668 Offer Shares respectively.

Pacific Motion is wholly and beneficially owned by Mr. Cheung; and Mr. Cheung is an executive Director. Mr. Cheung is the sole director of Pacific Motion. As at the Latest Practicable Date, Mr. Cheung did not hold any shareholding in the Company. Daily Growth and its ultimate beneficial owners are third parties independent of and not connected with the Company and its connected persons, and are not interested in any Shares.

Mr. Cheng is an executive Director and the chief executive officer and responsible officer of Daily Growth. Mr. Cheng does not hold any direct or indirect interest in Daily Growth.

Daily Growth and Pacific Motion have confirmed with the Company that their respective shareholders (whether directly or indirectly), ultimate beneficial owners and directors are independent of each other and not parties acting in concert (within the meaning of the Takeovers Code) except that Mr. Cheung and Mr. Cheng are both executive Directors. Apart from both being the executive Directors, Mr. Cheung and Mr. Cheng have no other relationship with each other, and are not concert parties.

Mr. Chau King Fai ("**Mr. Chau**") is a non-executive Director and the managing director of VC Capital acting as the financial adviser to the Company in relation to the Open Offer. Mr. Chau does not hold any direct or indirect interest in the Company.

Mr. Cheung, Mr. Cheng and Mr. Chau have abstained from voting at the meeting of the Board approving the Open Offer and all matters contemplated thereunder and the appointment of VC Capital.

Daily Growth may, at its absolute discretion, appoint sub-agents or sub-underwriters to sub-underwrite those parts of its underwritten Offer Shares. Any commission, cost and expenses incurred by Daily Growth in connection with such sub-underwriting arrangement shall be borne by Daily Growth.

Pursuant to the Underwriting Agreement, the Underwriters undertake and warrant to the Company, amongst others, that:

(i) the Underwriters are acting as the agents of the Company in relation to the Open Offer and shall fully comply with all applicable laws, rules and regulations, including the GEM Listing Rules and Takeovers Code and shall ensure (including any sub-underwriters) that all offers made by it of the Offer Shares are made only in compliance with all applicable laws, rules and regulations and do not require the registration, filing or compliance with the applicable laws, rules and regulations in respect of the Prospectus Documents or any of them or any other document as a prospectus or otherwise in any jurisdiction other than Hong Kong and the Underwriters shall not make or purport to make on behalf of the Company any representation, warranty or undertaking not contained in the Prospectus Documents;

(ii) they will not without first having obtained the prior written consent of the Company transfer or otherwise dispose (including without limitation the creation of any option, charge or other encumbrances or rights over or in respect of) or acquire (except by taking up the Offer Shares underwritten by them and pursuant to the Underwriting Agreement or acquiring Shares in circumstances which do not contravene the GEM Listing Rules or qualify as a disqualifying transaction under the Takeovers Code) any Shares or any interest therein between the date of the Underwriting Agreement and the Latest Time for Acceptance; and

(iii) in the event that there is insufficient public float of the Company within the meaning of the GEM Listing Rules immediately upon completion of the Open Offer solely because of the Underwriters' performance of its obligations under the Underwriting Agreement, the Underwriters agrees and undertakes to take such appropriate steps as may be required to maintain the minimum public float for the New Shares in compliance with Rule 11.23(7) of the GEM Listing Rules.

Pursuant to the Underwriting Agreement, Daily Growth undertakes and warrants to the Company that:

(i) in performing its undertaking obligations under the Underwriting Agreement, no subscriber or sub-underwriter (including any direct and indirect sub-underwriters) of the Underwritten Shares will, together with any party acting in concert with it or its associates, become a substantial shareholder immediately after completion of the Open Offer;

(ii) it shall use all reasonable endeavours to ensure that no subscriber or sub-underwriter (including any direct and indirect sub-underwriters) of the Underwritten Shares will, together with any party acting in concert with it or its associates (within the meaning of the Takeovers Code), become a Shareholder holding 30% or more of the voting rights of the Company immediately after completion of the Open Offer; and

(iii) it shall use all reasonable endeavours to ensure that each of the subscribers or sub-underwriters of the Underwritten Shares procured by it shall be third parties independent of and not parties acting in concert with Daily Growth, Pacific Motion, the Company, their respective directors and shareholders or their associates and are not a connected person.

The Board has not received any information or irrevocable undertakings from any Shareholders of their intention to take up their assured entitlements under the Open Offer.

The Convertible Bondholder and its sole shareholder have given their irrevocable undertakings that it will not and she will ensure that the Convertible Bondholder will not exercise any of its conversion rights attaching to the Convertible Bonds at any time on or before the Record Date. Except for the aforesaid irrevocable undertakings, none of the holders of the Derivatives has given any undertaking in relation to the exercise of the Derivatives nor acceptance or non-acceptance of Offer Shares.

Conditions of the Open Offer

The Open Offer is conditional upon:

(1) the Capital Reorganisation having become effective;

(2) the increase of sufficient authorised but unissued share capital of the Company for the issue of the Offer Shares and the passing by the Shareholders at the EGM of the necessary resolution(s) approving the increase in authorised share capital;

(3) the Company having despatched the circular to the Shareholders containing, among other matters, details of the Open Offer and the Whitewash Waiver, together with the proxy form and notice of EGM;

(4) the passing by the Independent Shareholders by poll at the EGM of the necessary resolution(s) approving, among others, the Underwriting Agreement and the transactions contemplated thereunder, including but not limited to the allotment and issue of the Offer Shares and the Whitewash Waiver;

(5) the Executive granting the Whitewash Waiver waiving any obligation on the part of Pacific Motion and parties acting in concert with it (including Mr. Cheung), to make a general offer for all the securities including all outstanding Derivatives of the Company not already owned by it or agreed to be acquired by it upon completion of the Underwriting Agreement and the satisfaction of all conditions (if any) attached to the Whitewash Waiver granted and such other necessary waiver or consent of the Executive for the transactions contemplated under the Open Offer;

(6) the delivery to the Stock Exchange for authorisation and the registration with the Registrar of Companies in Hong Kong, respectively, one copy of each of the Prospectus Documents duly signed by two Directors (or by their agents duly authorised in writing) as having been approved by resolution(s) of the Directors (and all other documents required to be attached thereto) not later than the Prospectus Posting Date and otherwise in compliance with the GEM Listing Rules and the Companies Ordinance;

(7) the posting of the Prospectus Documents to Qualifying Shareholders on the Prospectus Posting Date and for information only, the Prospectus and a letter explaining the circumstances in which the Excluded Shareholders are not permitted to participate in the Open Offer to the Excluded Shareholders;

(8) the Listing Committee of the Stock Exchange granting or agreeing to grant (subject to allotment) and not having withdrawn or revoked the listing of and permission to deal in the Offer Shares by no later than the first day of their dealings as stated in the Prospectus;

(9) compliance with and performance of all undertakings and obligations of the Company under the Underwriting Agreement;

(10) compliance with and performance of all undertakings and obligations of the Underwriters under the Underwriting Agreement; and

(11) the obligations of the Underwriters becoming unconditional and the Underwriting Agreement not being terminated by the Underwriters pursuant to the terms thereof.

Save for the conditions 9, 10 and 11, none of the above conditions can be waived by the Company or the Underwriters. However, in relation to conditions 9, 10 and 11, neither the Company nor the Underwriters have the right to waive any undertakings and obligations of the Underwriters or the Company if wavier of such undertakings and obligations may result in triggering general offer obligations under the Takeovers Code or render the Open Offer invalid or illegal under the applicable laws, regulations and rules. If the conditions precedent are not fully satisfied by the Latest Time for Termination or such other date as the Company and the Underwriters may agree, the Underwriting Agreement shall be terminated and no party shall have any claim against any other party for costs, damages, compensation or otherwise save for any antecedent breaches, and the Open Offer will not proceed.

Termination or rescission of the Underwriting Agreement

If, prior to the Latest Time for Termination:

(1) in the reasonable opinion of the Underwriters, the success of the Open Offer would be materially and adversely affected by:

(a) the introduction of any new law or regulation or any change in existing law or regulation (or the judicial interpretation thereof) or other occurrence of any nature whatsoever which may, in the sole and reasonable opinion of the Underwriters, materially and adversely affect the business or the financial or trading position or prospects of the Group as a whole or is materially adverse in the context of the Open Offer; or

(b) the occurrence of any local, national or international event or change (whether or not forming part of a series of events or changes occurring or continuing before, and/ or after the date hereof) of a political, military, financial, economic or other nature (whether or not of the same kind as any of the foregoing), or in the nature of any local, national or international outbreak or escalation of hostilities or armed conflict, or affecting local securities markets which may, in the sole and reasonable opinion of the Underwriters, materially and adversely affect the business or the financial or trading position or prospects of the Group as a whole or materially and adversely prejudice the success of the Open Offer or otherwise makes it inexpedient or inadvisable to proceed with the Open Offer; or

(c) any material adverse change in the business or in the financial or trading position of the Group as a whole; or

(2) any material adverse change in market conditions (including without limitation, any change in fiscal or monetary policy, or foreign exchange or currency markets, suspension or material restriction or trading in securities) occurs which in the sole and reasonable opinion of the Underwriters are likely to materially or adversely affect the success of the Open Offer or otherwise makes it inexpedient or inadvisable to proceed with the Open Offer; or

(3) there is any change in the circumstances of the Company or any member of the Group which in the sole and absolute opinion of the Underwriters will adversely affect the prospects of the Company, including without limiting the generality of the foregoing the presentation of a petition or the passing of a resolution for the liquidation or winding up or similar event occurring in respect of any of member of the Group or the destruction of any material asset of the Group; or

(4) any suspension in the trading of securities generally or the Company's securities on the Stock Exchange for a period of more than ten consecutive business days, excluding any suspension in connection with the clearance of this circular, or the Prospectus Documents or other announcements or circulars in connection with the Open Offer; or

(5) the circular, prospectus or announcements of the Company (including any amendments or supplements thereto) published since the date of the Underwriting Agreement when published contain information (either as to business prospects or the condition of the Group or as to its compliance with any laws, GEM Listing Rules, Takeovers Code or any applicable regulations) which has not prior to the date of the Underwriting Agreement been publicly announced or published by the Company and which may in the sole and reasonable opinion of the Underwriters are material to the Group as a whole and is likely to affect materially and adversely the success of the Open Offer or might cause a prudent investor not to accept the Open Offer provisionally allotted to it,

the Underwriters shall at their sole and absolute discretion be entitled by notice in writing to the Company, served prior to the Latest Time for Termination, to terminate the Underwriting Agreement.

The Underwriters shall be entitled by notice in writing to the Company to rescind the Underwriting Agreement if prior to the Latest Time for Termination:

(1) any material breach of any of the representations, warranties or undertakings contained in the Underwriting Agreement comes to the knowledge of the Underwriters; or

(2) any Specified Event comes to the knowledge of the Underwriters.

Any such notice shall be served by the Underwriters to the Company prior to the Latest Time for Termination.

Upon termination or rescission of the Underwriting Agreement, the Open Offer will not proceed.

Information of Pacific Motion

Pacific Motion is an investment holding company incorporated in the British Virgin Islands. As at the Latest Practicable Date, the issued shares capital of Pacific Motion is wholly and beneficially owned by Mr. Cheung. The ordinary business of Pacific Motion does not include underwriting.

Intention of Pacific Motion regarding the Group

Pacific Motion proposes to continue the existing business of the Group but it will regularly conduct a review of the current business activities and assets of the Group for the purpose of formulating long-term business plans and strategies for the future business development of the Group. The potential growth of the Group in the long run justifies the long-term interests of Pacific Motion. Save for the money lending business which forms part of the Group's stated strategy of diversifying into the financial securities business, Pacific Motion does not intend to make any major changes to the business of the Group including redeployment of fixed assets of the Group. Pacific Motion intends to maintain the employment of the current employees of the Group.

The Open Offer, if proceeds after the Whitewash Waiver being granted by the Executive, will enlarge the capital base of the Company and facilitate the long-term development of the Company. The net proceeds from the Open Offer will be applied for the development of the money lending business, potential merger and acquisition for entity(ies) in the financial securities industry and general working capital. The Company is of the view that the money lending business presents an attractive opportunity for development to broaden the Company's existing business development based on the recent growing trend in the demand for loans and advances; and with the development into the money lending business, the Group would have a better platform to build a stronger client network of institutional and high net worth clients for its financial investment business. Exploring merger and acquisition targets in the financial securities industry with relevant legal licenses and credible management is also in line with the Group's business strategy for long-term growth. Having considered the above, the Directors (excluding independent non-executive Directors whose views are given separately as disclosed in "Letter from the Independent Board Committee" of this circular) are of the view that the Open Offer and the Whitewash Waiver justifies the long-term commercial interest of the Group. Please refer to the section headed under "Financial and trading prospects of the Group" in Appendix I of this circular for details of prospects of the Group.

REASONS FOR THE OPEN OFFER AND USE OF PROCEEDS

The Group is primarily engaged in the development and provision of application software, internet learning card, school network integration services, information technology solutions and/or related maintenance and supporting services to customers in schools and entities in the education sector of the PRC, and proprietary investments, private equity investments, financial advisory and asset management services.

The estimated gross proceeds (before expenses) and the estimated net proceeds from the Open Offer (after deduction of expenses, including the commission to be paid to the Underwriters) will be not less than approximately HK$50.9 million and HK$48.6 million respectively and will not be more than approximately HK$56.4 million and HK$54.0 million respectively. The Company intends to apply the net proceeds from the Open Offer up to maximum amount of HK$15.0 million on the business of proprietary investments, private equity investments, financial advisory and/or asset management services of the Group; and the remaining net proceeds for general working capital and any potential merger and acquisition opportunities of the Group.

Having considered that the Group only has cash of approximately RMB16.0 million on hand as at 30 September 2011, the net loss position of the Group recorded in recent years/period and historically, the Group recorded net cash used in operating activities of approximately RMB18.3 million and RMB7.8 million respectively for the two years ended 31 March 2011, the Board considers that current capital raising activities is necessary in order to facilitate sustainable long-term development of the Group.

The Company intends to allocate not more than HK$15.0 million of the net proceeds from the Open Offer for the development of the money lending business such as building the infrastructure needed for the business. The majority of the capital will be used to conduct business, such as making loans, to generate returns for the company. The Company has already filed an application to the Police Licensing Department to conduct the money lending business in Hong Kong. In order to have the license granted, the Company should demonstrate sufficient capital and the Directors should show the capability in order to conduct and manage the money lending business. The Board believes that there is a growing demand in the money lending business to facilitate cash flow needs of credible institutions and individuals who are willing to pay an attractive rate of interests in view of the prevailing market condition. The executive

Director, Mr. Cheng Wai Lam James, had extensive experiences in the banking and financing business, of which most were held in senior management positions. Mr. Cheng had been the Associate Director in Chemical Bank (now known as J.P. Morgan Chase), Vice President/Senior Manager of Corporate Banking Department in Commerzbank A.G. and Senior Vice President, Division Head of Corporate Banking in International Bank of Asia (now known as Fubon Bank) where he was a member of the credit committee responsible for approving loan applications for the bank. Based on the above, the Company is confident in the development of the money lending business.

The Company intends to allocate not more than HK$20.0 million of the net proceeds from the Open Offer for any potential merger and acquisition opportunities of the Group; and it targets for entities in the financial securities industry with relevant legal licenses and credible management, which is in line with the Group's business strategy to explore opportunities in proprietary investments, private equity investments, financial advisory and asset management services. As at the Latest Practicable Date, the Group has not identified any merger and acquisition targets. The remaining balance of the net proceeds will be used as general working capital for business operation and maintain liquidity of the Group.

Having taken into account the terms of the Open Offer, the Board considers that the Open Offer is fair and reasonable and in the interests of the Company and the Shareholders as a whole. Furthermore, it also offers all the Qualifying Shareholders an equal opportunity to participate in the enlargement of the capital base of the Company and enables the Qualifying Shareholders to maintain their proportionate interests in the Company to participate in the future development of the Company should they wish to do so. **However, those Qualifying Shareholders who do not take up the Offer Shares to which they are entitled should note that their shareholdings in the Company will be diluted.**

The Directors consider that it would be difficult to maintain confidentiality about the Group's fund raising plan if it enters into discussions with a large number of securities houses/investment banks on the Open Offer. The Company's management confirmed that the Group had entered into discussions with two securities houses in addition to Pacific Motion and Daily Growth on the possibility for acting as underwriter(s) of the Open Offer. However, the Company did not receive from such securities houses acceptable terms for acting as underwriter(s) for the Open Offer.

Apart from the Open Offer, the Board has considered other financing alternatives such as debt financing as possible fund raising method for the Group. However, debt financing shall inevitably create interest payment obligations on the Group. The Board has also considered placement of new Shares. With the size of fund to be raised, private placement of Shares will inevitably cause a massive dilution to the interest of the existing Shareholders as they will not be able to participate on an equitable basis.

In considering methods of financing in the form of equity of the Group, the Board has considered the possibility of rights issue which allows the Shareholders to trade their nil-paid entitlements in the market in nil-paid form. The trading of nil-paid entitlements in the market in nil-paid form pursuant to rights issue was not proposed by the Board based on the reasons that rights issue (i) will delay the process of fund raising on a timely manner; and (ii) will increase administrative costs and expenses of the Company in arranging for trading of the nil-paid rights and additional time for trading of nil-paid rights shares.

Based on the above, the Board considers that the Open Offer is more time and cost effective and a better option as the Open Offer with the Subscription Price which is substantially lower than the market price of the Share will attract the Qualifying Shareholders and give them the opportunity to maintain their respective pro-rata shareholding interests in the Company and to continue to participate in the future development of the Group.

WARNING OF THE RISK OF DEALINGS IN THE SHARES

Shareholders and potential investors should note that the Open Offer is conditional, among other things, upon the fulfillment of the conditions set out under the section headed "Conditions of the Open Offer" of this circular. In particular, the Open Offer is subject to the Underwriters not terminating or rescinding the Underwriting Agreement in accordance with the terms set out therein (a summary of which is set out in the section headed "Termination or rescission of the Underwriting Agreement" of this circular). Accordingly, the Open Offer may or may not proceed.

Any dealing in the Existing Shares or New Shares from the date of this circular up to the date on which all the conditions of the Open Offer are fulfilled, including the Capital Reorganisation, having become effective or waiver (if applicable be obtained) will accordingly bear the risk that the Open Offer may not become unconditional or may not proceed. Any Shareholders or other persons contemplating any dealings in the Existing Shares or New Shares are advised to consult their own professional advisers.

Shareholders should also note that, based on the expected timetable as contained in this circular, the New Shares will be dealt in on an ex-entitlement basis commencing from Wednesday 18 January 2012 and that dealing in New Shares will take place even though the conditions under the Underwriting Agreement remain unfulfilled. Any Shareholders or other persons dealing in the Existing Shares or New Shares up to the date on which all conditions to which the Open Offer are fulfilled (which is expected to be on Thursday, 16 February 2012), will accordingly bear the risk that the Open Offer may not become unconditional and may not proceed. If the Underwriters shall terminate or rescind the Underwriting Agreement, the Open Offer will not proceed and will lapse. Any Shareholders or other persons contemplating any dealings in the Existing Shares or New Shares are advised to consult their own professional advisers.

Overseas Shareholders should note that they may or may not be entitled to the Open Offer, subject to the results of enquiries made by the Directors pursuant to Rule 17.41(1) of the GEM Listing Rules. Further details as to the entitlement of the Overseas Shareholders to the Open Offer will be set out in the Prospectus to be despatched to the Shareholders relating to the Open Offer.

EFFECTS ON SHAREHOLDING STRUCTURE OF THE COMPANY

For illustration purposes only, the effects on the shareholding structure of the Company as a result of the Open Offer based on different assumed scenarios are illustrated as follows:

(1) Assuming none of the outstanding Derivatives having been exercised on or before the Record Date:

	As at the Latest Practicable Date		After the Capital Reorganisation becoming effective but immediately before completion of the Open Offer		Immediately upon completion of the Open Offer, assuming all Qualifying Shareholders take up his/her/its entitlements under the Open Offer		Immediately upon completion of the Open Offer, assuming no Qualifying Shareholders take up the Offer Shares	
	Number of Existing Shares	*%*	*Number of New Shares*	*%*	*Number of New Shares*	*%*	*Number of New Shares*	*%*
Substantial Shareholders								
Crown Castle *(Notes 1, 3)*	233,300,000	24.72	46,660,000	24.72	233,300,000	24.72	46,660,000	4.94
Gold Oriental *(Notes 2, 3)*	162,445,973	17.21	32,489,194	17.21	162,445,970	17.21	32,489,194	3.44
Sub-total	395,745,973	41.93	79,149,194	41.93	395,745,970	41.93	79,149,194	8.38
Directors								
Mr. Li Kangying *(Note 4)*	45,500,000	4.82	9,100,000	4.82	45,500,000	4.82	9,100,000	0.96
Pacific Motion and parties acting in concert with it (including Mr. Cheung)	–	–	–	–	–	–	377,487,788	40.00
Public Shareholders								
Daily Growth and/or subscribers procured by it *(Note 5)*	–	–	–	–	–	–	377,487,788	40.00
Other public Shareholders	502,473,500	53.25	100,494,700	53.25	502,473,500	53.25	100,494,700	10.66
Total	943,719,473	100.00	188,743,894	100.00	943,719,470	100.00	943,719,470	100.00

Notes:

1. Crown Castle is a company incorporated in the British Virgin Islands and is wholly and beneficially owned by Ms. Choi Yat Wan.

2. Gold Oriental is incorporated in the British Virgin Islands and is wholly and beneficially owned by Mr. Cheung Yuet.

3. Both Crown Castle and Gold Oriental are the Independent Shareholders and they were not involved in the discussion of, or had any involvement or interest in the Open Offer, Underwriting Agreement or the Whitewash Waiver.

4. Mr. Li Kangying is an executive Director.

5. Daily Growth undertakes and warrants to the Company that in performing its obligations under the Underwriting Agreement, no subscribers or sub-underwriters (including any direct and indirect sub-underwriters) of the Underwritten Shares will, together with any party acting in concert with any of them or any of their associates, become a substantial shareholder immediately after completion of the Open Offer.

6. The entitlement of each Shareholder named in the table above is rounded down to the nearest whole number.

(2) Assuming the outstanding Share Options and Existing Warrants having been exercised in full on or before the Record Date:

	As at the Latest Practicable Date		After the Capital Reorganisation becoming effective but immediately before completion of the Open Offer		Immediately upon completion of the Open Offer, assuming all Qualifying Shareholders take up his/her/its entitlements under the Open Offer		Immediately upon completion of the Open Offer, assuming no Qualifying Shareholders take up the Offer Shares	
	Number of Existing Shares	*%*	*Number of New Shares*	*%*	*Number of New Shares*	*%*	*Number of New Shares*	*%*
Substantial Shareholders								
Crown Castle *(Notes 1, 3)*	233,300,000	24.72	46,660,000	22.29	233,300,000	22.29	46,660,000	4.46
Gold Oriental *(Notes 2, 3)*	162,445,973	17.21	32,489,194	15.52	162,445,970	15.52	32,489,194	3.10
Sub-total	395,745,973	41.93	79,149,194	37.81	395,745,970	37.81	79,149,194	7.56
Directors								
Mr. Li Kangying *(Note 4)*	45,500,000	4.82	10,800,000	5.16	54,000,000	5.16	10,800,000	1.03
Mr. Wang Dongbin	–	–	299,320	0.14	1,496,600	0.14	299,320	0.03
Mr. Yeung Kenneth King Wah	–	–	184,720	0.09	923,600	0.09	184,720	0.02
Mr. Gao Feng	–	–	184,720	0.09	923,600	0.09	184,720	0.02
Pacific Motion and parties acting in concert with it (including Mr. Cheung)	–	–	–	–	–	–	418,676,668	40.00
Public Shareholders								
Daily Growth and/or subscribers procured by it *(Note 5)*	–	–	–	–	–	–	418,676,668	40.00
Other public Shareholders	502,473,500	53.25	118,720,380	56.71	593,601,900	56.71	118,720,380	11.34
Total	943,719,473	100.00	209,338,334	100.00	1,046,691,670	100.00	1,046,691,670	100.00

Notes:

1. Crown Castle is a company incorporated in the British Virgin Islands and is wholly and beneficially owned by Ms. Choi Yat Wan.

2. Gold Oriental is incorporated in the British Virgin Islands and is wholly and beneficially owned by Mr. Cheung Yuet.

3. Both Crown Castle and Gold Oriental are the Independent Shareholders and they were not involved in the discussion of, or had any involvement or interest in the Open Offer, Underwriting Agreement or the Whitewash Waiver.

4. Mr. Li Kangying is an executive Director.

5. Daily Growth undertakes and warrants to the Company that in performing its obligations under the Underwriting Agreement, no subscribers or sub-underwriters (including any direct and indirect sub-underwriters) of the Underwritten Shares will, together with any party acting in concert with any of them or any of their associates, become a substantial shareholder immediately after completion of the Open Offer.

6. The entitlement of each Shareholder named in the table above is rounded down to the nearest whole number.

Shareholders and public investors should note that the above changes in shareholding structure of the Company are for illustration purpose only and the actual change in the shareholding structure of the Company upon completion of the Open Offer are subject to various factors including, among other things, the results of acceptance of the Open Offer.

FUND RAISING ACTIVITIES IN THE PAST TWELVE MONTHS

The Company did not conduct any fund raising activities in the past twelve months immediately preceding the Announcement.

IMPLICATION UNDER THE GEM LISTING RULES

Pursuant to Rule 10.39 of the GEM Listing Rules, any controlling Shareholders and their associates or, where there are no controlling Shareholders, the Directors (excluding the independent non-executive Directors), the chief executive of the Company and their respective associates will abstain from voting in favour of the resolution(s) relating to the Open Offer at the EGM. As at the Latest Practicable Date, there was no controlling Shareholder. Accordingly, all Directors (including Mr. Cheung but excluding the independent non-executive Directors) and their respective associates, who in aggregate held approximately 4.82% of the existing issued share capital of the Company as at the Latest Practicable Date will abstain from voting in favour of resolution(s) relating to the Open Offer at the EGM.

Pacific Motion, a company wholly and beneficially owned by Mr. Cheung, is one of the Underwriters of the Open Offer. Mr. Cheung is an executive Director and therefore is a connected person of the Company under the GEM Listing Rules. Accordingly, the transaction contemplated under the Underwriting Agreement (including the payment of the underwriting commission to Pacific Motion of approximately HK$0.56 million based on 418,676,668 maximum number of Offer Shares underwritten by Pacific Motion) constitutes a connected transaction under Chapter 20 of the GEM Listing Rules. The issue of Offer Shares to Pacific Motion under the Open Offer is exempt from the reporting, announcement and independent shareholders' approval requirements pursuant to Rule 20.31(3)(c) of the GEM Listing Rules, and the payment of the underwriting commission to Pacific Motion is exempt from the reporting, announcement and independent shareholders' approval requirements pursuant to Rule 20.31 (2)(c) of the GEM Listing Rules.

Daily Growth (being one of the Underwriters), undertakes and warrants to the Company that in performing its obligations under the Underwriting Agreement, no subscribers or sub-underwriters (including any direct and indirect sub-underwriters) of the Underwritten Shares will, together with any party acting in concert with any of them or any of their associates, become a substantial shareholder immediately after completion of the Open Offer and that each of the subscribers or sub-underwriters of the Underwritten Shares procured by it shall be third parties independent of and not parties acting in concert with Daily Growth, Pacific Motion, the Company, their respective directors and shareholders or their associates and is not a connected person.

Immediately following the Open Offer, the Company should be able to maintain the public float as required under the GEM Listing Rules. In the event that there is insufficient public float of the Company within the meaning of the GEM Listing Rules immediately upon completion of the Open Offer solely because of the Underwriters' performance of their obligations under the Underwriting Agreement, the Underwriters agree and undertake to take such appropriate steps as may be required to maintain the minimum public float for the New Shares in compliance with Rule 11.23(7) of the GEM Listing Rules at all times.

As at the Latest Practicable Date, Daily Growth has entered into sub-underwriting agreements with the subscribers and/or sub-underwriters in respect of 377,487,788 Offer Shares, representing approximately 40.0% of the enlarged issued share capital of the Company upon completion of the Open Offer (assuming none of the outstanding Derivatives having been exercised on or before the Record Date) or approximately 36.1% of enlarged issued share capital of the Company upon completion of the Open Offer (assuming the outstanding Share Options and Existing Warrants having been exercised in full on or before the Record Date). None of the subscribers and/or sub-underwriters (including any direct and indirect sub-underwriters), together with any party acting in concert with any of them or any of their associates, will become a substantial shareholder immediately after completion of the Open Offer and that each of the subscribers or sub-underwriters are third parties independent of and not parties acting in concert with Daily Growth, Pacific Motion, the Company, their respective directors and shareholders or their associates and is not a connected person. On such basis, the public float of the Company will not fall below the minimum level as prescribed under Rule 11.23(7) immediately upon completion of the Open Offer.

IMPLICATION UNDER THE TAKEOVERS CODE AND WHITEWASH WAIVER

As at the Latest Practicable Date, Pacific Motion, its ultimate beneficial owners and parties acting in concert with any of them (including Mr. Cheung) are not interested in any Shares or outstanding Derivatives in respect of securities of the Company. In the event that, upon completion of the Open Offer, no Qualifying Shareholders will take up any Offer Shares, the Underwriters will be required to subscribe for and take up all Offer Shares, which will result in the Underwriters taking up:

i. assuming that none of the outstanding Derivatives having been exercised on or before the Record Date, 754,975,576 New Shares representing approximately 80.00% of the entire issued share capital of the Company as enlarged by the Open Offer and after the Capital Reorganisation becoming effective; and

ii. assuming that the outstanding Share Options and Existing Warrants having been exercised in full on or before the Record Date, 837,353,336 New Shares representing approximately 80.00% of the entire issued share capital of the Company as enlarged by the Open Offer and after the Capital Reorganisation becoming effective.

The total shareholding of Mr. Cheung, Pacific Motion and its ultimate beneficial owners and parties acting in concert with any of them in the Company will increase from nil to:

i. assuming that none of the outstanding Derivatives having been exercised on or before the Record Date, 377,487,788 New Shares representing approximately 40.00% of the entire issued share capital of the Company as enlarged by the Open Offer and after the Capital Reorganisation becoming effective; and

ii. assuming that the outstanding Share Options and Existing Warrants having been exercised in full on or before the Record Date, 418,676,668 New Shares representing approximately 40.00% of the entire issued share capital of the Company as enlarged by the Open Offer and after the Capital Reorganisation becoming effective.

Accordingly, the underwriting of the Offer Shares by Pacific Motion will trigger an obligation on Pacific Motion, together with parties acting in concert with it (including Mr. Cheung), to make a mandatory offer under Rule 26 of the Takeovers Code for all the issued securities including all outstanding Derivatives of the Company not already owned or agreed to be acquired by Pacific Motion, Mr. Cheung and parties acting in concert with any of them.

Mr. Cheung and Pacific Motion have confirmed that neither they nor parties acting in concert with any of them have acquired any voting rights of the Company or have dealt in any securities of the Company in the six months prior to the date of Announcement which would constitute disqualifying transaction under Paragraph 3 of Schedule VI of the Takeovers Code. An application has been made by Pacific Motion to the Executive for the Whitewash Waiver pursuant to Note 1 on dispensations from Rule 26 of the Takeovers Code. The Whitewash Waiver, if granted by the Executive, would be subject to, among other things, the approval by the Independent Shareholders at the EGM by way of poll. If the Whitewash Waiver is not granted by the Executive, the Open Offer will not become unconditional and will not proceed.

Daily Growth, Mr. Cheng, Mr. Cheung, Pacific Motion and its ultimate beneficial owners, together with parties acting in concert with any of them and Shareholders who are not Independent Shareholders, namely Mr. Li Kangying; and Mr. Wang Dongbin and Mr. Chau King Fai shall abstain from voting at the EGM in respect of the resolution(s) to approve the Open Offer, the Underwriting Agreement and the Whitewash Waiver.

Daily Growth (being one of the Underwriters), undertakes and warrants to the Company that in performing its obligations under the Underwriting Agreement, (i) no subscribers or sub-underwriters (including any direct and indirect sub-underwriters) of the Underwritten Shares will, together with any party acting in concert with any of them or any of their associates (within the meaning of the Takeovers Code), become a Shareholder holding 30% or more of the voting rights of the Company immediately after completion of the Open Offer or (ii) no subscribers or sub-underwriters (including any direct and indirect sub-underwriters) of the Underwritten Shares will, together with any party acting in concert with any of them or any of their associates, become a substantial shareholder immediately after completion of the Open Offer and that each of the subscribers or sub-underwriters of the Underwritten Shares procured by it shall be third parties independent of and not parties acting in concert with Daily Growth, Pacific Motion, the Company, their respective directors and shareholders or their associates and is not a connected person.

As at the Latest Practicable Date, Daily Growth has entered into sub-underwriting agreements with the subscribers and/or sub-underwriters of 377,487,788 Offer Shares, representing approximately 40.0% of the enlarged issued share capital of the Company upon completion of the Open Offer (assuming none of the outstanding Derivatives having been exercised on or before the Record Date) or approximately 36.1% of the enlarged issued share capital of the Company upon completion of the Open Offer (assuming the outstanding Share Options and Existing Warrants having been exercised in full on or before the Record Date). As a result, Daily Growth, its ultimate beneficial owners or party acting in concert with any of them will not take up such number of Underwritten Shares that will cause them to become a substantial shareholder or to hold 20% or more of the enlarged issued share capital of the Company upon completion of the Open Offer to become associated companies or concert parties of the Company. In any event, Daily

Growth, its ultimate beneficial owners or party acting in concert with any of them or subscribers or sub-underwriters (including any direct and indirect sub-underwriters) together with any party acting in concert with any of them will not take up such number of Underwritten Shares that will cause them to hold 10% or more of the enlarged issued share capital of the Company upon completion of the Open Offer.

As at the Latest Practicable Date, no shareholding in the Company is owned or controlled by Pacific Motion, Mr. Cheung or persons acting in concert with any of them, who, prior to the Latest Practicable Date irrevocably committed themselves to accept the Open Offer. None of Pacific Motion, Mr. Cheung or persons acting in concert with any of them, prior to the Latest Practicable Date, has received an irrevocable commitment to vote for or against the resolution(s) to approve the Open Offer, the Underwriting Agreement and the Whitewash Waiver at the EGM.

As at the Latest Practicable Date, there is no arrangement (whether by way of option, indemnity or otherwise) in relation to the Shares or the shares of Pacific Motion, which might be material to the Open Offer, save for the Underwriting Agreement.

As at the Latest Practicable Date, save for the Underwriting Agreement, there is no agreement or arrangement to which Pacific Motion or Mr. Cheung is a party which relates to the circumstances in which it may or may not invoke or seek to invoke a pre-condition or condition of the Open Offer, the Whitewash Waiver or the Underwriting Agreement.

As at the Latest Practicable Date, none of Pacific Motion, Mr. Cheung and parties acting in concert with any of them has borrowed or lent any relevant securities (as defined in Note 4 to Rule 22 of the Takeovers Code) of the Company.

GENERAL

The Independent Board Committee has been formed to advise the Independent Shareholders on the Open Offer, the Underwriting Agreement and the Whitewash Waiver. Veda Capital has been appointed to advise the Independent Board Committee and the Independent Shareholders on the terms of the Open Offer, the Underwriting Agreement and the Whitewash Waiver, and to make a recommendation (i) as to whether the Open Offer, the Underwriting Agreement and the Whitewash Waiver are fair and reasonable; and (ii) as to voting of the resolution(s) to approve the Open Offer, the Underwriting Agreement and the Whitewash Waiver.

Subject to, among other things, the increase in authorised share capital being approved by the Shareholders at the EGM by way of poll; and the Open Offer, the Underwriting Agreement and the Whitewash Waiver being approved by the Independent Shareholders at the EGM, the Company will, on or around Wednesday, 1 February 2012, send (i) the Prospectus Documents to the Qualifying Shareholders; and (ii) the Prospectus (without the Application Form and the EAF) to the Excluded Shareholders for information purpose only.

EGM

A notice convening the EGM to be held at Room 1201-1206, 12th Floor, Block A, Di Sam Ji Plaza, No. 66 North Fourth Ring West Road, Haidian District, Beijing, the PRC on Monday, 16 January 2012 at 9:00 a.m. is set out from page 170 to 172 of this circular. Whether or not you are able to attend the EGM in person, you are requested to complete the enclosed form of proxy in accordance with the instructions printed thereon and return the same to the Company's branch share registrar in Hong Kong, Computershare Hong Kong Investor Services Limited, at Shops 1712-1716, 17th Floor, Hopewell Centre, 183 Queen's Road East, Wanchai, Hong Kong as soon as possible and in any event not later than 48 hours before the time fixed for the holding the EGM of the Company or any adjournment thereof. Completion and return of form of proxy will not preclude you from attending and voting in person at the EGM or any adjournment thereof, if you so wish.

The EGM will be convened for:

i. the Independent Shareholders to consider and, if thought fit, to approve as ordinary resolutions the Open Offer, the Underwriting Agreement and the Whitewash Waiver; and

ii. the Shareholders to consider and, if thought fit, to approve as an ordinary resolution the increase of the authorised share capital of the Company.

According to Rule 17.47(4) of the GEM Listing Rules, any voting of the Shareholders at the EGM will be taken by way of poll and an announcement will be made after the EGM on the results of the EGM.

RECOMMENDATION

The Directors (including all independent non-executive Directors) consider that the terms of the proposed increase in authorised share capital are fair and reasonable and are in the interests of the Company and the Shareholders as a whole and therefore recommend the Shareholders to vote in favour of the resolution to be proposed at the EGM to increase the Company's authorised share capital.

You are advised to read carefully the letter from the Independent Board Committee set out on page 36 of this circular and the letter from Veda Capital set out on page 37 to 53 of this circular.

ADDITIONAL INFORMATION

Your attention is also drawn to the information set out in the appendices to this circular.

By order of the Board
China Electric Power Technology Holdings Limited
Li Kangying
Chairman

CHINA ELECTRIC POWER
TECHNOLOGY HOLDINGS LIMITED
中電科 中國電力科技控股有限公司
(Incorporated in the Cayman Islands with limited liability)
(Stock Code: 8053)

21 December 2011

To the Independent Shareholders

Dear Sir or Madam,

PROPOSED OPEN OFFER OF NOT LESS THAN 754,975,576 OFFER SHARES AND NOT MORE THAN 837,353,336 OFFER SHARES ON THE BASIS OF FOUR OFFER SHARES FOR EVERY ONE NEW SHARE HELD ON THE RECORD DATE AND APPLICATION FOR WHITEWASH WAIVER

We refer to the circular of the Company dated 21 December 2011 (the "**Circular**") of which this letter forms part. Unless the context otherwise requires, terms used herein shall have the same meanings as defined in the Circular.

We have been appointed as Independent Board Committee to advise the Independent Shareholders as to whether the terms of the Open Offer, the Underwriting Agreement and the Whitewash Waiver are fair and reasonable so far as the Independent Shareholders are concerned and are in the interests of the Company and the Shareholders as a whole, and to recommend the Independent Shareholders whether or not they should vote for or against the resolutions to be proposed at the EGM to approve the Open Offer, the Underwriting Agreement and the Whitewash Waiver. Veda Capital has been appointed to advise the Independent Board Committee and the Independent Shareholders in this regard.

Your attention is drawn to the "Letter from the Board" as set out in the Circular and the "Letter from Veda Capital" as set out in the Circular which contains its advice and recommendation to us in respect of the Open Offer, the Underwriting Agreement and the Whitewash Waiver, as well as the principal factors and reasons for its advice and recommendation.

Having considered the factors and reasons considered by, and the opinion of, Veda Capital as set out in the "Letter from Veda Capital" in the Circular, we are of the opinion that the terms of the Open Offer, the Underwriting Agreement and the Whitewash Waiver are fair and reasonable so far as the Independent Shareholders are concerned and are in the interests of the Company and the Shareholders as a whole. We therefore recommend the Independent Shareholders to vote in favour of the resolutions to be proposed at the EGM to approve the Open Offer, the Underwriting Agreement and the Whitewash Waiver.

Yours faithfully,
Independent Board Committee

Mr. Yeung Kenneth King Wah	**Mr. Gao Feng**	**Mr. Chiang Sheung Yee Anthony**
Independent non-executive Director	*Independent non-executive Director*	*Independent non-executive Director*

The following is the full text of a letter of advice from Veda Capital to the Independent Board Committee and the Independent Shareholders in respect of the Open Offer, the Underwriting Agreement and the Whitewash Waiver prepared for the purpose of inclusion in this circular.

VEDA | CAPITAL
智 略 資 本

Veda Capital Limited
Suite 3214, 32/F., COSCO Tower
183 Queen's Road Central, Hong Kong

21 December 2011

To the Independent Board Committee and the Independent Shareholders of
China Electric Power Technology Holdings Limited

Dear Madam/Sir,

PROPOSED OPEN OFFER OF NOT LESS THAN 754,975,576 OFFER SHARES AND NOT MORE THAN 837,353,336 OFFER SHARES ON THE BASIS OF FOUR OFFER SHARES FOR EVERY ONE NEW SHARE HELD ON THE RECORD DATE AND APPLICATION FOR WHITEWASH WAIVER

INTRODUCTION

We refer to our appointment to advise the Independent Board Committee and the Independent Shareholders in respect of the Open Offer, the Underwriting Subscription Agreement and the Whitewash Waiver, details of which are set out in the letter from the Board (the "**Board Letter**") in the Company's circular dated 21 December 2011 (the "**Circular**") to the Shareholders, of which this letter forms part. Terms used in this letter shall have the same meanings as those defined in the Circular unless the context requires otherwise.

On 23 November 2011, the Company announced, among others, that the Company proposed to raise not less than approximately HK$50.9 million before expenses, by issuing not less than 754,975,576 Offer Shares (assuming none of the outstanding Derivatives having been exercised on or before the Record Date) and not more than 837,353,336 Offer Shares (assuming the outstanding Share Options and Existing Warrants having been exercised in full on or before the Record Date) at the Subscription Price of HK$0.0674 per Offer Share on the basis of four Offer Shares for every New Share held by the Qualifying Shareholders on the Record Date and payable in full on application. The Open Offer is fully underwritten by the Underwriters.

The Open Offer is conditional upon, among other things, the Capital Reorganisation becoming effective, the Underwriting Agreement having become unconditional and the Underwriters not having terminated the Underwriting Agreement in accordance with the terms thereof, and approval of the Open Offer, the Underwriting Agreement and the transactions contemplated thereunder, including but not limited to the allotment and issue of the Offer Shares and the Whitewash Waiver, by the Independent Shareholders at the EGM.

The Independent Board Committee comprising all the independent non-executive Directors namely Mr. Yeung Kenneth King Wah, Mr. Gao Feng and Mr. Chiang Sheung Yee Anthony (but not including the non-executive Director who is the managing director of VC Capital acting as the financial adviser to the Company in relation to the Open Offer) has been established to advise the Independent Shareholders in respect of the Open Offer, the Underwriting Agreement and the Whitewash Waiver. Veda Capital has been appointed by the Company to advise the Independent Board Committee and the Independent Shareholders as to whether the terms of the Open Offer, the Underwriting Agreement and the Whitewash Waiver are fair and reasonable so far as the Independent Shareholders are concerned and whether the Open Offer, the Underwriting Agreement and the Whitewash Waiver are in the interests of the Company and the Independent Shareholders as a whole. The appointment of Veda Capital has been approved by the Independent Board Committee.

BASIS OF OUR OPINION

In formulating our opinion to the Independent Board Committee and the Independent Shareholders, we have relied on the accuracy of the statements, information, opinions and representations contained or referred to in the Circular and the information and representations provided to us by the Company, the Directors and the management of the Company. We have no reason to believe that any information and representations relied on by us in forming our opinion is untrue, inaccurate or misleading, nor are we aware of any material facts the omission of which would render the information provided and the representations made to us untrue, inaccurate or misleading. We have assumed that all information, representations and opinions contained or referred to in the Circular, which have been provided by the Company, the Directors and the management of the Company and for which they are solely and wholly responsible, were true and accurate at the time when they were made and continue to be true as at the Latest Practicable Date and should there be any material changes to our opinion after the despatch of the Circular and up to the date of the EGM, Shareholders would be notified as soon as possible.

All Directors jointly and severally accept full responsibility for the accuracy of the information contained in the Circular and confirm in the Circular, having made all reasonable enquiries, that to the best of their knowledge, opinions expressed in the Circular have been arrived at after due and careful consideration and there are no other facts not contained in the Circular, the omission of which would make any statement in the Circular misleading.

We have not conducted any independent in-depth investigation into the business and affairs of the Company, or its subsidiaries or associated companies. We have not considered the tax consequences on the Qualifying Shareholders arising from the subscription for, holding of or dealing in the Offer Shares or otherwise, since these are particular to their own circumstances. We will not accept responsibility for any tax effect on, or liabilities of, any person resulting from the subscription for, holding of or dealing in the Offer Shares or the exercise of any rights attaching thereto or otherwise. In particular, Qualifying Shareholders subject to overseas taxes or Hong Kong taxation on securities dealings should consider their own tax positions with regard to the Open Offer and, if in any doubt, should consult their own professional advisers.

This letter is issued for the information for the Independent Board Committee and the Independent Shareholders solely in connection with their consideration of Open Offer, the Underwriting Agreement and the Whitewash Waiver and, except for its inclusion in the Circular, is not to be quoted or referred to, in whole or in part, nor shall this letter be used for any other purposes, without our prior written consent.

PRINCIPAL FACTORS AND REASONS CONSIDERED

In assessing the Open Offer, the Underwriting Agreement and the Whitewash Waiver and in giving our recommendation to the Independent Board Committee and the Independent Shareholders, we have taken into account the following principal factors and reasons:

A. Financial highlights of the Group

The Group is primarily engaged in the development and provision of application software, internet learning card, school network integration services, information technology solutions and/or related maintenance and supporting services to customers in schools and entities in the education sector of the PRC, and proprietary investments, private equity investments, financial advisory and asset management services.

Set out below are the financial highlights of the Group showing the financial performance of the Group in the recent financial periods:

1. Annual results for the year ended 31 March 2010

As set out in the Company's annual report 2010 ("**AR 2010**") for the year ended 31 March 2010, the Group achieved a consolidated turnover of approximately RMB89.9 million, an increase of approximately 15.6% in comparison with year ended 31 March 2009. The Company explained that every business operation of the Group has achieved relatively stable development during the year 2009/2010. Electric power technology business, the principal business of the Group, again made a significant contribution to its operating revenue and profit. The education informatization business acquired in the second half of the year also progressed smoothly, contributed more than RMB28 million and RMB7.8 million to the Group's operating revenue and profit respectively. As disclosed in the circular of the Company dated 31 July 2009, the acquisition of the target company, 北京智義仁信息技術有限公司 (Beijing Zhiyiren Information Technology Co. Ltd) is a company established in the PRC with limited liability. It is principally engaged in the education informatization business, i.e. provision of information technology solutions, system integration and related maintenance and supporting services to schools and entities in the education sector in Beijing, the PRC.

For the year ended 31 March 2010, the Group recorded total comprehensive loss for the year attributable to owners of the Company of approximately RMB250.24 million, representing a substantial decrease from the profits recorded for the previous financial year ended 31 March 2009 of approximately RMB5.14 million. The Company explained that during the year ended 31 March 2010, the Company was affected by various unfavorable factors such as the global financial crisis and adjustments in the macro economic environment, projects in the electrical power industry, which is the principal target market of the Group, has suffered from trimming of expenditure and expenditure lag, and postponement in initiation of new projects, the Group thus posted lower than expected revenue and profit and resulted in impairment loss recognized on goodwill and intangible assets of the Company. Together with the higher amortization charges on intangible assets and professional fees arising from a series of acquisitions, the Company's overall profit performance was affected accordingly.

2. *Annual results for the year ended 31 March 2011*

As set out in the Company's annual report 2011 ("**AR 2011**"), for the year ended 31 March 2011, the Group recorded a turnover of approximately RMB85.97million, representing a slight decrease of approximately 4.42% as compared to approximately RMB89.95 million recorded for the previous year. As advised by the Company, such decrease in turnover was mainly due to changes in the operation environment and increasingly fierce competition of the electric power technology business, the revenue decreased and the operation cost increased and together with the effects from the impairment on goodwill and intangible assets, the Group's subsidiaries which engaged in the electric technology business recorded a loss for two consecutive years. For the year ended 31 March 2011, the Group recorded total comprehensive loss for the year attributable to owners of the Company of approximately RMB167.86 million, representing an improvement and decrease of loss of approximately 32.92% as compared to approximately RMB250.24 million recorded for the previous financial year ended 31 March 2010. As mentioned in the AR 2011, such improvement was mainly due to decrease in impairment loss recognized on goodwill and intangible assets of the Company.

3. *Interim results for the six months ended 30 September 2011*

As set out in the Company's interim report 2011 ("**IR 2011**"), for the six months ended 30 September 2011, the Group recorded a turnover of approximately RMB12.64 million, representing a decrease of approximately 76.24% as compared to approximately RMB53.21 million recorded for the previous corresponding period. As advised by the Company, the decrease in turnover was mainly attributed to the discontinuation of information technology services in the electric industry and decrease in revenue from school network integration services. The decline in revenue from the school network integration services is mainly due to the government imposing tighter requirements and control over the six months ended 30 September 2011. We noted from IR 2011, the Group recorded a total comprehensive loss attributable to Shareholders of approximately RMB22.08 million for the six months ended 30 September 2011. As advised by the Company, such loss was mainly due to the decrease in turnover due to competitive market conditions as mentioned above, increase in cost of sales from continuing operations and increase in marketing costs for school network integration business.

As at 30 September 2011, the Company had cash and cash equivalent of approximately RMB15.89 million, representing an increase of approximately 179.86% as compared with approximately RMB5.68 million recorded as at 31 March 2011.

The Company has mentioned in the IR 2011 that the school network integration services are facing tighter requirements and control by the government. Accordingly, in view of the financial results of the Company for the six months ended 30 September 2011 and the more competitive and restrictive market environment, the Company considers that it is necessary to expand the existing business range and intend to continue to explore new business directions, including the use of financial investment company to look for investment opportunities and to seek for business opportunities and strive to maximize Shareholders' value by allocating resources into attractive opportunities.

B. Reasons for the Open Offer

The estimated gross proceeds (before expenses) and the estimated net proceeds from the Open Offer (after deduction of expenses, including the commission to be paid to the Underwriters) will be not less than approximately HK$50.9 million and HK$48.6 million respectively and will not be more than approximately HK$56.4 million and HK$54.0 million respectively. As set out in the Board Letter, the Company intends to apply the net proceeds from the Open Offer up to maximum amount of HK$15.0 million on the business of proprietary investments, private equity investments, financial advisory and/or asset management services of the Group; and the remaining net proceeds for general working capital and any potential merger and acquisition opportunities of the Group.

We are advised by the Company that discussions in relation to the engagement of the underwriter of the Open Offer have been entered into with various securities firms which are independent third parties to the Company. However, the parties could not reach agreeable terms and in view of the undertakings and warranties provided by the Underwriters (as set out in the section headed "Principal terms of the Underwriting Agreement" in the Board Letter), we consider the Open Offer being underwritten by the Underwriters as fair and reasonable and in the interests of the Company and Independent Shareholders as a whole.

1. Development into money lending business

As advised by the Company, the Company intends to allocate HK$15 million of the net proceeds into the financial investment company to develop the money lending business which is sufficient in its initial stage development including the license application, starting up of conducting the money lending business. The net proceeds allocated will be used for the development of the money lending business such as building the infrastructure needed for the business. The majority of the capital will be used to conduct business, such as making loans, to generate returns for the Company. The Directors estimated the money lender's license will be obtained within approximately three to four months. It is against the law to conduct money lending business without a license granted by the court, therefore the Company can only commence business and generate revenue after obtaining the license. After gauging interest through personal or business network, the Company is of the view that after the start-up cost and registration cost for application of the license, the remaining balance would be sufficient to be utilized as loans and advances to potential clients in the initial stage of development. The Company advised that it will conduct regular review on this new business segment upon commencement including whether there is further funding needs. The Company has already filed an application to the Police Licensing Department to conduct money lending business in Hong Kong.

The licensing of money lenders and regulation of money-lending transactions are governed by the Money Lenders Ordinance, Chapter 163 of the Laws of Hong Kong. The three governing authorities are the Licensing Court, Registrar of Money Lenders (Registrar of Companies), and Commission of Police. Application will need to be submitted to the Registrar of Companies and the Police Licensing Department for review. Once the license has been granted, the Company is authorized to conduct money lending business valid for 12 months and then subject to renewal. In order to have the license granted, the Company should demonstrate sufficient capital and directors should show the capability in order to conduct and manage the money lending business.

The Company is of the view that the business opportunities in Hong Kong financial market, being backed by the PRC, are promising. With Hong Kong's position as the hub and financial center in Asia, the Company believes there will be ample potentials in the financial or credit sector. While there are no official statistics for the loans and advances granted by licensed money lenders in Hong Kong, the statistics of loans and advances granted by authorized institutions as reported by Hong Kong Monetary Authority at Hong Kong Monetary Statistics for June 2011 published on 29 July 2011 are used as a proxy to the credit market growth. The amount of loans and advances for use in Hong Kong has increased from approximately HK$1,930 billion in 2005 to approximately HK$3,323.6 billion as of 30 June 2011, resulting in an overall compound annual growth rate of approximately 12.8%. In regards to personal loans excluding credit card advances, the balance of personal loans has increased from approximately HK$106.8 billion in 2005 to approximately HK$191.8 billion in the second quarter of 2011. In terms of corporate loans, the loan amount had experienced a robust growth in recent years from approximately HK$1,582.2 billion in 2009 to approximately HK$2,212.3 billion by the second quarter of 2011, representing a growth of approximately 39.8%. In view of the Hong Kong's position as the financial hub in Asia and the increasing amount of loans and advances for use in Hong Kong as reported by Hong Kong Monetary Authority at Hong Kong Monetary Statistics for June 2011 published on 29 July 2011, we concur with the Directors of the business opportunities and potentials of money lending business in Hong Kong.

In light of the abovementioned growing trend in the demand for loans and advances, the Company is of the view that the money lending business presents an attractive opportunity for development to broaden the Company's existing business development and intends to further develop into the financial industry. The Company sees credible institutions and individuals in need of short term financing at the prevailing market condition and are willing to pay an attractive rate of interests. The Company believes that there is a growing demand in the money lending business to facilitate cash flow needs.

The Company further advised that the business development into the money lending business could provide a good platform for the Company to build its business of proprietary investments, private equity investments, financial advisory and asset management services. The money lending business can provide a platform for the Company to build a stronger client network of institutional and high net worth client, and in turn, would allow the financial investment company gain better access to solid clients and attractive investment opportunities. In view that the money lending business are in line with the financial business segment of the Company, we concur with the Directors on the positive effects of the money lending business in the building of client network.

Moreover, we have interviewed with the executive Director, Mr. James Wai Lam Cheng and obtained his brief personal resume and as advised by the Company, Mr. Cheng had extensive experiences in the banking and financing business. He held senior positions in both international and local banks since he started his career in 1985. Mr. Cheng had been Associate Director in Chemical Bank (now known as J.P. Morgan Chase), Vice President of Corporate Banking, Head of Greater China Desk in Commerzbank A.G. and Senior Vice President, Division Head of Corporate Banking and member of the Managing Director's Office in international Bank of Asia (now known as Fubon Bank), where he was a member of the credit committee responsible for approving loan applications for the bank. The Company intends to have Mr. James Cheng responsible for building the team and implementing prudent risk control procedures and standards. The Company advised that it does not have direct experience in the money lending industry but the Directors consider that with Mr. James Cheng's solid background and knowledge in the financing industry, ample demand in the market and prudent risk control, the Company is confident in the development of the money lending business.

2. General working capital and any potential merger and acquisition opportunities

As at 30 September 2011, the Group has available cash on hand of approximately RMB16 million, as advised by the Company, in view of the net loss position of the Group recorded in recent years/period and historically, the Group recorded net cash used in operating activities of approximately RMB18.3 million and RMB7.8 million respectively for the two years ended 31 March 2011, the Board considers that current capital raising activities is necessary in order to facilitate sustainable long-term development of the Group.

The Company advised that it intends to allocate not more than HK$20.0 million of the net proceeds from the Open Offer for any potential merger and acquisition opportunities of the Group; and it currently targets for entities in the financial securities industry with relevant legal licenses and credible management, which is in line with the Group's business strategy to explore opportunities in proprietary investments, private equity investments, financial advisory and asset management services. As at the Latest Practicable Date, the Group has not identified any merger and acquisition targets. The remaining balance of the net proceeds will be used as general working capital for business operation and maintain liquidity of the Group.

The Open Offer will enlarge the capital base of the Company and facilitate the long-term development of the Company, the Directors also consider that the Open Offer offers all the Qualifying Shareholders an equal opportunity to participate in the enlargement of the capital base of the Company and enables the Qualifying Shareholders to maintain their proportionate interests in the Company to participate in the future development of the Company should they wish to do so. Taking into account the fact that the net proceeds from the Open Offer are expected to improve the Group's gearing position and enhance the Company's capital base, the Directors are of the view that the Open Offer is in the interests of the Group and the Shareholders as a whole.

Having considered (i) the Open Offer would enlarge the capital base of the Company; (ii) the Open Offer allows the Qualifying Shareholders to participate in the expansion of business development of the Company into the money lending business; (iii) the growing market opportunities in the money lending business in Hong Kong and Hong Kong's position as a financial hub in Asia; (iv) the business development into the money lending business could provide good platform for the Company to build its financial investment business; (v) the diversification into the money lending business will broaden the existing business range of the Company and diversify the single product market risk for the Company and the Shareholders as a whole; (vi) the experience of Mr. Cheng in the banking and financing industry; and (vii) the current cash position of the Company and that the Open Offer could provide available funds for potential business opportunities, we concur with the Directors' view that the Open Offer (including the use of proceeds) is in the interests of the Company and the Shareholders as a whole.

C. The Open Offer

The Open Offer is on the basis of four Offer Shares for every one New Share held by the Qualifying Shareholders on the Record Date and payable in full on application. The Subscription Price for the Offer Shares is HK$0.0674 per Offer Share, which represents:

(i) a discount of approximately 77.53% to the adjusted closing price of HK$0.30 per New Share (adjusted for the effect of the Capital Reorganisation), based on the closing price of HK$0.06 per Existing Share as quoted on Stock Exchange on the Last Trading Day;

(ii) a discount of approximately 40.84% to the theoretical ex-entitlement price of approximately HK$0.11392 per New Share after the Open Offer (adjusted for the effect of the Capital Reorganisation), based on the closing price of HK$0.06 per Existing Share as quoted on the Stock Exchange on the Last Trading Day;

(iii) a discount of approximately 77.53% to the adjusted average closing price of HK$0.30 per New Share (adjusted for the effect of the Capital Reorganisation), based on the average closing price of HK$0.06 per Existing Share as quoted on the Stock Exchange for the last five consecutive trading days up to and including the Last Trading Day;

(iv) a discount of approximately 76.92% to the adjusted average closing price of HK$0.292 per New Share (adjusted for the effect of the Capital Reorganisation), based on the average closing price of HK$0.0584 per Existing Share as quoted on the Stock Exchange for the last ten consecutive trading days up to and including the Last Trading Day;

(v) a premium of approximately 240.40% to the audited consolidated net asset value of approximately HK$0.0198 per New Share (adjusted for the effect of the Capital Reorganisation), based on the audited consolidated net asset value and number of Shares in issue as at 31 March 2011;

(vi) a discount of approximately 65.20% to the unaudited consolidated net asset value of approximately HK$0.1937 per New Share (adjusted for the effect of the Capital Reorganisation), based on the unaudited consolidated net assets value and number of Shares in issue as at 30 September 2011; and

(vii) a discount of approximately 75.49% to the adjusted closing price of HK$0.275 per New Share (adjusted for the effect of the Capital Reorganisation), based on the closing price of HK$0.055 per Existing Share as quoted on the Stock Exchange on the Latest Practicable Date.

As stated in the Board Letter, the Subscription Price was arrived at after arm's length negotiation between the Company and the Underwriters with reference to the prevailing market price of the Existing Shares and taking into consideration of the effect of the Capital Reorganisation. Taking into consideration the theoretical ex-entitlement price per New Share, the Directors consider that the Subscription Price is appropriate. Each Qualifying Shareholder is entitled to subscribe for the Offer Shares at the same price in proportion to his/her/its shareholding in the Company on the Record Date. The Directors consider that the discount would encourage the Qualifying Shareholders to participate in the Open Offer, which would enable the Qualifying Shareholders to maintain their respective shareholdings in the Company and participate in the future growth of the Group.

1. Historical closing prices

We have reviewed the movements in the trading price of the Shares during the period from 16 November 2010 (being the 12 calendar months period prior to the date of the Underwriting Agreement) to the Latest Practicable Date (the "**Review Period**"). The closing prices of the Shares (adjusted for the effect of the Capital Reorganisation) during the Review Period are set out below:

Source: website of the Stock Exchange (www.hkex.com.hk)

Note: The trading of the Shares was suspended on 17-22 November 2011.

The closing prices of the Shares (adjusted for the effect of the Capital Reorganisation) ranged from the lowest of HK$0.225 (as adjusted for the effect of the Capital Reorganisation) on 1 December 2011 to the highest of HK$1.075 on 12 January 2011 during the Review Period. The closing prices of the Shares illustrated a continuous decreasing trend starting from around mid 2011.

We note that it is a common market practice that, in order to enhance the attractiveness of an open offer exercise and to encourage the existing shareholders to participate in an open offer, the subscription price of an open offer normally represents a discount to the prevailing market prices of the relevant shares. And in view that the closing prices of the Shares (as adjusted for the effect of the Capital Reorganisation) have been traded in a continuous decreasing trend, we concur with the Directors that the Subscription Price being set as lower than the prevailing market prices of the Shares (as adjusted for the effect of the Capital Reorganisation) is in line with general practice and is acceptable.

2. *Comparison with open offers comparables*

In assessing the fairness of the Subscription Price, we have compared the Open Offer with, to the best of our knowledge and are all the samples within our parameters, the identified 13 open offers/rights issue (the "**Comparables**") conducted by companies that are listed on the Main Board or the GEM, which (i) announced the respective open offers/rights issues since the second half of year 2011 starting from 1 July 2011 up to and including 16 November 2011, being the date of the Underwriting Agreement; and (ii) increased the issued share capital of the Comparables by more than 50% for reference. As (i) the terms of the Comparables are determined under similar market conditions and sentiments as the Open Offer, we believe that the Comparables may reflect the recent trend of the open offer and rights issue transactions in the market; and (ii) we observed that open offers and rights issues which increased the issued share capital of the Comparables by more than 50% (which is also the case of the Open Offer) would usually offered a deeper discount to the prevailing market price in order to increase the attractiveness of the relevant rights issues and open offers to induce the existing shareholders to make subscriptions and thus we consider the Comparables are fair and representative samples. As advised by the Company, the Underwriers and the Company had considered the then recent market conditions, i.e. during the few months' period prior to the Underwriting Agreement, when determining the terms of the Open Offer. As such, we consider the chosen period since the second half of year 2011 is appropriate as it presents recent trend and market conditions and sentiments of open offer/rights issue transactions and such recent trend is helpful in assessing the fairness of the Subscription Price. Based on the above, we consider recent market trend as more significant for comparison purpose than companies which are engaged in same industry. Details of the Comparables are summarized in the following table:

Comparable (stock code)	**Date of announcements**	**Basis of entitlement**	**Premium/ (discount) of subscription price over/(to) the closing price on the last trading day** %	**Premium/ (discount) of subscription price over (to) the theoretical ex-entitlement price** %	**Maximum dilution** *(Note 1)* %	**Underwriting commission** %
New City (China) Development Limited (456) *(Note 2)*	15/11/2011	23 for 3	(77.36)	(64.47)	88.46	2.5
Sunlink International Holdings Limited (2336)	11/11/2011	2 for 1	(85.71)	(66.67)	66.67	Nil
Radford Capital Investment Limited (901)	7/11/2011	4 for 1	(67.39)	(29.25)	80.00	3.0
Dragonite International Limited (329)	3/11/2011	2 for 1	(68.75)	(42.31)	66.67	3.0
Qin Jia Yuan Media Services Company Limited (2366)	27/10/2011	4 for 1	(85.70)	(68.60)	80.00	2.5
Success Universe Group Limited (487)	25/10/2011	2 for 3	(24.00)	(15.93)	40.00	2.5

Comparable (stock code)	Date of announcements	Basis of entitlement	Premium/ (discount) of subscription price over/(to) the closing price on the last trading day	Premium/ (discount) of subscription price over (to) the theoretical ex-entitlement price	Maximum dilution *(Note 1)*	Underwriting commission
			%	%	%	%
Unity Investments Holdings Limited (913)	11/10/2011	2 for 1	(45.95)	(21.88)	66.67	3.0
Heritage International Holdings Limited (412)	11/8/2011	22 for 1	(86.52)	(22.50)	95.65	3.0
Ocean Grand Holdings Limited (1220) *(Note 2)*	8/8/2011	2 for 3	(95.61)	(92.89)	40.00	Nil
China Water Property Group Limited (2349)	5/8/2011	2 for 5	(54.95)	(46.58)	28.57	Nil
New Smart Energy Group Limited (91)	4/8/2011	1 for 1	(38.75)	(24.03)	50.00	2.5
Palmpay China (Holdings) Limited (8047)	12/7/2011	1 for 1	(70.59)	(54.55)	50.00	2.5
Suncorp Technologies Limited (1063)	8/7/2011	18 for 1	(85.51)	(23.72)	94.74	3.0
Minimum discount			**(24.00)**	**(15.93)**		
Maximum discount			**(86.52)**	**(68.60)**		
Mean discount			**(64.89)**	**(37.82)**		
Minimum					**28.57**	**0.00**
Maximum					**95.65**	**3.00**
Mean					**65.36**	**2.27**
Company		**4 for 1**	**(77.53)**	**(40.84)**	**80.00**	**2.00**

Source: website of the Stock Exchange (www.hkex.com.hk)

Notes:

1. Maximum dilution effect of each open offer is calculated as: (number of offer shares to be issued under the basis of entitlement)/(number of existing shares held for the entitlement for the offer shares under the basis of entitlement + number of offer shares), e.g. for open offer with basis of 4 offer shares for every existing share held, the maximum dilution effect is calculated as 4/(1+4)= 80%.

2. Trading of the shares of these listed companies have been suspended for more than 12 months, i.e. throughout the Review Period, which the closing prices and subscription prices could not reflect the recent market conditions and sentiments and therefore, we considered these companies not suitable for comparison.

As shown in the above table, the discount represented by the subscription prices to the closing prices of shares of the Comparables on the last trading days prior to the release of the respective open offer/rights issue announcements ranged from discount of approximately 24.00% to approximately 86.52% (the "**LTD Market Range**") and at the mean of a discount of approximately 64.89%. The discount of approximately 77.53% as represented by the Subscription Price to the closing price of the Shares on the Last Trading Day falls within the LTD Market Range.

The discount represented by the subscription prices to the theoretical ex-entitlement prices of the shares of the Comparables ranged from discount of approximately 15.93% to approximately 68.60% (the "**TEP Market Range**") and the mean of a discount of approximately 37.82% (the "**TEP Mean**"). The discount of approximately 40.84% as represented by the Subscription Price to the theoretical ex-entitlement price falls within the TEP Market Range and close to the TEP Mean.

In general, we consider that it is common for the listed issuers in Hong Kong to issue offer shares at a discount to the market price in order to enhance the attractiveness of an open offer transaction. Having considered that (i) the Subscription Price was determined after arm's length negotiations between the Company and the Underwriter; the discount represented by the Subscription Price to the closing price of the Shares on the Last Trading Day falls within the LTD Market Range; (iii) the discount represented by the Subscription Price to the theoretical ex-entitlement price falls within the TEP Market Range and near to the TEP Mean; (iv) the closing prices of the Shares illustrated a continuous decreasing trend; and (v) all Qualifying Shareholders are offered an equal opportunities to subscribe for the Offer Shares, we consider the Subscription Price is fair and reasonable so far as the Independent Shareholders are concerned.

3. Underwriting commission

The Company will pay each of the Underwriters an underwriting commission of 2.0% of the aggregate Subscription Price in respect of the number of Offer Shares underwritten by each of them under the Underwriting Agreement. In view of the underwriting commission of 2.0% falls within the range of the underwriting commissions of the Comparables and falls lower than the mean commission of approximately 2.27%, we consider the underwriting commission of 2.0% is in line with the market and is fair and reasonable as far as the Independent Shareholders are concerned.

4. Application for excess Offer Shares

As set out in the Board Letter, the Offer Shares to which the Excluded Shareholders would otherwise have been entitled, any assured allotments of Offer Shares which have not been accepted by Qualifying Shareholders, and Offer Shares created by aggregation of fractional Offer Shares, will be available for excess application by the Qualifying Shareholders. Qualifying Shareholders will have the right to apply for any Offer Shares in excess of their own assured allotments under the Application Forms but are not assured of being allocated any Offer Shares in excess of those in their assured allotments. The Directors will allocate the excess Offer Shares at their discretion on a fair and equitable basis on the following principles:

(i) preference will be given to topping up odd lots to whole board lots where they appear to the Directors that such applications are made to round up odd-lot holdings to whole-lot holdings and that such applications are not made with intention to abuse this mechanism; and

(ii) subject to availability of excess Offer Shares after allocation under principle (1) above, the excess Offer Shares will be allocated to Qualifying Shareholders, who have applied for excess Offer Shares, on a pro-rata basis based on the number of the excess Offer Shares applied by them, with allocations to be made in full board lots where practicable.

The Directors consider that the allocation mechanism for the excess Offer Shares on the above principles is fair and equitable as it is likely for a larger number of potential and qualifying applicants for excess Offer Shares to have the opportunity to be successfully allocated with any excess Offer Shares. We are not aware of the above allocation arrangement is unusual and consider the above allocation is in line with normal market practice.

5. Risks associated with the Open Offer

Shareholders and potential investors should note that the Open Offer is conditional, among other things, upon the fulfillment of the conditions set out under the section headed "Conditions of the Open Offer" in the Board Letter. In particular, the Open Offer is subject to the Underwriters not terminating or rescinding the Underwriting Agreement in accordance with the terms set out therein (a summary of which is set out in the section headed "Termination or rescission of the Underwriting Agreement" in the Board Letter). Accordingly, the Open Offer may or may not proceed. The Shareholders and potential investors should exercise caution when dealing in the Shares, and if they are in any doubt about their position, they should consult their professional advisers.

D. Alternatives

We have enquired with the Company and are advised that they have considered other methods of fund raisings such as rights issue, placement of new Shares or other convertible securities and bank borrowing. Taking into account that:

(i) rights issue has a higher cost and take a longer time to complete as compared to open offer because of additional administrative costs and expenses of the Company in arranging trading arrangement of the nil-paid rights with the share registrar and additional time for trading of nil-paid rights shares;

(ii) the Open Offer will give the Qualifying Shareholders an equal and fair opportunity to maintain their respective pro-rata shareholding interests in the Company;

(iii) the uncertainty of the existence of a market to trade the nil-paid entitlements and the un-economical trading cost which may be incurred by a qualifying shareholder;

(iv) debt financing and bank borrowing will create interest payment obligations on the Group and increase the gearing and incur further interest burden to the Company;

(v) any placing of new Shares will inevitably cause massive dilution to the interests of the existing Shareholders as they will not be able to participate on an equitable basis; and

(vi) the Open Offer will enable the Shareholders to maintain their proportionate interests in the Company should they so wish,

we consider that it is fair and reasonable not to make arrangements available for excess application of Offer Shares and that there is no alternative arrangement for the disposal of the Offer Shares not taken up by the Qualifying Shareholders. As such, we are of the view that fund raising by way of the Open Offer is fair and reasonable and in the interests of the Company and the Independent Shareholders as a whole.

E. Financial effect of the Open Offer

1. Net asset value

Based on the statement of unaudited pro forma financial information set out in Appendix II of the Circular, the unaudited pro forma adjusted consolidated negative net tangible assets of the Group amounts to approximately RMB29.19 million or approximately RMB0.155 negative net tangible assets per New Share as at 30 September 2011, upon completion of the Open Offer, the Group would turn into net asset position and the unaudited pro forma adjusted consolidated net tangible assets of the Group amounts to approximately RMB10.65 million or approximately RMB0.011 net tangible assets per New Share (based on minimum number 754,975,576 Offer Shares to be issued) and approximately RMB15.12 million or approximately RMB0.014 net tangible assets per New Share (based on 20,594,440 New Shares issued upon the exercise of the outstanding Share Options and Existing Warrants and the maximum number 837,353,336 Offer Shares to be issued pursuant to the Open Offer).

2. Gearing ratio

As set out in IR 2011, the non-current liabilities and the total equity of the Group as at 30 September 2011 were approximately RMB61.63 million and approximately RMB29.98 million respectively. The gearing ratio (defined as non-current liabilities divided by total equity) of the Group was 2.06 times as at 30 September 2011. As advised by the Company, the total equity is expected to increase by the net proceeds of the Open offer and hence the gearing position of the Group is expected to improve to approximately 0.88 times (based on minimum number 754,975,576 Offer Shares to be issued assuming none of the outstanding Derivatives having been exercised on or before the Record Date) and to approximately 0.83 times (based on maximum number 837,353,336 Offer Shares to be issued assuming the outstanding Share Options and Existing Warrants having been exercised in full on or before the Record Date).

3. Working capital

The Open Offer shall have a positive effect on the Group's working capital upon completion as the proceeds from the Open Offer will bring in a net cash inflow of at least approximately HK$48.6 million to the Group.

In light of the enhancement on the net tangible assets (from the previous net liability position), the gearing position and the working capital as a result of the Open Offer, we are of the opinion that the Open Offer is in the interests of the Company and the Independent Shareholders as a whole.

F. Potential Dilution

As the Open Offer is offered to all Qualifying Shareholders on the same basis, the Qualifying Shareholders will be able to maintain their proportional interests in the Company if they take up their allotments under the Open Offer in full. Any Qualifying Shareholders who choose not to take up in full their assured entitlements under the Open Offer will have their shareholdings in the Company diluted by up to a maximum of approximately 80% from their shareholding interest upon completion of the Open Offer.

In all cases of open offers, the dilution on the shareholding of those qualifying shareholders who do not take up in full their assured entitlements under the open offers is inevitable. In fact, the dilution magnitude of any open offers depends mainly on the extent of the basis of entitlement under such exercises since the higher offering ratio of new shares to existing shares is the greater the dilution on the shareholding would be.

Having taken into account:

(i) the Open Offer would enlarge the capital base of the Company;

(ii) the Company had not conducted any fund raising activities since July 2009;

(iii) the plan of the Company in expanding to money lending business as mentioned in the above section headed "reasons for the Open Offer";

(iv) the Open Offer is on the basis that all Qualifying Shareholders have been offered the same opportunity to maintain their proportional interests in the Company and allows the Qualifying Shareholders to participate in the growth of the Company;

(v) the inherent dilutive nature of Open Offer in general;

(vi) the current basis of Open Offer of four Offer Shares for every one New Share held on the Record Date is the optimal achievable scenario as discussed with the Underwriters and potential underwriters having considered the Company's financial position and recent market condition;

(vii) the discount represented by the Subscription Price to the closing price of the Share on the Last Trading Day falls within the LTD Market Range;

(viii) the discount represented by the Subscription Price to the theoretical ex-entitlement price falls within the TEP Market Range and falls close to the TEP Mean; and

(ix) the positive impact on the financial position of the Group as a result of the Open Offer,

we consider the potential dilution effect on the shareholding which may only happen to the Qualifying Shareholders who decide not to accept the Open Offer is acceptable.

G. Whitewash Waiver

Pacific Motion is one of the Underwriters and is wholly and beneficially owned by Mr. Cheung, an executive Director. Accordingly, the underwriting of the Offer Shares by Pacific Motion will trigger an obligation on Pacific Motion, together with parties acting in concert with it (including Mr. Cheung), to make a mandatory offer under Rule 26 of the Takeovers Code for all the issued securities including all outstanding Derivatives of the Company not already owned or agreed to be acquired by Pacific Motion, Mr. Cheung and parties acting in concert with any of them.

As at the Latest Practicable Date, Pacific Motion, its ultimate beneficial owners and parties acting in concert with any of them (including Mr. Cheung) are not interested in any Shares or outstanding Derivatives in respect of securities of the Company. In the event that, upon completion of the Open Offer, no Qualifying Shareholders will take up any Offer Shares, the Underwriters will be required to subscribe for and take up all Offer Shares, which will result in the Underwriters taking up:

(i) assuming that none of the outstanding Derivatives having been exercised on or before the Record Date, 754,975,576 New Shares representing approximately 80.00% of the entire issued share capital of the Company as enlarged by the Open Offer and after the Capital Reorganisation becoming effective; and

(ii) assuming that the outstanding Share Options and Existing Warrants having been exercised in full on or before the Record Date, 837,353,336 New Shares representing approximately 80.00% of the entire issued share capital of the Company as enlarged by the Open Offer and after the Capital Reorganisation becoming effective.

The total shareholding of Mr. Cheung, Pacific Motion and its ultimate beneficial owners and parties acting in concert with any of them in the Company will increase from nil New Share, to:

(i) assuming that none of the outstanding Derivatives having been exercised on or before the Record Date, 377,487,788 New Shares representing approximately 40.00% of the entire issued share capital of the Company as enlarged by the Open Offer and after the Capital Reorganisation becoming effective; and

(ii) assuming that the outstanding Share Options and Existing Warrants having been exercised in full on or before the Record Date, 418,676,668 New Shares representing approximately 40.00% of the entire issued share capital of the Company as enlarged by the Open Offer and after the Capital Reorganisation becoming effective.

An application has been made by Pacific Motion to the Executive for the Whitewash Waiver in connection with the Open Offer pursuant to note 1 on dispensations from Rule 26 of the Takeovers Code. The Whitewash Waiver, if granted by the Executive, would be subject to, among other things, the approval by the Independent Shareholders at the EGM by way of poll. If the Whitewash Waiver is not granted by the Executive, the Open Offer will not become unconditional and will not proceed.

Based on our analysis of the terms of the Open Offer, we consider that the Open Offer is in the interests of the Company and the Independent Shareholders as a whole. If the Whitewash Waiver is not approved by the Independent Shareholders at the EGM, the Open Offer will not proceed and the Company will lose all the benefits from the development into the new money lending business as mentioned in the above section headed "reasons for the Open Offer" that are expected to be brought by the completion of the Open Offer. Accordingly, we are of the view that for the purposes of implementing the Open Offer, we consider the terms of the Whitewash Waiver is fair and reasonable and in the interests of the Company and the Independent Shareholders as a whole.

RECOMMENDATIONS

Taking into account the factors and reasons as mentioned above, which include (i) reasons for the Open Offer and the use of proceeds; (ii) principal terms of the Open Offer and the Underwriting Agreement; (iii) alternatives to the Open Offer; (iv) potential dilution effect on the shareholding interests; and (v) financial effects of the Open Offer, we consider that, the terms of the Open Offer and the Underwriting Agreement are fair and reasonable so far as the Independent Shareholders are concerned and the Open Offer and the Underwriting Agreement are in the interests of the Company and the Independent Shareholders as a whole. We would therefore advise the Independent Shareholders and the Independent Board Committee to recommend the Independent Shareholders to vote in favour of the resolution to approve the Open Offer and the Underwriting Agreement to be proposed at the EGM.

The Open Offer is conditional upon the approval of the Whitewash Waiver. If the Whitewash Waiver is not approved, the Open Offer will not become unconditional and will not proceed. Having taken into account our recommendation on the Open Offer above, we consider the terms of Whitewash Waiver is fair and reasonable so far as the Independent Shareholders are concerned and the Whitewash Waiver is in the interests of the Company and the Independent Shareholders as a whole. Accordingly, we would advise the Independent Shareholders and the Independent Board Committee to recommend to the Independent Shareholders to vote in favour of the resolution to approve the Whitewash Waiver to be proposed at the EGM.

Yours faithfully,
For and on behalf of
Veda Capital Limited

Hans Wong	**Julisa Fong**
Chairman	*Managing Director*

1. FINANCIAL SUMMARY AND AUDITORS' REPORTS

The following tables summarise the results, assets and liabilities of the Group for the last three financial years ended 31 March 2011, extracted from the relevant published annual reports of the Company audited by CCIF CPA Limited; and for the six months ended 30 September 2011 as extracted from the published interim report of the Company. The financial information as at and for the year ended 31 March 2010 has been restated to conform with the presentation of financial statements for the year ended 31 March 2011. The financial information as at and for the year ended 31 March 2009 has been restated to conform with the presentation of financial statements for the year ended 31 March 2010. There is no qualification contained in the auditors' report in respect of each of the last three financial years.

The Group did not have any minority interests or items which are exceptional because of size, nature or incidence during the three years ended 31 March 2011 and the six months ended 30 September 2011. The Board did not declare any dividend during each of the three years ended 31 March 2011 and the six months ended 30 September 2011.

Consolidated statement of comprehensive income

	For the year ended 31 March		
	2011	**2010**	**2009**
	(Audited)	(Audited)	(Audited)
	RMB'000	*RMB'000*	*RMB'000*
Continuing operations			
Turnover	85,971	89,945	77,828
Cost of sales	(62,065)	(39,668)	(24,859)
Gross profit	23,906	50,277	52,969
Gain on disposal of associates	–	–	339
Other revenue	941	2,777	3,796
Other net loss	–	(19)	(399)
Impairment loss on intangible assets	(13,961)	(33,420)	(10,386)
Impairment loss on goodwill	(115,205)	(188,031)	–
Distribution costs	–	(1,642)	(1,511)
Administrative and other operating expenses	(58,731)	(76,059)	(32,021)
(Loss)/profit from operations	(163,050)	(246,117)	12,787
Finance costs	(6,837)	(6,156)	(2)
Share of profit of associates	–	–	4
(Loss)/profit before taxation from continuing operations	(169,887)	(252,273)	12,789
Income tax credit/(charge)	1,918	2,878	(6,041)
(Loss)/profit for the year from continuing operations	(167,969)	(249,395)	6,748
Discontinued operations			
Loss for the year from discontinued operations	–	(450)	–
(Loss)/profit for the year	(167,969)	(249,845)	6,748
Other comprehensive income/(loss) for the year			
Exchange differences on translation of financial statements of subsidiaries	105	(390)	(1,609)
Total comprehensive (loss)/income for the year	(167,864)	(250,235)	5,139
(Loss)/profit for the year attributable to owners of the Company	(167,969)	(249,845)	6,748
Total comprehensive (loss)/income for the year attributable to owners of the Company	(167,864)	(250,235)	5,139
(Loss)/earnings per share			
From continuing and discontinued operations			
– Basic	RMB(0.189)	RMB(0.328)	N/A
– Diluted	RMB(0.172)	RMB(0.322)	N/A
From continuing operations			
– Basic	RMB(0.189)	RMB(0.327)	RMB0.019
– Diluted	RMB(0.172)	RMB(0.321)	RMB0.019

Consolidated statement of financial position

	As at 31 March		
	2011	**2010**	**2009**
	(Audited)	(Audited)	(Audited)
	RMB'000	*RMB'000*	*RMB'000*
Non-current assets			
Property, plant and equipment	1,605	1,173	1,474
Intangible assets	13,277	30,876	42,498
Goodwill	62,245	177,450	65,583
Available-for-sale investments	–	–	120
Deposits paid for acquisition of property, plant and equipment	–	–	5,966
	77,127	209,499	115,641
Current assets			
Intangible assets	2,715	4,657	7,243
Inventories	–	202	–
Trade and other receivables	68,088	80,138	86,898
Income tax recoverable	737	218	987
Cash and cash equivalents	5,679	11,502	65,127
	77,219	96,717	160,255
Current liabilities			
Trade payables	10,403	12,658	8,056
Other payables and accruals	14,559	12,180	26,673
Obligations under a finance lease	6	6	5
Income tax payable	10,434	10,172	9,367
	35,402	35,016	44,101
Net current assets	41,817	61,701	116,154
Total assets less current liabilities	118,944	271,200	231,795
Non-current liabilities			
Obligations under a finance lease	4	10	16
Convertible bonds	110,306	103,470	–
Deferred tax liabilities	5,720	9,965	7,843
	116,030	113,445	7,859
NET ASSETS	2,914	157,755	223,936
EQUITY			
Equity attributable to owners of the Company			
Share capital	83,852	81,926	61,223
Reserves	(80,938)	75,829	162,713
TOTAL EQUITY	2,914	157,755	223,936

Unless otherwise stated, all financial figures presented in the unaudited condensed consolidated financial information for the six months ended 30 September 2011 are denominated in Renminbi ("RMB") thousand dollars.

Condensed Consolidated Statement of Comprehensive Income

	(Unaudited) Six months ended 30 September 2011	2010
Continuing operations		
Turnover	10,983	22,975
Cost of sales	(6,121)	(3,061)
Gross profit	4,862	19,914
Other net (loss)/gain	(1,343)	8
Administrative expenses	(9,910)	(23,105)
Operating (loss)/profit	(6,391)	(3,183)
Finance costs	(2,762)	(3,458)
(Loss)/Profit before income tax	(9,153)	(6,641)
Income tax credit/(expense)	411	(1,313)
(Loss)/Profit for the period from continuing operations	(8,742)	(7,954)
Discontinued operations		
Loss for the period from discontinued operations	(13,759)	(4,346)
(Loss)/Profit for the period	(22,501)	(12,300)
Other comprehensive income for the period		
Exchange differences arising from		
– translation of financial statements of subsidiaries	341	2,287
– reclassification relating to disposal of operations	76	–
	417	2,287
Total comprehensive (loss)/income for the period (net of tax)	(22,084)	(10,013)
	RMB(Yuan)	*RMB(Yuan)*
(Loss)/Earnings per share		
Basic		
– from continuing and discontinued operations	(0.025)	(0.014)
– from continuing operations	(0.010)	(0.009)
– from discontinued operations	(0.015)	(0.005)

Condensed Consolidated Statement of Financial Position

	(Unaudited) 30 September 2011	(Audited) 31 March 2011
Non-current assets		
Property, plant and equipment	567	1,605
Other intangible assets	11,082	13,277
Goodwill	46,898	62,245
Derivative financial asset	110	–
	58,657	77,127
Current assets		
Other intangible assets	1,186	2,715
Inventories	1,132	–
Trade receivables	16,021	60,815
Prepayment, deposit and other receivables	5,243	7,273
Financial assets at fair value through profit or loss	2,343	–
Income tax recoverable	462	737
Cash and cash equivalents	15,893	5,679
	42,280	77,219
Current liabilities		
Trade payables	3,251	10,403
Other payables and accruals	6,060	14,559
Obligations under a finance lease	5	6
Tax payable	19	10,434
	9,335	35,402
Net current assets	32,945	41,817
Total assets less current liabilities	91,602	118,944
Non-current liabilities		
Obligations under a finance lease	1	4
Convertible bonds	57,219	110,306
Deferred tax liabilities	4,407	5,720
	61,627	116,030
NET ASSETS	29,975	2,914
CAPITAL AND RESERVES		
Share capital	87,768	83,852
Reserves	(57,793)	(80,938)
TOTAL EQUITY	29,975	2,914

2. UNAUDITED CONDENSED CONSOLIDATED INTERIM FINANCIAL INFORMATION FOR THE SIX MONTHS ENDED 30 SEPTEMBER 2011

The following financial information is extracted from the published unaudited condensed consolidated financial statements of the Company for the six months ended 30 September 2011. Unless otherwise stated, all financial figures presented in the unaudited condensed consolidated financial information for the six months ended 30 September 2011 are denominated in Renminbi ("RMB") thousand dollars.

Condensed Consolidated Statement of Comprehensive Income

		(Unaudited) Six months ended 30 September		(Unaudited) Three months ended 30 September	
	Notes	**2011**	**2010**	**2011**	**2010**
Continuing operations					
Turnover	2	10,983	22,975	4,982	17,625
Cost of sales		(6,121)	(3,061)	(3,777)	(956)
Gross profit		4,862	19,914	1,205	16,669
Other net (loss)/gain		(1,343)	8	(1,413)	7
Administrative expenses		(9,910)	(23,105)	(6,790)	(6,152)
Operating (loss)/profit		(6,391)	(3,183)	(6,998)	10,524
Finance costs		(2,762)	(3,458)	(996)	(1,729)
(Loss)/Profit before income tax	6	(9,153)	(6,641)	(7,994)	8,795
Income tax credit/(expense)	7	411	(1,313)	–	(1,128)
(Loss)/Profit for the period from continuing operations		(8,742)	(7,954)	(7,994)	7,667
Discontinued operations					
Loss for the period from discontinued operations	5	(13,759)	(4,346)	–	(6,066)
(Loss)/Profit for the period		(22,501)	(12,300)	(7,994)	1,601
Other comprehensive income for the period					
Exchange differences arising from					
– translation of financial statements of subsidiaries		341	2,287	3,204	1,168
– reclassification relating to disposal of operations		76	–	–	–
		417	2,287	3,204	1,168
Total comprehensive (loss)/income for the period (net of tax)		(22,084)	(10,013)	(4,790)	2,769
		RMB(Yuan)	*RMB(Yuan)*	*RMB(Yuan)*	*RMB(Yuan)*
(Loss)/Earnings per share	9				
Basic					
– from continuing and discontinued operations		(0.025)	(0.014)	(0.009)	0.002
– from continuing operations		(0.010)	(0.009)	(0.009)	0.009
– from discontinued operations		(0.015)	(0.005)	–	(0.007)

Condensed Consolidated Statement of Financial Position

	Notes	(Unaudited) 30 September 2011	(Audited) 31 March 2011
Non-current assets			
Property, plant and equipment		567	1,605
Other intangible assets		11,082	13,277
Goodwill		46,898	62,245
Derivative financial asset	12	110	–
		58,657	77,127
Current assets			
Other intangible assets		1,186	2,715
Inventories		1,132	–
Trade receivables	10	16,021	60,815
Prepayment, deposit and other receivables		5,243	7,273
Financial assets at fair value through profit or loss		2,343	–
Income tax recoverable		462	737
Cash and cash equivalents		15,893	5,679
		42,280	77,219
Current liabilities			
Trade payables	11	3,251	10,403
Other payables and accruals		6,060	14,559
Obligations under a finance lease		5	6
Tax payable		19	10,434
		9,335	35,402
Net current assets		32,945	41,817
Total assets less current liabilities		91,602	118,944
Non-current liabilities			
Obligations under a finance lease		1	4
Convertible bonds	12	57,219	110,306
Deferred tax liabilities		4,407	5,720
		61,627	116,030
NET ASSETS		29,975	2,914
CAPITAL AND RESERVES			
Share capital	13	87,768	83,852
Reserves		(57,793)	(80,938)
TOTAL EQUITY		29,975	2,914

Condensed Consolidated Statement of Changes in Equity

	Share capital (Unaudited)	Share premium (Unaudited)	Contributed surplus (Unaudited)	Convertible bonds equity reserve (Unaudited)	Share-based compensation reserve (Unaudited)	Foreign currency translation reserve (Unaudited)	Accumulated losses (Unaudited)	Total (Unaudited)
At 1 April 2011 (Audited)	83,852	296,295	933	28,596	14,660	(12,331)	(409,091)	2,914
Loss for the period	–	–	–	–	–	–	(22,501)	(22,501)
Exchange differences arising from								
– translation of financial statements of subsidiaries	–	–	–	–	–	341	–	341
– reclassification relating to disposal of operations	–	–	–	–	–	76	–	76
Total comprehensive income/(loss) for the period	–	–	–	–	–	417	(22,501)	(22,084)
Shares issued under conversion of convertible bonds	3,916	52,705	–	(8,953)	–	–	–	47,668
Deferred tax effect on conversion of convertible bonds	–	–	–	1,477	–	–	–	1,477
Transfer to retained profits upon forfeiture of share options	–	–	–	–	(4,007)	–	4,007	–
At 30 September 2011 (Unaudited)	87,768	349,000	933	21,120	10,653	(11,914)	(427,585)	29,975
At 1 April 2010 (Audited)	81,926	293,831	933	28,596	6,027	(12,436)	(241,122)	157,755
Loss for the period	–	–	–	–	–	–	(12,300)	(12,300)
Exchange differences arising from translation of financial statements of subsidiaries	–	–	–	–	–	2,287	–	2,287
Total comprehensive income/(loss) for the period	–	–	–	–	–	2,287	(12,300)	(10,013)
Equity settled share based payments	–	–	–	–	10,270	–	–	10,270
Exercise of share options	1,995	978	–	–	–	–	–	2,973
At 30 September 2010 (Unaudited)	83,921	294,809	933	28,596	16,297	(10,149)	(253,422)	160,985

Condensed Consolidated Statement of Cash Flows
For the six months ended 30 September 2011

	(Unaudited) Six months ended 30 September 2011	2010
Net cash outflow from operating activities	(15,936)	(6,169)
Net cash inflow/(outflow) from investing activities	21,753	(834)
Net cash inflow from financing activities	4,056	2,970
Net increase/(decrease) in cash and cash equivalents	9,873	(4,033)
Cash and cash equivalents at beginning of the period	5,679	11,502
Effect of foreign exchange rate changes	341	2,287
Cash and cash equivalent at end of the period	15,893	9,756

Notes:

1. PRINCIPAL ACCOUNTING POLICIES

The unaudited condensed interim financial statements have been prepared in accordance with Hong Kong Accounting Standard 34 "Interim Financial Reporting" issued by the Hong Kong Institute of Certified Public Accountants (the "HKICPA") and with the applicable disclosure requirements of the Rules Governing the Listing of Securities on the Growth Enterprise Market of The Stock Exchange of Hong Kong Limited. The accounting policies adopted are consistent with those set out in the annual financial statements for the year ended 31 March 2011.

The condensed interim financial statements are unaudited, but have been reviewed by the audit committee of the Company.

The Group principally operates in the People's Republic of China (the "PRC") with its business activities principally transacted in RMB, the results of the Group are therefore prepared in RMB.

2. TURNOVER

The Group is principally engaged in the development and provision of application software, information technology solutions and related maintenance and supporting services to customers in the electricity power industry (discontinued operations), schools and entities in the education sector of the PRC.

Turnover represents the value of software sold and services provided to customers. The amount of each significant category of revenue recognised in turnover during the period is as follows:

	(Unaudited) Six months ended 30 September		(Unaudited) Three months ended 30 September	
	2011	**2010**	**2011**	**2010**
Continuing operations				
Sales of application software	–	616	–	–
School network integration services	10,983	22,359	4,982	17,625
	10,983	22,975	4,982	17,625
Discontinued operations				
Information technology services in the electricity power industry *(note 5)*	1,661	30,230	–	20,059
Total turnover	12,644	53,205	4,982	37,684

3. SEGMENTAL INFORMATION

(a) Business segments

In identifying the Group's operating segments, the management generally follows the Group's service lines which represent the main service lines provided by the Group. The Group has identified the following reportable segments:

– Information technology services in the electricity power industry (Discontinued operations);

– School network integration services; and

– Sales of application software.

Each of these operating segments is managed separately as each of them requires different resources. For the six months ended 30 September 2011, there has been no change from prior periods in the measurement method used to determine operation segments and reported segment profit or loss.

Six months ended 30 September 2011 (Unaudited)

	Continuing operations		**Discontinued operations**	
	School network integration services	**Sales of application software**	**Information technology services in the electricity power industry**	**Consolidated**
Segment revenue				
External sales	10,983	–	1,661	12,644
Segement operating profit/(loss)	1,453	(1,088)	(13,759)	(13,394)
Interest income and unallocated other corporate income				76
Unallocated corporate expenses				(9,594)
Loss before income tax				(22,912)
Income tax credit				411
Loss for the period				(22,501)

As at 30 September 2011 (Unaudited)

	Continuing operations		Discontinued operations	
	School network integration services	Sales of application software	Information technology services in the electricity power industry	Consolidated
ASSETS				
Segment assets	23,061	846	–	23,907
Unallocated corporate assets				77,030
Total assets				100,937
LIABILITIES				
Segment liabilities	3,502	19	–	3,521
Unallocated corporate liabilities				67,441
Total liabilities				70,962

Six months ended 30 September 2010 (Unaudited)

	Continuing operations		Discontinued operations	
	School network integration services	Sales of application software	Information technology services in the electricity power industry	Consolidated
Segement revenue				
External sales	22,359	616	30,230	53,205
Segment operating profit/(loss)	8,752	(7,256)	(4,007)	(2,511)
Interest income and unallocated other corporate income				–
Unallocated corporate expenses				(8,136)
Loss before income tax				(10,647)
Income tax expense				(1,653)
Loss for the period				(12,300)

As at 30 September 2010 (Unaudited)

	Continuing operations		Discontinued operations	
	School network integration services	Sales of application software	Information technology services in the electricity power industry	Consolidated
ASSETS				
Segment assets	23,459	7,243	70,111	100,813
Unallocated corporate assets				212,833
Total assets				313,646
LIABILITIES				
Segment liabilities	6,022	2,228	23,795	32,045
Unallocated corporate liabilities				120,616
Total liabilities				152,661

(b) *Geographical segments*

The Group's operations are located in two principal economic environments, Hong Kong and the PRC.

In presenting information on the basis of geographical segments, segment revenue is based on the geographical location of customers. Segment assets and capital expenditure are based on the geographical location of the assets.

	Hong Kong		The PRC	
	(Unaudited) As at 30 September		(Unaudited) As at 30 September	
	2011	2010	2011	2010
Revenue from external customers				
– Continuing operations	–	–	10,983	22,975
– Discontinued operations	–	–	1,661	30,230
	–	–	12,644	53,205
Carrying amount of segment assets	77,030	212,833	23,907	100,813
Additions to property, plant, equipment	–	–	21	307

4. DISPOSAL OF SUBSIDIARIES

On 12 May 2011, Topsheen Limited, a subsidiary of the Group, entered into a sale and purchase agreement with an independent third party to dispose of its entire equity interests in Intelligent Investment Development Limited and China Sino Holdings Limited which altogether held entire interest in Beijing Power Along Technology Co., Ltd. (collectively known as "Along Group") and the assignment of sale loans for a total cash consideration of HK$35,000,000 (equivalent to RMB29,050,000) which is subject to adjustment. The Along Group is principally engaged in making research, development and provision of integrated information systems for power grid companies in the PRC. The disposal was completed on 24 June 2011, since then, the Along Group ceased to be subsidiaries of the Group.

The loss on disposal of Along Group which is included in the loss for the period from discontinued operations is calculated as follows:

	RMB'000
Consideration *(note a)*	21,815
Net assets disposed of *(note b)*	(24,587)
Assignment of sale loans	(3,996)
Cumulative exchange differences in respect of Along Group reclassified from equity to profit or loss on disposal	76
Direct costs relating to the disposal	(733)
Loss on disposal *(note 5)*	(7,425)

Note a:

In accordance with the terms of the sale and purchase agreement, the consideration is subject to adjustment. If the net asset value of Along Group as at the completion date increases by more than 5% of the net asset value of Along Group as at 31 March 2011, the purchaser shall pay to the vendor an amount equal to the excess over the 5% increase; or vice versa. As of the completion date, the net asset value of Along Group decreased by more than 5% of the net asset value of Along Group as at 31 March 2011. Therefore, the vendor paid to the purchaser a deficit of RMB7,235,000 to cover the shortfall. The adjusted consideration amounted to RMB21,815,000.

Note b:

Net assets disposed of is set out as below:

	RMB'000
Property, plant and equipment	901
Intangible assets	3,131
Trade receivables	33,053
Prepayment, deposits and other receivables	2,978
Cash and cash equivalents	2,918
Trade payables	(5,293)
Advances received	(187)
Other payables	(10,829)
Other tax payables	(2,085)
	24,587

5. DISCONTINUED OPERATIONS

The result of Along Group during the period up to the date of its disposal on 24 June 2011 is set out below:

	(Unaudited) Period ended 24 June 2011	(Unaudited) Six months ended 30 September 2010	(Unaudited) Three months ended 30 September 2010
Revenue *(note 2)*	1,661	30,230	20,059
Cost of sales	(3,090)	(24,751)	(21,276)
Gross (loss)/profit	(1,429)	5,479	(1,217)
Other revenue and other net income	5	75	72
Selling expenses	–	(575)	(321)
Administrative expenses	(4,910)	(8,985)	(4,599)
Loss before income tax	(6,334)	(4,006)	(6,065)
Income tax expense	–	(340)	(1)
	(6,334)	(4,346)	(6,066)
Loss on disposal of operation *(note 4)*	(7,425)	–	–
Loss for the period from discontinued operations	(13,759)	(4,346)	(6,066)
Operating cash flows	(250)	(2,980)	(20,452)
Investing cash flows			
Financing cash flows	–	–	–
Total cash flows	(250)	(2,980)	(20,452)

For the purpose of presenting discontinued operations, the comparative interim results and the related notes have been re-presented as if the operations discontinued during the period had been discontinued at the beginning of the comparative period.

6. (LOSS)/PROFIT BEFORE INCOME TAX

(Loss)/Profit before income tax is arrived at after charging:

	(Unaudited) Six months ended 30 September		(Unaudited) Three months ended 30 September	
	2011	2010	2011	2010
Continuing operations				
Auditor's remuneration	–	–	–	–
Cost of inventory sold and services rendered	6,121	3,061	3,777	956
Depreciation of fixed assets	105	72	52	36
Operating lease rental in respect of land and building	555	787	244	638
Net loss on financial assets at fair value through profit or loss	1,415	–	1,415	–

7. INCOME TAX CREDIT/(EXPENSE)

Income tax credit/(expense) represents:

	(Unaudited) Six months ended 30 September		(Unaudited) Three months ended 30 September	
	2011	**2010**	**2011**	**2010**
Continuing operations				
Current tax				
PRC enterprise income tax	(363)	(1,313)	–	(1,128)
Deferred tax				
Current period	774	–	–	–
	411	(1,313)	–	(1,128)

No provision for profits tax in the Cayman Islands, British Virgin Islands ("BVI") and Hong Kong has been made as the Group has no assessable profit/income during the interim period in these jurisdictions.

PRC enterprise income tax

Tax on profits assessable in the PRC has been calculated at the applicable PRC enterprise income tax ("EIT") rate.

北京普華雅龍科技有限公司 ("雅龍") and 北京普華智維科技有限公司 ("智維"), the former and current subsidiaries from which the major portion of the Group's turnover is derived, were subject to EIT. 雅龍 and 智維, an advanced technology enterprise (高新技術企業), were entitled to a reduced tax rate of 15% for three years from 2008 and 2009 respectively.

Deferred tax

There was RMB774,000 deferred taxation credit for the six months ended 30 September 2011 (Six months ended 30 September 2010: Nil).

8. DIVIDENDS

The Board does not recommend payment of any interim dividend for the six months ended 30 September 2011 (Six months ended 30 September 2010: Nil).

9. (LOSS)/EARNINGS PER SHARE

The calculation of basic (loss)/earnings per share from continuing and discontinued operations are based on (loss)/profit attributable to the owners of the Company and the weighted average number of ordinary shares in issue during the period of 909,590,440 (Six months ended 30 September 2010: 881,796,888 shares).

	(Unaudited) Six months ended 30 September		(Unaudited) Three months ended 30 September	
	2011	**2010**	**2011**	**2010**
(Loss)/Profit attributable to the owners of the Company				
– from continuing operations	(8,742)	(7,954)	(7,994)	7,667
– from discontinued operations	(13,759)	(4,346)	–	(6,066)
	(22,501)	(12,300)	(7,994)	1,601

As the impact of the conversion of the outstanding convertible bonds and the exercise of the outstanding share option and warrants were anti-dilutive as at 30 September 2011 and 2010. Accordingly, diluted loss per share have not been disclosed.

10. TRADE RECEIVABLES

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

	(Unaudited) 30 September 2011	(Audited) 31 March 2011
Within 1 month	2,607	3,369
Over 1 month but within 3 months	7,391	13,225
Over 3 months but within 1 year	1,307	34,517
Over 1 year	4,716	51,305
	16,021	102,416
Less: Impairment losses	–	(41,601)
	16,021	60,815

Trade receivables are normally due within 30 to 360 days from the date of billing.

11. TRADE PAYABLES

Ageing analysis of trade payables, based on invoice dates, is as follows:

	(Unaudited) 30 September 2011	(Audited) 31 March 2011
Within 1 month	2,757	4,323
Over 1 month but within 3 months	34	623
Over 3 months but within 1 year	2	3,530
Over 1 year	458	1,927
	3,251	10,403

12. CONVERTIBLE BONDS

On 1 October 2009, the Company issued a zero coupon convertible bond ("Bond A") due on 30 September 2014 with a principal amount denominated in HK$ of HK$223,560,000 and another zero coupon convertible bond ("Bond B") due on 2 October 2012 with a principal amount denominated in HK$ of HK$63,940,000. The bonds are convertible into ordinary shares of the Company at an initial conversion price of HK$2.3 per conversion share (subject to adjustments in accordance with the terms of the convertible bonds) at any time during the period commencing from the date of issue of the convertible bonds.

In March 2010, the holders of Bond A converted part of Bond A with a principal amount of HK$138,000,000 into shares of the Company. In June 2011, the entire Bond B with total principal amount of HK$63,940,000 have been converted into 47,185,973 new shares of the Company. As at 30 September 2011, Bond A with principal amount of HK$85,560,000 is still outstanding.

On 20 July 2011, an agreement for amending the terms of Bond A by adding "early redemption at the option of the Company" (the "Amendment Agreement") was entered between the Company and the bondholders. In accordance with the Amendment Agreement, the Company may redeem Bond A prior to the maturity day. The redemption payment shall be calculated as follows: (i) if the redemption occurs within 6 months of the maturity date, the redemption payment shall equal the redemption amount; or (ii) if the redemption occurs 6 months before the maturity date, the redemption payment shall equal 110% of the outstanding amount of the convertible bonds.

These amendments are conditional upon the approval of the shareholders of the Company at an EGM of the Company and shareholders' approval was obtained on 2 September 2011.

The Amendment Agreement gives rise to a derivative financial asset which represents an issuer call option recognised separately from the original Bond A at fair value. The movements of the liability component of the convertible bonds during the current interim period are set out below:

	(Unaudited) 30 September 2011	(Audited) 31 March 2011
At beginning of the period/year	110,306	103,470
Recognition of early redemption option	110	–
Interest expenses	2,729	6,836
Conversion into ordinary shares	(48,553)	–
Effect of foreign exchange rate changes	(7,373)	–
At end of the period/year	57,219	110,306

Interest expense on Bond A and Bond B is calculated using the effective interest method by applying the effective interest rate of 10.53% and 6.33% respectively per annum (Year ended 31 March 2011: 7.10% and 6.33% respectively per annum) to the liability of the convertible bonds.

13. SHARE CAPITAL

	(Unaudited) 30 September 2011		(Audited) 31 March 2011	
	Number of shares	**Total nominal value**	**Number of shares**	**Total nominal value**
Ordinary shares of HK$0.10 each				
Authorised	2,000,000,000	212,000	2,000,000,000	212,000
Issued and fully paid:				
At beginning of the period/year	896,533,500	83,852	873,603,500	81,926
Issue of shares upon exercise of share option	–	–	22,930,000	1,926
Issue of shares upon conversion of convertible bonds	47,185,973	3,916	–	–
At end of the period/year	943,719,473	87,768	896,533,500	83,852

A resolution, in relation to the capital reorganisation which involves share consolidation and capital reduction detailed in the Company's announcement dated 20 July 2011, was passed at an EGM held on 2 September 2011. The capital reorganisation is expected to be completed by the end of this fiscal year.

14. APPROVAL OF THE CONDENSED FINANCIAL STATEMENTS

The condensed financial statements were approved for issue by the Board on 14 November 2011.

3. AUDITED CONSOLIDATED FINANCIAL INFORMATION FOR THE YEAR ENDED 31 MARCH 2011

The following financial information is extracted from the published audited consolidated financial statements of the Company for the year ended 31 March 2011.

Consolidated Statement of Comprehensive Income
For the year ended 31 March 2011

		2011	2010
	Note	*RMB'000*	*RMB'000*
Continuing operations			
Turnover	4	85,971	89,945
Cost of sales		(62,065)	(39,668)
Gross profit		23,906	50,277
Other revenue	5	941	2,777
Other net loss	5	–	(19)
Impairment loss on intangible assets	16	(13,961)	(33,420)
Impairment loss on goodwill	18	(115,205)	(188,031)
Distribution costs		–	(1,642)
Administrative and other operating expenses		(58,731)	(76,059)
Loss from operations		(163,050)	(246,117)
Finance costs	6(a)	(6,837)	(6,156)
Loss before taxation from continuing operations	6	(169,887)	(252,273)
Income tax credit	7(a)	1,918	2,878
Loss for the year from continuing operations		(167,969)	(249,395)
Discontinued operations			
Loss for the year from discontinued operations	8	–	(450)
Loss for the year		(167,969)	(249,845)
Other comprehensive income/(loss) for the year			
Exchange differences on translation of financial statements of subsidiaries		105	(390)
Total comprehensive loss for the year		(167,864)	(250,235)

	Note	2011 *RMB'000*	2010 *RMB'000*
Loss for the year attributable to owners of the Company		(167,969)	(249,845)
Total comprehensive loss for the year attributable to owners of the Company		(167,864)	(250,235)
Loss per share	13		
From continuing and discontinued operations			
– Basic		RMB(0.189)	RMB(0.328)
– Diluted		RMB(0.172)	RMB(0.322)
From continuing operations			
– Basic		RMB(0.189)	RMB(0.327)
– Diluted		RMB(0.172)	RMB(0.321)

Consolidated Statement of Financial Position
At 31 March 2011

	Note	2011 RMB'000	2010 RMB'000
Non-current assets			
Property, plant and equipment	15	1,605	1,173
Intangible assets	16	13,277	30,876
Goodwill	18	62,245	177,450
		77,127	209,499
Current assets			
Intangible assets	16	2,715	4,657
Inventories	19	–	202
Trade and other receivables	20	68,088	80,138
Income tax recoverable	7(b)	737	218
Cash and cash equivalents	21	5,679	11,502
		77,219	96,717
Current liabilities			
Trade payables	22	10,403	12,658
Other payables and accruals	23	14,559	12,180
Obligations under a finance lease	25	6	6
Income tax payable	7(b)	10,434	10,172
		35,402	35,016
Net current assets		41,817	61,701
Total assets less current liabilities		118,944	271,200
Non-current liabilities			
Obligations under a finance lease	25	4	10
Convertible bonds	26	110,306	103,470
Deferred tax liabilities	27(a)	5,720	9,965
		116,030	113,445
NET ASSETS		2,914	157,755
EQUITY			
Equity attributable to owners of the Company			
Share capital	28	83,852	81,926
Reserves	30	(80,938)	75,829
TOTAL EQUITY		2,914	157,755

Statement of Financial Position
At 31 March 2011

	Note	2011 RMB'000	2010 RMB'000
Non-current assets			
Property, plant and equipment	15	103	135
Interests in subsidiaries	17	140,902	263,490
		141,005	263,625
Current assets			
Trade and other receivables	20	4,630	6,600
Cash and cash equivalents	21	719	3,331
		5,349	9,931
Current liabilities			
Other payables and accruals	23	628	628
Amounts due to subsidiaries	24	8	8
Obligations under a finance lease	25	6	6
		642	642
Net current assets		4,707	9,289
Total assets less current liabilities		145,712	272,914
Non-current liabilities			
Obligations under a finance lease	25	4	10
Convertible bonds	26	110,306	103,470
Deferred tax liabilities	27(a)	3,322	4,635
		113,632	108,115
NET ASSETS		32,080	164,799
EQUITY			
Equity attributable to Owners of the Company			
Share capital	28	83,852	81,926
Reserves	30	(51,772)	82,873
TOTAL EQUITY		32,080	164,799

Consolidated Statement of Changes in Equity

For the year ended 31 March 2011

	Attributable to owners of the Company									
	Share capital RMB'000	Share premium RMB'000	Contributed surplus RMB'000	Convertible bonds equity reserve RMB'000	Capital reserve RMB'000	Share-based compensation reserve RMB'000	Statutory common reserve RMB'000	Foreign currency translation reserve RMB'000	(Accumulated losses)/ retained profits RMB'000	Total RMB'000
At 1 April 2009	61,223	158,287	933	–	115	6,722	4,862	(11,257)	3,051	223,936
Changes in equity for 2009										
Exchange differences on translation of financial statements of subsidiaries	–	–	–	–	–	–	–	(390)	–	(390)
Other comprehensive expense for the year	–	–	–	–	–	–	–	(390)	–	(390)
Loss for the year	–	–	–	–	–	–	–	–	(249,845)	(249,845)
Total comprehensive loss	–	–	–	–	–	–	–	(390)	(249,845)	(250,235)
Shares issued under a private placement	2,699	4,091	–	–	–	–	–	–	–	6,790
Recognition of equity component of convertible notes	–	–	–	66,715	–	–	–	–	–	66,715
Deferred tax liability on recognition of equity component of convertible notes	–	–	–	(11,008)	–	–	–	–	–	(11,008)
Shares issued for the acquisition of subsidiaries	12,724	15,293	–	–	–	–	–	–	–	28,017
Shares issued under conversion of convertible notes	5,280	116,160	–	(32,469)	–	–	–	–	–	88,971
Deferred tax effect on conversion of convertible notes	–	–	–	5,358	–	–	–	–	–	5,358
Reserves released on disposal of subsidiaries	–	–	–	–	(115)	–	(4,862)	(789)	4,977	(789)
Transfer to retained profits upon forfeiture of share options	–	–	–	–	–	(695)	–	–	695	–
At 31 March 2010	81,926	293,831	933	28,596	–	6,027	–	(12,436)	(241,122)	157,755

		Attributable to owners of the Company									
		Share capital	Share premium	Contributed surplus	Convertible bonds equity reserve	Capital reserve	Share-based compensation reserve	Statutory common reserve	Foreign currency translation reserve	(Accumulated losses)/ retained profits	Total
	Note	*RMB'000*	*RMB'000*	*RMB'000*	*RMB'000*	*RMB'000*	*RMB'000*	*RMB'000*	*RMB'000*	*RMB'000*	*RMB'000*
At 1 April 2010		81,926	293,831	933	28,596	–	6,027	–	(12,436)	(241,122)	157,755
Changes in equity for 2010											
Exchange differences on translation of financial statements of subsidiaries		–	–	–	–	–	–	–	105	–	105
Other comprehensive income for the year		–	–	–	–	–	–	–	105	–	105
Loss for the year		–	–	–	–	–	–	–	–	(167,969)	(167,969)
Total comprehensive loss		–	–	–	–	–	–	–	105	(167,969)	(167,864)
Shares issued under share option scheme	29	1,926	2,464	–	–	–	(1,520)	–	–	–	2,870
Equity-settled share-based transactions		–	–	–	–	–	10,153	–	–	–	10,153
At 31 March 2011		83,852	296,295	933	28,596	–	14,660	–	(12,331)	(409,091)	2,914

Consolidated Statement of Cash Flows
For the year ended 31 March 2011

	Note	2011 RMB'000	2010 RMB'000
Operating activities			
Loss for the year		(167,969)	(249,845)
Adjustments for:			
Income tax expenses recognised in profit or loss	7(a)	(1,918)	(2,878)
Depreciation of property, plant and equipment	6(c)	377	374
Impairment loss for trade receivables	20	4,547	37,054
Amortisation of intangible assets	16	5,580	8,855
Impairment loss for intangible assets	16	13,961	33,420
Finance costs	6(a)	6,837	6,156
Interest income	5	(32)	(27)
Impairment loss for goodwill	18	115,205	188,031
Loss on disposal of property, plant and equipment	5	–	19
Equity-settled share-based payment expenses	6(b)	10,153	–
		(13,259)	21,159
Changes in working capital			
Decrease in inventories		202	1,721
Decrease/(increase) in trade and other receivables		7,503	(25,167)
Decrease in trade payables		(2,255)	(1,137)
Increase/(decrease) in accruals and other payables		2,379	(12,868)
Cash used in operations		(5,430)	(16,292)
Income tax paid – PRC	7(b)	(2,397)	(2,019)
Net cash used in operating activities		(7,827)	(18,311)
Investing activities			
Payment for the acquisition of property, plant and equipment		(815)	(228)
Net cash outflow in asset swap		–	(41,506)
Interest received		32	27
Net cash used in investing activities		(783)	(41,707)

	Note	2011 *RMB'000*	2010 *RMB'000*
Financing activities			
Proceeds from placing of new shares		–	6,790
Share issued under share option scheme		2,870	–
Capital element of finance lease payments		(6)	(5)
Interest element of finance lease payments		(1)	(2)
Net cash generated from financing activities		2,863	6,783
Net decrease in cash and cash equivalents		(5,747)	(53,235)
Cash and cash equivalents at the beginning of the year		11,502	65,127
Effect of foreign exchange rates changes		(76)	(390)
Cash and cash equivalents at the end of the year	21	5,679	11,502

Notes to the Financial Statements

For the year ended 31 March 2011

1. CORPORATE INFORMATION

China Electric Power Technology Holdings Limited (the "Company") is incorporated and domiciled in Cayman Islands as an exempted company with limited liability. 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 in Hong Kong is Room 2601-02, ING Tower, 308 Des Voeux Road Central, Hong Kong.

The principal activity of the Company is investment holding. The Company and its subsidiaries are hereafter together referred to as the Group.

The Company's shares were listed on the Growth Enterprise Market of the Stock Exchange of Hong Kong Limited since 6 August 2004.

2. SIGNIFICANT ACCOUNTING POLICIES

a) Statement of compliance

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

The HKICPA has issued certain amendments and interpretations which are or have become effective. It has also issued certain new and revised HKFRSs that are first effective or available for early adoption for the current accounting period of the Group and the Company. Note 3 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 the financial statements.

b) Basis of preparation of the financial statements

The consolidated financial statements for the year ended 31 March 2011 comprise the Company and its subsidiaries.

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 that are 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.

Judgements made by management in the application of HKFRSs that have a significant effect on the financial statements and major sources of estimation uncertainty are discussed in note 37.

c) **Consolidation**

The consolidated financial statements include the financial statements of the Company and all of its subsidiaries made up to 31 March. The results of subsidiaries acquired or disposed of during the year are included in the consolidated statement of comprehensive income from the effective date of acquisition or up to the effective date of disposal, as appropriate.

All material inter-company transactions and balances within the Group are eliminated on consolidation.

The gain or loss on the disposal of a subsidiary represents the difference between the sales proceeds and the Group's share of its net assets together with any goodwill or capital reserve which was not previously charged or recognised in the consolidated statement of comprehensive income.

d) **Subsidiaries**

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

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

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

In the Company's statement of financial position, an investment in a subsidiary is carried at cost less impairment losses (see note 2(k)), unless the investment is classified as held for sale (or included in a disposal group that is classified as held for sale).

e) **Business combinations**

Business combinations on or after 1 January 2010

Acquisitions of businesses are accounted for using the acquisition method. The consideration transferred in a business combination is measured at fair value, which is calculated as the sum of the acquisition-date fair values of the assets transferred by the Group, liabilities incurred by the Group to the former owners of the acquiree and the equity interests issued by the Group in exchange for the control of the acquiree. Acquisition related costs are generally recognised in profit or loss as incurred.

At the acquisition date, the identifiable assets acquired and the liabilities assumed are recognised at their acquisition-date fair values, except that:

– deferred tax asset or liability arising from the assets acquired and liabilities assumed in a business combination and the potential tax effects of temporary differences and carry forwards of an acquiree that exist at the acquisition date or arise as a result of the acquisition are recognised and measured in accordance with HKAS 12, Income Tax;

– liabilities or assets relating to employee benefit arrangements are recognised and measured in accordance with HKAS 19 Employee Benefits;

– liabilities or equity instruments relating to share-based payment transactions of the acquiree or the replacement of an acquiree's share-based payment transactions with share-based payment transactions of the Group are measured in accordance with HKFRS 2 Share-based Payment at the acquisition date; and

– assets (or disposal groups) that are classified as held for sale in accordance with HKFRS 5 Non-current Assets Held for Sale and Discontinued Operations are measured in accordance with that Standard.

Goodwill is measured as the excess of the sum of the consideration transferred, the amount of any non-controlling interests in the acquiree, and the fair value of the acquirer's previously held equity interest in the acquiree (if any) over the net of the acquisition-date amounts of the identifiable assets acquired and the liabilities assumed. If, after re-assessment, the net of the acquisition-date amounts of the identifiable assets acquired and liabilities assumed exceeds the sum of the consideration transferred, the amount of any non-controlling interests in the acquiree and the fair value of the acquirer's previously held interest in the acquiree (if any), the excess is recognised immediately in profit or loss as a bargain purchase gain.

Where the consideration the Group transfers in a business combination includes assets or liabilities resulting from a contingent consideration arrangement, the contingent consideration is measured at its acquisition-date fair value and considered as part of the consideration transferred in a business combination. Changes in the fair value of the contingent consideration that qualify as measurement period adjustments are adjusted retrospectively, with the corresponding adjustments being made against goodwill or gain on bargain purchase. Measurement period adjustments are adjustments that arise from additional information obtained during the measurement period about facts and circumstances that existed as of the acquisition date. Measurement period does not exceed one year from the acquisition date.

The subsequent accounting for changes in the fair value of the contingent consideration that do not qualify as measurement period adjustments depends on how the contingent consideration is classified. Contingent consideration that is classified as equity is not remeasured at subsequent reporting dates and its subsequent settlement is accounted for within equity. Contingent consideration that is classified as an asset or a liability is remeasured at subsequent reporting dates in accordance with HKAS 39, or HKAS 37 *Provisions, Contingent Liabilities and Contingent Assets*, as appropriate, with the corresponding gain or loss being recognised in profit or loss.

When a business combination is achieved in stages, the Group's previously held equity interest in the acquiree is remeasured to fair value at the acquisition date (i.e. the date when the Group obtains control), and the resulting gain or loss, if any, is recognised in profit or loss. Amounts arising from interests in the acquiree prior to the acquisition date that have previously been recognised in other comprehensive income are reclassified to profit or loss where such treatment would be appropriate if that interest were disposed of.

Changes in the value of the previously held equity interest recognised in other comprehensive income and accumulated in equity before the acquisition date are reclassified to profit or loss when the Group obtains control over the acquiree.

If the initial accounting for a business combination is incomplete by the end of the reporting period in which the combination occurs, the Group reports provisional amounts for the items for which the accounting is incomplete. Those provisional amounts are adjusted during the measurement period (see above), or additional assets or liabilities are recognised, to reflect new information obtained about facts and circumstances that existed as of the acquisition date that, if known, would have affected the amounts recognised as of that date.

Business combinations prior to 1 January 2010

Acquisition of businesses was accounted for using the purchase method. The cost of the acquisition was measured at the aggregate of the fair values, at the date of exchange, of assets given, liabilities incurred or assumed, and equity instruments issued by the Group in exchange for control of the acquiree, plus any costs directly attributable to the business combination. The acquiree's identifiable assets, liabilities and contingent liabilities that met the relevant conditions for recognition were generally recognised at their fair value at the acquisition date.

Goodwill arising on acquisition was recognised as an asset and initially measured at cost, being the excess of the cost of the acquisition over the Group's interest in the recognised amounts of the identifiable assets, liabilities and contingent liabilities recognised. If, after assessment, the Group's interest in the recognised amounts of the acquiree's identifiable assets, liabilities and contingent liabilities exceeded the cost of the acquisition, the excess was recognised immediately in profit or loss.

The non-controlling interest in the acquiree was initially measured at the non-controlling interest's proportionate share of the recognised amounts of the assets, liabilities and contingent liabilities of the acquiree.

Contingent consideration was recognised, if and only if, the contingent consideration was probable and could be measured reliably. Subsequent adjustments to contingent consideration were recognised against the cost of the acquisition.

Business combinations achieved in stages were accounted for as separate steps. Goodwill was determined at each step. Any additional acquisition did not affect the previously recognised goodwill.

f) Goodwill

Goodwill represents the excess of

(i) the aggregate of the fair value of the consideration transferred, the amount of any non-controlling interest in the acquiree and the fair value of the Group's previously held equity interest in the acquiree; over

(ii) the Group's interest in the net fair value of the acquiree's identifiable assets and liabilities measured as at the acquisition date.

When (ii) is greater than (i), this excess is recognised immediately in profit or loss as a gain on a bargain purchase.

Goodwill is carried at cost less accumulated impairment losses. For the purposes of equipment testing, goodwill is allocated to each of the cash-generating unit, or groups of cash generating units, that is expected to benefit from the synergies of the combination.

A cash-generating unit to which goodwill has been allocated is tested for impairment annually, or more frequently whenever there is indication that the unit may be impaired. For goodwill arising on an acquisition in a reporting period, the cash-generating unit to which goodwill has been allocated is tested for impairment before the end of that reporting period. If the recoverable amount of the cash-generating unit is less than the carrying amount of the unit, the impairment loss is allocated first to reduce the carrying amount of any goodwill allocated to the unit and then to the other assets of the unit pro rata on the basis of the carrying amount of each asset in the unit. Any impairment loss for goodwill is recognised directly in profit or loss in the consolidated statement of comprehensive income. An impairment loss recognised for goodwill is not reversed in subsequent periods.

On the disposal of a cash generating unit during the year, any attributable amount of purchased goodwill is included in the calculation of the profit or loss on disposal.

g) Research and development costs

Research and development costs are expensed as incurred, except where the product or process is clearly defined and the costs attributable to the product or process can be separately identified and measured reliably; is technically feasible; the Group intends to produce and market, or use, the product or process; the existence of a market for the product or process or, if it is to be used internally rather than sold, its usefulness to the Group can be demonstrated; and adequate resources exist, or their availability can be demonstrated, to complete the project and market or use the product or process.

Such development costs are recognised as an asset to the extent of the amount that, taken together with further development costs, related production costs, and selling and administrative costs directly incurred in marketing the product, is probable of being recovered from related future economic benefits. The excess amount is written off as incurred.

Development costs which are recognised as an asset are amortised on a straight-line basis over a period of 3-5 years to reflect the pattern in which the related economic benefits are recognised.

h) Property, plant and equipment

Property, plant and equipment are carried in the statement of financial position at cost less accumulated depreciation and impairment losses (see note 2(k)):

Depreciation is calculated to write off the cost of items of property, plant and equipment, less their estimated residual value, if any, using the straight-line method over their estimated useful lives as follows:

Computer equipment	4-5 years
Leasehold improvements	Over the remaining term of the lease
Furniture and equipment	4-5 years
Motor vehicles	5 years

Where parts of an item of property, plant and equipment have different useful lives, the cost or valuation of the item is allocated on a reasonable basis between the parts and each part is depreciated separately. Both the useful life of an asset and its residual value, if any, are reviewed annually.

Historical cost includes expenditure that is directly attributable to the acquisition of the items. Cost may also include transfers from equity of any gains/losses on qualifying cash flow hedges of foreign currency purchases of property, plant and equipment.

Subsequent costs are included in the asset's carrying amount or recognised as a separate asset, as appropriate, only when it is probable that future economic benefits associated with the item will flow to 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 charged to the income statement during the financial period in which they are incurred.

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

Gains or losses arising from the retirement or disposal of an item of property, plant and equipment are determined as the difference between the net proceeds on disposal and the carrying amount of the item and are recognised in profit or loss on the date of retirement or disposal.

i) Intangible assets (other than goodwill)

Intangible assets acquired separately and with finite useful lives are carried at costs less accumulated amortisation and any accumulated impairment losses. Amortisation for intangible assets with finite useful lives is provided on a straight-line basis over their estimated useful lives. Intangible assets with indefinite useful lives are carried at cost less any subsequent accumulated impairment losses.

Gains or losses arising from derecognition of an intangible asset are measured at the difference between the net disposal proceeds and the carrying amount of the asset and are recognised in profit or loss in the period when the asset is derecognised.

The following intangible assets with finite useful lives are amortised from the date they are available for use and their estimated useful lives are as follows:

Customer contracts	½ to 6 years
Forensic centre contractual rights	5 years
Customer base	6 to 9½ years
Technology know-how	10 years
Acquired computer software	3 years

Both the period and method of amortisation are reviewed annually.

The net carrying amount of each intangible asset will be recognised as cost in the profit or loss on completion of the relevant contract.

j) 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 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.

ii) Assets acquired under finance leases

Where the Group acquires the use of assets under finance leases, the amounts representing the fair value of the leased asset or, if lower, the present value of the minimum lease payments of such assets is recognised and the corresponding liabilities, net of finance charges, are recorded as obligations under finance leases. Depreciation is provided at rates which write off the cost or valuation of the assets over the term of the relevant lease or, where it is likely the Company or Group will obtain ownership of the asset, the life of the asset, as set out in note 2(h). Impairment losses are accounted for in accordance with the accounting policy as set out in note 2(k). Finance charges implicit in the lease payments are charged to profit or loss over the period of the leases so as to produce an approximately constant periodic rate of charge on the remaining balance of the obligations for each accounting period.

iii) Operating lease 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 written off as an expense of the accounting period in which they are incurred.

The cost of acquiring land held under an operating lease is amortised on a straight-line basis over the period of the lease term except where the property is classified as an investment property.

k) Impairment of assets

i) Impairment of investments in equity securities and other receivables

Investments in equity securities (other than investments in subsidiaries: see note 2(k)(ii)) and other current and non-current receivables that are carried at cost or amortised cost or are classified as available-for-sale equity securities 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;

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

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

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

– For unquoted equity securities carried at cost, impairment loss is measured as the difference between the carrying amount of the financial asset and the estimated future cash flows, discounted at the current market rate of return for a similar financial asset where the effect of discounting is material. Impairment losses for equity securities are not reversed.

– For trade 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 financial assets carried at amortised cost share similar risk characteristics, such as similar past due status, and have not been individually assessed as impaired. Future cash flows for financial assets which are assessed for impairment collectively are based on historical loss experience for assets with credit risk characteristics similar to the collective group.

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

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 or, except in the case of goodwill, an impairment loss previously recognised no longer exists or may have decreased:

- property, plant and equipment;
- intangible assets;
- investments in subsidiaries (except for those classified as being held for sale); and
- goodwill.

If any such indication exists, the asset's recoverable amount is estimated. In addition, for goodwill, intangible assets that are not yet available for use and intangible assets that have indefinite useful lives, the recoverable amount is estimated annually whether or not there is any indication of impairment.

- Calculation of recoverable amount

  The recoverable amount of an asset is the greater of its fair value less costs to sell and value in use. In assessing value in use, the estimated future cash flows are discounted to their present value using a pre-tax discount rate that reflects current market 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).

- Recognition of impairment losses

  An impairment loss is recognised in profit or loss if 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 value of an asset will not be reduced below its individual fair value less costs to sell, 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.

iii) *Interim financial reporting and impairment*

Under the Rules Governing the Listing of Securities on the Growth Enterprise Market of the Stock Exchange of Hong Kong Limited, the Group is required to prepare quarterly and interim financial reports in compliance with HKAS 34, Interim financial reporting in respect of each quarter of a financial year. At the end of the interim period, the Group applies the same impairment testing, recognition, and reversal criteria as it would at the end of the financial year.

Impairment losses recognised in an interim period in respect of goodwill and available-for-sale equity securities carried at cost are not reversed in a subsequent period. This is the case even if no loss, or a smaller loss, would have been recognised had the impairment been assessed only at the end of the financial year to which the interim period relates.

l) Inventories

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

Cost is calculated using the first-in, first-out method and comprises all costs of purchase, costs of conversion and other costs incurred in bringing the inventories to their present location and condition.

Net realizable 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 realizable 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.

m) Trade and other receivables

Trade and other receivables are initially recognised at fair value and thereafter carried at amortised cost less allowance for impairment losses 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 carried at cost less allowance for impairment losses of doubtful debts (see note 2(k)).

n) Trade and other payables

Trade and other payables are initially recognised at fair value. Except for financial guarantee liabilities measured in accordance with note 2(t)(i), trade and other payables are subsequently carried at amortised cost unless the effect of discounting would be immaterial, in which case they are carried at cost.

o) 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 that are 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. Bank overdrafts that are repayable on demand and form an integral part of the Group's cash management are also included as a component of cash and cash equivalents for the purpose of the consolidated statement of cash flows.

p) Convertible bonds

Convertible bonds issued by the Company are classified separately as financial liabilities and equity in accordance with the substance of the contractual arrangements and the definitions of a financial liability and an equity instrument. Conversion option that will be settled by the exchange of a fixed amount of cash or another financial asset for a fixed number of the Company's own equity instruments is an equity instrument.

At the date of issue, the fair value of the liability component is estimated using the prevailing market interest rate for similar non-convertible instruments. This amount is recorded as a liability on an amortised cost basis using the effective interest method until extinguished upon conversion or at the instrument's maturity date.

The conversion option classified as equity is determined by deducting the amount of the liability component from the fair value of the compound instrument as a whole. This is recognised and included in equity, net of income tax effects, and is not subsequently remeasured. In addition, the conversion option classified as equity will remain in equity until the conversion option is exercised, in which case, the balance recognised in equity will be transferred to share premium. Where the conversion option remains unexercised at the maturity date of the convertible note, the balance recognised in equity will be transferred to retained profits. No gain or loss is recognised in profit or loss upon conversion or expiration of the conversion option.

Transaction costs that relate to the issue of the convertible notes are allocated to the liability and equity components in proportion to the allocation of the gross proceeds. Transaction costs relating to the equity component are recognised directly in equity. Transaction costs relating to the liability component are included in the carrying amount of the liability component and are amortised over the lives of the convertible notes using the effective interest method.

q) 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, leave passage and the cost to the Group of non-monetary benefits are accrued in the year in which the associated services are rendered by employees of the Group. Where payment or settlement is deferred and the effect would be material, these amounts are carried at their present values.

ii) Share-based payments

The fair value of share options granted to employees is recognised as an employee cost with a corresponding increase in capital reserve within equity. The fair value is measured at grant date using the binomial lattice 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 options, the total estimated fair value of the 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 that is 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 capital reserve. On vesting date, the amount recognised as an expense is adjusted to reflect the actual number of options that vest (with a corresponding adjustment to capital 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 capital 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).

iii) Termination benefits

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

r) Retirement scheme

The Group operates a defined contribution mandatory provident fund retirement benefits scheme (the "Hong Kong Scheme") under the Mandatory Provident Fund Scheme Ordinance, for those employees who are eligible to participate in the Hong Kong Scheme. The Hong Kong Scheme became effective on 1 December 2000. Contributions are made based on a percentage of the employees' basic salaries and are charged to the statement of comprehensive income as they become payable in accordance with the rules of the Hong Kong Scheme. The assets of the Hong Kong 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 Hong Kong Scheme.

The Group's PRC operations participate in defined contribution retirement plans managed by the local municipal government in the locations in which it operates. The relevant authorities of the local municipal government in the PRC is responsible for the retirement benefit obligations payable to the Group's retired employees. The Group has no obligation for payment of retirement benefits beyond the annual contribution. The contribution payable is charged as an expense to profit or loss as and when incurred.

s) Income tax

Income tax for the year comprises current tax and movements in deferred tax assets and liabilities. Current tax and movements in deferred tax assets and liabilities are recognised in profit or loss except to the extent that they relate 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.

Current tax is the expected tax payable on the taxable income for the year, using tax rates enacted or substantively enacted at the end of the reporting period, and any adjustment to tax payable in respect of previous years.

Deferred tax assets and liabilities arise from deductible and taxable temporary differences respectively, being the differences between the carrying amounts of assets and liabilities for financial reporting purposes and their tax bases. Deferred tax assets also arise from unused tax losses and unused tax credits.

Apart from certain limited exceptions, all deferred tax liabilities, and all deferred tax assets to the extent that it is probable that future taxable profits will be available against which the asset can be utilised, are recognised. Future taxable profits that may support the recognition of deferred tax assets arising from deductible temporary differences include those that will arise from the reversal of existing taxable temporary differences, provided that those differences relate to the same taxation authority and the same taxable entity, and are expected to reverse either in the same period as the expected reversal of the deductible temporary differences or in periods into which a tax loss arising from the deferred tax asset can be carried back or forward. The same criteria are adopted when determining whether existing taxable temporary differences support the recognition of deferred tax assets arising from unused tax losses and credits, that is, those differences are taken into account if they relate to the same taxation authority and the same taxable entity, and are expected to reverse in a period, or periods, in which the tax loss or credit can be utilised.

The limited exceptions to recognition of deferred tax assets and liabilities are those temporary differences arising from goodwill not deductible for tax purposes, the initial recognition of assets or liabilities that affect neither accounting nor taxable profit (provided they are not part of a business combination), and temporary differences relating to investments in subsidiaries to the extent that, in the case of taxable differences, the Group controls the timing of the reversal and it is probable that the differences will not reverse in the foreseeable future, or in the case of deductible differences, unless it is probable that they will reverse in the future.

The amount of deferred tax recognised is measured based on the expected manner of realisation or settlement of the carrying amount of the assets and liabilities, using tax rates enacted or substantively enacted at the end of the reporting period. Deferred tax assets and liabilities are not discounted.

The carrying amount of a deferred tax asset is reviewed at the end of each reporting period and is 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.

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 taxable 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.

t) Financial guarantees issued, provisions and contingent liabilities

i) Financial guarantees issued

Financial guarantees are contracts that require the issuer (i.e. the guarantor) to make specified payments to reimburse the beneficiary of the guarantee (the "holder") for a loss the holder incurs because a specified debtor fails to make payment when due in accordance with the terms of a debt instrument.

Where the Group issues a financial guarantee, the fair value of the guarantee (being the transaction price, unless the fair value can otherwise be reliably estimated) is initially recognised as deferred income within trade and other payables. Where consideration is received or receivable for the issuance of the guarantee, the consideration is recognised in accordance with the Group's policies applicable to that category of asset. Where no such consideration is received or receivable, an immediate expense is recognised in profit or loss on initial recognition of any deferred income.

The amount of the guarantee initially recognised as deferred income is amortised in profit or loss over the term of the guarantee as income from financial guarantees issued. In addition, provisions are recognised in accordance with note 2(t)(iii) if and when (i) it becomes probable that the holder of the guarantee will call upon the Group under the guarantee, and (ii) the amount of that claim on the Group is expected to exceed the amount currently carried in trade and other payables in respect of that guarantee, that is, the amount initially recognised less accumulated amortisation.

ii) Contingent liabilities assumed in business combinations

Contingent liabilities assumed in a business combination which are present obligations at the date of acquisition are initially recognised at fair value, provided the fair value can be reliably measured. After their initial recognition at fair value, such contingent liabilities are recognised at the higher of the amount initially recognised, less accumulated amortisation where appropriate, and the amount that would be determined in accordance with note 2(t)(iii). Contingent liabilities assumed in a business combination that cannot be reliably fair valued or were not present obligations at the date of acquisition are disclosed in accordance with note 2(t)(iii).

iii) Other provisions and contingent liabilities

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

u) Revenue recognition

Revenue is measured at 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) School network integration services

Revenue from the provision of school network integration services is recognised when the goods are deliveried and installation work is completed and the customer has accepted the significant risks and rewards of ownership of the goods and services. Revenue excludes value added tax or other sales taxes and is after deductions of any trade discounts and returns.

ii) Sales of application software

Revenue from the sale of application software is recognised when the goods are deliveried and installation work is completed and the customer has accepted the significant risks and rewards of ownership of the goods and services. Revenue excludes value added tax or other sales taxes and is after deductions of any trade discounts and returns.

iii) Information technology services for the electricity power industry

Revenue from the provision of services is recognised when goods are delivered and installation work is completed and the customer has accepted the significant risks and rewards of ownership of the goods and services. Revenue excludes value added tax or other sales taxes and is after deduction of any trade discounts and returns.

iv) Interest income

Interest income is accrued on a time-apportioned basis by reference to the principal outstanding and at the rate applicable.

v) Value added tax refunds

Value added tax refunds are recognised when the acknowledgement of refunds from the tax authority has been received.

v) Translation of foreign currencies

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

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 transaction rates ruling at the end of the reporting period. Exchange gains and losses are recognised in profit or loss.

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

The results of foreign operations are translated into RMB at the exchange rates approximating the foreign exchange rates ruling at the dates of the transactions. Statement of financial position items, including goodwill arising on consolidation of foreign operations acquired on or after 1 January 2005, are translated into RMB at the 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. Goodwill arising on consolidation of a foreign operation acquired before 1 January 2005 is translated at the foreign exchange rate that applied at the date of acquisition of the foreign operation.

From 1 January 2010 onwards, 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 owners of the Company are reclassified to profit or loss.

In the case of a partial disposal of a subsidiary that does not result in the Group losing control over the subsidiary, the proportionate share of accumulated exchange differences are re-attributed to non-controlling interests are not recognised in profit or loss.

w) Borrowing costs

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

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

x) Related parties

For the purposes of these financial statements, a party is considered to be related to the Group if:

i) the party has the ability, directly or indirectly through one or more intermediaries, to control the Group or exercise significant influence over the Group in making financial and operating policy decisions, or has joint control over the Group;

ii) the Group and the party are subject to common control;

iii) the party is an associate of the Group or a joint venture in which the Group is a venturer;

iv) the party is a member of key management personnel of the Group or the Group's parent, or a close family member of such an individual, or is an entity under the control, joint control or significant influence of such individuals;

v) the party is a close family member of a party referred to in (i) or is an entity under the control, joint control or significant influence of such individuals, or

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

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

y) 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 Group's chief operating decision maker for the purposes of allocating resources to, and assessing the performance of, the Group's various business operation and 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.

z) Discontinued operations

A discontinued operation is a component of the Group's business, the operations and cash flows of which can be clearly distinguished from the rest of the Group and which represents a separate major line of business or geographical area of operations, or is part of a single co-ordinated plan to dispose of a separate major line of business or geographical area of operations, or is a subsidiary acquired exclusively with a view to resale.

Classification as a discontinued operation occurs upon disposal or when the operation meets the criteria to be classified as held for sale, if earlier. It also occurs if the operation is abandoned.

Where an operation is classified as discontinued, a single amount is presented on the face of the income statement, which comprises:

– the post-tax profit or loss of the discontinued operation; and

– the post-tax gain or loss recognised on the measurement to fair value less costs to sell, or on the disposal, of the assets or disposal group(s) constituting the discontinued operation.

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

Application of new and revised HKFRSs

The Group has adopted the following new and revised Standards, Amendments and Interpretations ("new and revised HKFRSs") that are first effective for the current accounting period.

HKFRSs (Amendments)	Amendment to HKFRS 5 as part of Improvements to HKFRSs 2008
HKFRSs (Amendments)	Improvements to HKFRSs 2009
HKAS 27 (Revised 2008)	Consolidated and Separate Financial Statements
HKAS 32 (Amendments)	Classification of Right Issues
HKAS 39 (Amendments)	Financial Instruments
HKFRS 2 (Amendments)	Group Cash-settled Share-based Payment Transactions
HKFRS 3 (Revised 2008)	Business Combinations
HK-Interpretation ("Int")5	Presentation of Financial Statements – Classification by the Borrower of a Term Loan that Contains a Repayment on Demand Clause
HK(IFRIC) – Int 17	Distributions of Non-cash Assets to Owners

The application of the above new and revised HKFRSs had no material effect on the consolidated financial statements of the Group for the current or prior accounting periods.

4. TURNOVER

The Group is principally engaged in the development and provision of application software, information technology solutions and related maintenance and supporting services to customers in the electricity power industry, schools and entities in the education sector in the PRC.

Turnover represents the value of software sold and services provided to customers. The amount of each significant category of revenue arose from continuing operations recognised in turnover during the year is as follows:

	2011	2010
	RMB'000	*RMB'000*
Information technology services in the electricity power industry	45,570	60,759
Judicial authentication services and sales of application software	1,540	800
School network integration services	38,861	28,386
Total turnover	85,971	89,945

5. OTHER REVENUE AND OTHER NET LOSS

	2011	2010
	RMB'000	*RMB'000*
Other revenue		
Interest income on bank deposits	32	27
Total interest income on financial assets not at fair value through profit or loss	32	27
Value added tax refunds *(note)*	909	2,750
	941	2,777
Other net loss		
Loss on disposal of property, plant and equipment	–	(19)

Note:

According to the announcement issued by the State Council of the PRC on 24 June 2000 in respect of the Several Policies on Encouraging Development of the Software Industry and the Integration Circuit Industry (關於軟件產業和集成電路產業發展若干政策通知), an enterprise which has obtained the "Software Enterprise Recognition Certificate" (軟件企業認定證書) in respect of the selling of its self developed educational software will enjoy a reduction of value added tax of up to 3% and it is also entitled to a tax refund for the excess of the value added tax paid from 24 June 2000 to 31 December 2010. Certain subsidiaries in the PRC have obtained such certificate and are entitled to the value added tax refunds on the value added tax paid in excess of 3%.

6. LOSS BEFORE TAXATION FROM CONTINUING OPERATIONS

Loss before taxation from continuing operations are arrived at after charging the followings:

	2011	2010
	RMB'000	*RMB'000*
Continuing operations		
a) Finance costs:		
Finance charge on obligations under a finance lease	1	2
Interest on convertible bonds	6,836	6,154
Total interest expense on financial liabilities not at fair value through profit or loss	6,837	6,156
b) Staff costs (directors' emoluments included):		
Contributions to defined contribution retirement plans	1,854	1,071
Equity-settled share-based payment expenses	10,153	–
Salaries, wages and other benefits	33,010	17,817
	45,017	18,888
c) Other items:		
Amortisation of intangible assets	5,580	8,855
Impairment loss of:		
– trade receivables	4,547	37,054
– intangible assets	13,961	33,420
– goodwill	115,205	188,031
Depreciation for property, plant and equipment	377	374
Auditor's remuneration	420	450
Operating lease charges: minimum lease payments	2,316	2,686
Cost of inventories sold	20,122	13,685
Cost of services rendered	41,943	26,191
Research and development costs	12,885	945

7. INCOME TAX IN THE CONSOLIDATED STATEMENT OF COMPREHENSIVE INCOME

a) Income tax in the consolidated statement of comprehensive income represents:

	2011	2010
	RMB'000	*RMB'000*
Current tax		
PRC Enterprise Income Tax	1,714	4,478
Under-provision in respect of prior years		
PRC Enterprise Income Tax	426	–
Deferred tax		
Current year *(note 27)*	(4,058)	(7,356)
	(1,918)	(2,878)

No provision for profits tax in the Cayman Islands, British Virgin Islands ("BVI") and Hong Kong has been made as the Group has no income assessable for tax for the year in these jurisdictions (2010: Nil).

Tax on profits assessable in PRC has been calculated at the applicable PRC enterprise income tax ("EIT") rate.

北京普華雅龍科技有限公司"Along" and 北京普華智維科技有限公司"智維" (formerly known as 北京智義仁信息技術有限公司) were subject to PRC EIT. Along and 智維, as advanced technology enterprises (高新技術企業), were entitled to enjoy a reduced tax rate of 15% for three years from 2008 and 2009 respectively.

Reconciliation between tax credit and accounting loss at the applicable tax rates:

	2011	**2010**
	RMB'000	*RMB'000*
Loss before taxation	(169,887)	(252,723)
Notional tax on loss before taxation, calculated at the rates applicable to the tax jurisdictions concerned	(41,393)	(35,273)
Tax effect of non-deductible expenses	46,881	43,775
Tax effect of non-taxable income	(2,624)	(1,038)
Tax effect of profits entitled to tax exemption in the PRC	(1,150)	(2,986)
Tax effect of unused tax losses	(4,058)	(7,356)
Under-provision in prior years	426	–
Actual tax credit	(1,918)	(2,878)

b) **Income tax in the consolidated statement of financial position represents:**

	2011	**2010**
	RMB'000	*RMB'000*
At the beginning of the year	9,954	8,380
Provision for the year	1,714	4,478
Under-provision in respect of prior years	426	–
Acquisition of subsidiaries *(note 34)*	–	(97)
Disposal of subsidiaries *(note 34)*	–	(788)
Tax paid	(2,397)	(2,019)
At the end of the year	9,697	9,954
Income tax recoverable recognised in the consolidated statement of financial position	(737)	(218)
Income tax payable recognised in the consolidated statement of financial position	10,434	10,172
	9,697	9,954

8. DISCONTINUED OPERATIONS

As detailed in note 34, the sale and purchase agreement dated 30 June 2009 was completed on 30 September 2009. Subsequent to that date, the Group has not engaged in the self-developed education software and internet learning card operation, which was previously conducted by the subsidiaries of A&K Software (BVI) Limited. The operation of such segment is discontinued in the current year.

Analysis of loss for the year from discontinued operations

The results of the discontinued operation (i.e. self-developed education software and internet learning card) included in the consolidated statement of comprehensive income and consolidated statement of cash flows are set out below. The comparative loss and cash flows from discontinued operations have been re-presented to include those operations classified as discontinued in the current year.

	2011	**2010**
	RMB'000	*RMB'000*
Loss for the year from discontinued operations		
Turnover	–	10
Cost of sales	–	(208)
Expenses	–	(250)
Loss before tax	–	(450)
Income tax expense	–	–
	–	(450)
Loss for the year from discontinued operations attributable to owners of the Company	–	(450)
Loss for the year from discontinued operations include the following:		
Depreciation and amortisation	–	65
Cash flows from discontinued operations		
Net cash outflows from operating activities	–	(1,592)
Net cash inflows from investing activities	–	875
Net cash outflows	–	(717)

9. DIRECTORS' EMOLUMENTS

Directors' emoluments disclosed pursuant to section 161 of the Hong Kong Companies Ordinance is as follows:

	Year ended 31 March 2011					
	Fees	Salaries, allowances and benefits in kind	Retirement scheme contributions	Sub-total	Equity-settled share-based payments	Total
	RMB'000	*RMB'000*	*RMB'000*	*RMB'000*	*RMB'000*	*RMB'000*
Executive directors						
Wang Dong Bin	**103**	**889**	**23**	**1,015**	**185**	**1,200**
Li Wing Sang	**103**	**–**	**–**	**103**	**64**	**167**
Li Kang Ying *(Chairman)*	**103**	**1,117**	**30**	**1,250**	**1,804**	**3,054**
Wu Zhan Jiang	**103**	**541**	**39**	**683**	**1,804**	**2,487**
Independent non-executive directors						
Yeung Kenneth King Wah	**103**	**–**	**–**	**103**	**64**	**167**
Geo Feng	**103**	**–**	**–**	**103**	**64**	**167**
Wu Kehe	**103**	**–**	**–**	**103**	**64**	**167**
	721	**2,547**	**92**	**3,360**	**4,049**	**7,409**

	Year ended 31 March 2010					
	Fees	Salaries, allowances and benefits in kind	Retirement scheme contributions	Sub-total	Equity-settled share-based payments	Total
	RMB'000	*RMB'000*	*RMB'000*	*RMB'000*	*RMB'000*	*RMB'000*
Executive directors						
Peng Ge Xiong *(note i)*	–	–	–	–	–	–
Wang Dong Bin	106	957	33	1,096	–	1,096
Li Wing Sang	106	–	–	106	–	106
Lau Kam Ying *(note ii)*	41	–	–	41	–	41
Li Kang Ying *(Chairman)* *(note iii)*	15	872	11	898	–	898
Wu Zhan Jiang *(note iv)*	26	749	14	789	–	789
Independent non-executive directors						
Yeung Kenneth King Wah	106	–	–	106	–	106
Geo Feng	106	–	–	106	–	106
Wu Kehe	106	–	–	106	–	106
	612	2,578	58	3,248	–	3,248

Notes:

i) Resigned on 8 February 2010

ii) Resigned on 19 August 2009

iii) Appointed on 8 February 2010

iv) Appointed on 1 January 2010

As at 31 March 2011, the directors held share options under the Company's share option scheme. The details of the share options are disclosed under the paragraph "Share option scheme" in the report of the directors and note 29.

No directors waived any emoluments during the year and no incentive payment or compensation for loss of office was paid or payable to any directors for the year ended 31 March 2011 (2010: nil).

10. INDIVIDUALS WITH HIGHEST EMOLUMENTS

Of the five individuals with the highest emoluments in the Group, three (2010: three) were directors of the Company whose emoluments are included in the disclosures in note 8 above. The emoluments of the remaining two (2010: two) individuals were as follows:

	2011	**2010**
	RMB'000	*RMB'000*
Salaries and other benefits	673	693
Contributions to retirement benefit schemes	12	11
Equity-settled share based payments	2,002	–
	2,687	704

During the years ended 31 December 2010 and 2011, no emolument was paid by the Group to the five highest paid individuals (including directors and other employees) as inducement to join or upon joining the Group or as compensation for loss of office and no bonus was paid or payable by the Group to the five highest paid individuals based on the performance of the Group.

The emoluments of the two (2010: two) individuals with the highest emoluments are within the following bands:

	2011	**2010**
Nil to HK$500,000	–	–
HK$500,001 to HK$1,000,000	–	2
HK$1,000,001 to HK$1,500,000	1	–
HK$1,500,001 to HK$2,000,000	–	–
HK$2,000,001 to HK$2,500,000	1	–

11. LOSS ATTRIBUTABLE TO OWNERS OF THE COMPANY

The consolidated loss attributable to owners of the Company includes a loss of approximately RMB145,851,000 (2010: loss of RMB189,653,000) which has been dealt with in the financial statements of the Company.

12. DIVIDENDS

The directors do not propose any dividend in respect of the year ended 31 March 2011 (2010: nil).

13. LOSS PER SHARE

From continuing and discontinued operations

The calculation of the basic and diluted losses per share attributable to owners of the Company is based on the following data:

	2011 *RMB'000*	2010 *RMB'000*
Loss		
Loss for the purpose of basic loss per share (loss for the year attributable to owners of the Company)	(167,969)	(249,845)
Effect of dilutive potential ordinary shares:		
Interest on convertible notes (net of tax)	5,708	–
Loss for the purpose of diluted loss per share	(162,261)	(249,845)

	2011 *'000*	2010 *'000*
Number of shares		
Weighted average number of ordinary shares for the purpose of basic loss per share	889,140	761,623
Effect of dilutive potential ordinary shares:		
Share options issued by the Company	2,440	13,376
Warrants	–	1,647
Convertible notes	51,122	–
Weighted average number of ordinary shares for the purpose of diluted loss per share	942,702	776,646

From continuing operations

The calculation of the basic and diluted loss per share from continuing operations attributable to owners of the Company is based on the following data:

Loss figures are calculated as follows:

	2011 *RMB'000*	2010 *RMB'000*
Loss for the year attributable to owners of the Company	(167,969)	(249,845)
Less:		
Loss for the year from discontinued operations	–	450
Loss for the purpose of basic loss per share from continuing operations	(167,969)	(249,395)
Effect of dilutive potential ordinary shares:		
Interest on convertible notes (net of tax)	5,708	–
Loss for the purpose of diluted loss per share from continuing operations	(162,261)	(249,395)

The denominators used are the same as those detailed above for both basic and diluted loss per share.

From discontinued operations

Basic loss per share for the discontinued operations attributable to owners of the Company is nil (2010: loss of RMB0.001 cents per share) and diluted loss per share for the discontinued operations attributable to owners is loss of nil (2010: loss of RMB0.001 cents per share), based on the loss for the year from the discontinued operations of the Company of loss nil (2010: loss of RMB450,000) and the denominators detailed above for both basic and diluted earnings per share.

14. SEGMENT INFORMATION

Operating segments are identified on the basis of internal reports which provide information about components of the Group. These information are reported to and reviewed by the Board of Directors, the chief operating decision-makers for the purpose of resource allocation and performance assessment.

The Group has presented the segment information by the following categories. These segments are managed separately.

1. Information technology services for the electricity power industry.

2. Judicial authentication services and sales of application software.

3. School network integration services.

The self-developed education software and internet learning card operation was discontinued in the current year. The segment information reported below does not include any amount for this discontinued operation, which are described in more detail in note 8.

a) Segment revenue, results, assets and liabilities

For the purpose of assessing segment performance and allocating resources between segments, the Group's chief operating decision makers monitor the results, assets and liabilities attributable to each reportable segment on the following bases:

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 amortization of assets attributable to those segments. Head office and corporate expenses are not allocated to individual segments.

Segment assets principally comprise all tangible assets, intangible assets and current assets directly attributable to each segment.

The three reportable operating segments are as follows, these segments are managed separately. All segments are operating in the PRC and provide services to customers in the PRC:

i) Information technology services for the electricity power industry segment is engaged in the provision of information technology services for the customers operating in the electricity power industry.

ii) Judicial authentication services and sales of application software segment is engaged in the provision of judicial authentication services and selling of application software.

iii) School network integration services segment is engaged in the provision of school network integration services to schools and educational institutes.

Segment revenues and results

The following is an analysis of the Group's revenue and results from continuing operations by reportable segments.

	Segment revenue		Segment profit/(loss)	
	2011	**2010**	**2011**	**2010**
	RMB'000	*RMB'000*	*RMB'000*	*RMB'000*
Information technology services for the electricity power industry	45,570	60,759	8,681	37,227
Judicial authentication services and sales of application software	1,540	800	380	470
School network integration services	38,861	28,386	14,845	12,580
Total for continuing operations	85,971	89,945	23,906	50,277
Other revenue			941	2,777
Other net loss			–	(19)
Impairment loss on intangible asset			(13,961)	(33,420)
Impairment loss on goodwill			(115,205)	(188,031)
Distribution costs			–	(1,642)
Administrative and other operating expenses			(58,731)	(76,059)
Finance costs			(6,837)	(6,156)
Loss before taxation (continuing operations)			(169,887)	(252,273)

Segment revenue reported above represents revenue generated from external customers. There were no inter-segment sales in the current year (2010: nil).

The accounting policies of the reportable segments are the same as the Group's accounting policies described in note 2(y). Segment profit/(loss) represents the profit/(loss) earned by each segment without allocation of central administration costs including directors' salaries, other revenue, other net loss, impairment loss on intangible asset, impairment loss on goodwill, distribution costs, administrative and other operating expenses and finance costs. This is the measure reported to the chief operating decision-makers for the purposes of resource allocation and assessment of segment performance.

Segment assets and liabilities

	2011	2010
	RMB'000	*RMB'000*
Segment assets		
Information technology services for the electricity power industry	71,367	208,227
Judicial authentication services and sales of application software	1,980	4,442
School network integration services	79,424	87,103
Total segment assets	152,771	299,772
Unallocated	1,575	6,444
Consolidated assets	154,346	306,216
Segment liabilities		
Information technology services for the electricity power industry	27,350	22,932
Judicial authentication services and sales of application software	65	5,864
School network integration services	1,560	3,754
Total segment liabilities	28,975	32,550
Unallocated	122,457	115,911
Consolidated liabilities	151,432	148,461

For the purposes of monitoring segment performance and allocating resources between segments:

– all assets are allocated to reportable segments other than unallocated corporate assets. Goodwill is allocated to reportable segments as described in note 18. No assets are used jointly by segments.

– all liabilities are allocated to reportable segments other than obligation under finance leases and unallocated corporate liabilities. No liabilities for which segment are jointly liable.

Other segment information

	Additions to non-current assets		Depreciation and amortisation		Share-based payments expenses	
	2011	**2010**	**2011**	**2010**	**2011**	**2010**
	RMB'000	*RMB'000*	*RMB'000*	*RMB'000*	*RMB'000*	*RMB'000*
Information technology services for the electricity power industry	519	116	2,574	7,308	–	–
Judicial authentication services and sales of application software	103	32	89	–	–	–
School network integration services	175	73	3,250	1,620	–	–
Discontinued operations	–	5	–	65	–	–
Unallocated	18	78	45	236	10,153	–
Total	815	304	5,958	9,229	10,153	–

Revenue from major products and services

The Group's revenue from continuing operations from its major products and services were as follows:

	2011	**2010**
	RMB'000	*RMB'000*
Information technology services for the electricity power industry	45,570	60,759
Judicial authentication services and sales of application software	1,540	800
School network integration services	38,861	28,386
	85,971	89,945

b) Geographical Information

The geographical location of customers is based on the location at which the goods are delivered and services provided. All of the Group's revenue from external customers and non-current assets are located in the PRC, no analysis on revenue from external customers and non-current assets by location is presented.

c) Information about major customers

Revenue from external customers contributing 10% or more of the total revenue of the Group's are as follows:

	2011	**2010**
	RMB'000	*RMB'000*
Customer A	34,000	22,000
Customer B	17,391	20,500
Customer C	–	16,300
	51,391	58,800

Further details of concentration of credit risk arising from these customers are set out in note 36(a)(iii).

15. PROPERTY, PLANT AND EQUIPMENT

The Group

	Leasehold improvements	Computer equipment	Furniture and equipment	Motor vehicles	Total
	RMB'000	*RMB'000*	*RMB'000*	*RMB'000*	*RMB'000*
Cost					
At 1 April 2009	368	4,360	369	1,265	6,362
Additions	–	132	96	–	228
Additions – through acquisition of subsidiaries under asset swap	–	27	9	37	73
Disposals – through disposal of subsidiaries under asset swap	(308)	(3,890)	(163)	(708)	(5,069)
Disposals	–	–	(31)	–	(31)
At 31 March 2010	60	629	280	594	1,563
At 1 April 2010	60	629	280	594	1,563
Exchange adjustment	(3)	–	(9)	–	(12)
Additions	16	325	371	103	815
At 31 March 2011	73	954	642	697	2,366
Accumulated depreciation					
At April 2009	350	3,732	176	630	4,888
Charge for the year	18	181	63	112	374
Written back on disposal of subsidiaries under asset swap	(308)	(3,759)	(145)	(648)	(4,860)
Written back on disposal	–	–	(12)	–	(12)
At 31 March 2010	60	154	82	94	390
At 1 April 2010	60	154	82	94	390
Exchange adjustment	(3)	–	(3)	–	(6)
Charge for the year	11	170	72	124	377
At 31 March 2011	68	324	151	218	761
Carrying amount					
At 31 March 2011	5	630	491	479	1,605
At 31 March 2010	–	475	198	500	1,173

The Company

	Leasehold improvements *RMB'000*	Furniture and equipment *RMB'000*	Total *RMB'000*
Cost			
At 1 April 2009	60	151	211
Additions	–	77	77
Disposals	–	(31)	(31)
At 31 March 2010	60	197	257
At 1 April 2010	60	197	257
Exchange adjustment	(3)	(9)	(12)
Additions	16	1	17
At 31 March 2011	73	189	262
Accumulated depreciation			
At 1 April 2009	43	36	79
Charge for the year	17	38	55
Written back on disposal	–	(12)	(12)
At 31 March 2010	60	62	122
At 1 April 2010	60	62	122
Exchange adjustment	(3)	(4)	(7)
Charge for the year	11	33	44
At 31 March 2011	68	91	159
Carrying amount			
At 31 March 2011	5	98	103
At 31 March 2010	–	135	135

The carrying amount of property, plant and equipment of the Group and the Company held under a finance lease at 31 March 2011 amounted to RMB10,000 (2010: RMB16,000) (note 25).

16. INTANGIBLE ASSETS

The Group

	Judicial authentication services and sales of application software		Information technology services in the electricity power industry		School network integration services			
	Customer contracts	Forensic centre contractual rights	Customer base	Technology know-how	Customer contracts	Customer base	Acquired computer software	Total
	RMB'000	*RMB'000*	*RMB'000*	*RMB'000*	*RMB'000*	*RMB'000*	*RMB'000*	*RMB'000*
Cost								
At 1 April 2009	884	10,562	29,960	22,497	–	–	–	63,903
Additions through acquisition of subsidiaries	–	–	–	–	4,214	23,805	48	28,067
Additions	–	–	–	–	–	–	–	–
Disposals	–	–	–	–	–	–	–	–
At 31 March 2010 and 1 April 2010	884	10,562	29,960	22,497	4,214	23,805	48	91,970
Additions	–	–	–	–	–	–	–	–
Disposals	–	–	–	–	–	–	–	–
At 31 March 2011	884	10,562	29,960	22,497	4,214	23,805	48	91,970
Accumulated amortisation and impairment								
At 1 April 2009	884	10,562	1,872	844	–	–	–	14,162
Charge for the year	–	–	4,993	2,250	351	1,253	8	8,855
Impairment	–	–	20,610	12,810	–	–	–	33,420
At 31 March 2010 and 1 April 2010	884	10,562	27,475	15,904	351	1,253	8	56,437
Charge for the year	–	–	537	1,819	702	2,506	16	5,580
Impairment	–	–	–	3,591	3,161	7,209	–	13,961
At 31 March 2011	884	10,562	28,012	21,314	4,214	10,968	24	75,978
Net carrying amount								
At 31 March 2011	–	–	1,948	1,183	–	12,837	24	15,992
At 31 March 2010	–	–	2,485	6,593	3,863	22,552	40	35,533
Analysed for reporting purposes as								
At 31 March 2011								
Current assets	–	–	537	450	–	1,712	16	2,715
Non-current assets	–	–	1,411	733	–	11,125	8	13,277
	–	–	1,948	1,183	–	12,837	24	15,992
At 31 March 2010								
Current assets	–	–	537	896	702	2,506	16	4,657
Non-current assets	–	–	1,948	5,697	3,161	20,046	24	30,876
	–	–	2,485	6,593	3,863	22,552	40	35,533

All intangible assets have finite useful lives. (For details, refer to note 2(i)).

The amortisation charge for the year is included in administrative expenses in the consolidated statement of comprehensive income.

In respect of the judicial authentication services and application software segment, the intangible assets arising from customer contracts were fully amortized during the year ended 31 March 2008. For the forensic centre contractual rights, full impairment was made during the year ended 31 March 2009 since the directors of the Company considered that it was unlikely that there will be any substantial future value in use due to the change in regulation in the PRC and provided that the contractual rights is not transferable, the fair value less cost to sell is nil.

The directors of the Company had reviewed the recoverable amounts of the Group's remaining intangible assets as at 31 March 2011 and 31 March 2010.

The recoverable amount of the remaining intangible assets is determined based on value-in-use calculations by reference to the valuation report issued by Messrs. Greater China Appraisal Limited ("Greater China"), independent qualified professional valuers who have among their staff, fellow members of the Hong Kong Institute of Surveyors and with experience in the valuation of similar assets in the relevant industries. In respect of the information technology services in the electricity power industry segment, the intangible assets of the customer base and technology know-how are determined using income approach. These calculations use cashflow projections based on financial budgets approved by the directors of the Company covering a five-year period. Cash flows beyond the five-year periods are extrapolated using a steady 3% growth rate. The cash flows are discounted using a discount rate of 15.01% (2010: 16.14%). The discount rate used is after-tax and reflects specific risks relating to the information technology services in the electricity power industry segment.

In respect of the school network integration services segment, the intangible assets of customer contracts and customer base are determined using income approach. For the customer contracts, there was no revenue derived from such customer contracts since October 2010 and the directors of the Company considered that they do not expect to renew the contracts and there would be no further revenue to be generated from such customer contracts. Accordingly, the recoverable amount of the customer contracts is determined to be nil as at 31 March 2011. For the customer base, the recoverable amount is calculated by reference to the cash flow projections based on the revenue derived from such customer base for the year ended 31 March 2011 and extrapolated using a steady 3% (2010: 3%) growth rate which is the long term average growth rate for the relevant industry. The cash flows are determined using an after-tax discount rate of 17.93% (2010: 16.14%) which reflects specific risks relating to the school network integration services industry.

The recoverable amount of the acquired computer software under the school network integration services segment is determined using the replacement cost approach based on the cost information obtained by the directors of the Company. There is no significant change in the major costs of the computer software in compare with the previous years.

In conclusion, the impairment loss of approximately RMB13,961,000 (2010: RMB33,420,000) recognised during the year was arising from the Group's information technology services in the electricity power industry and school network integration services amounting to RMB3,591,000 (2010: RMB33,420,000) and RMB10,370,000 (2010: nil) respectively.

The impairment loss of approximately RMB3,591,000 in the current year in respect of the segment of information technology services in the electricity industry was attributable to the considerable increase in the related cost of materials and workforce while the profit margin decreases as a result of the keen market competition during the recovery from the continuous economic downturn in previous years.

The impairment loss of approximately RMB33,420,000 for the year 2010 was attributable to the adverse market environment caused by the global financial turmoil occurred in September 2008 which had an enduring adverse effect on the economy. The global financial turmoil has caused significant deterioration in electricity usage in the PRC, particularly in Inner Mongolia. Given the decrease in expected growth rate in electricity usage, the financial budgets of the electricity power grid companies on IT development had been cut down, leading to the significant decrease in the growth potential of the business opportunity in the information technology services in the electricity power industry. Hence the impairment loss is recognised.

The impairment loss of approximately RMB10,370,000 in the current year in respect of the segment of school network integration services was contributed by the unavoidable impacts from the cyclical fluctuation of the industry and the accumulated adverse effect on the economic environment caused by the global financial turmoil in previous years. Hence, impairment loss is recognized accordingly.

17. INTERESTS IN SUBSIDIARIES

	2011	2010
	RMB'000	*RMB'000*
Unlisted shares, at cost	430,829	430,829
Impairment loss*	(289,927)	(167,339)
	140,902	263,490

* Impairment loss of RMB289,927,000 (2010: RMB167,339,000) was made as the aggregate estimated recoverable amount of the interests in certain subsidiaries were less than their aggregate carrying amount of RMB397,812,000 (2010: RMB397,812,000). The recoverable amount is determined based on fair value less costs to sell, which is determined with reference to the value of the assets net of liabilities. The impairment loss in 2010 was attributable to the adverse market environment caused by the global financial turmoil occurred in September 2008 which seriously affected the business opportunity of certain subsidiaries of the Company. The impairment loss in the current year was attributable to the keen market competition and cyclical fluctuation of the industry which resulted in reduction in expected future return of certain subsidiaries.

The following shows the details of the subsidiaries (including a special purpose entity) as at 31 March 2011:

			Proportion of ownership interest			
Name	**Place of establishment/ incorporation and operation**	**Particulars of issued and paid up capital/ registered capital**	**Group effective interest**	**Held by the Company**	**Held by subsidiary**	**Principal activities**
Dragon Era Investments Limited	BVI	1 ordinary share of US$1	100%	100%	–	Investment holding
China Electric Power Technology Limited	Hong Kong	10,000 ordinary shares of HK$1 each	100%	–	100%	Investment holding
Famous Rise International Limited	BVI	1 ordinary share of US$1	100%	100%	–	Investment holding
eJet Group Limited	Hong Kong	1 ordinary share of HK$1	100%	–	100%	Investment holding
北京捷通易信科技發展有限公司 *(note i)*	PRC	US$150,000	100%	–	100%	Development and distribution of computer hardware and software products, provision of internet system integration and computer consultancy services

Name	Place of establishment/ incorporation and operation	Particulars of issued and paid up capital/ registered capital	Proportion of ownership interest: Group effective interest	Held by the Company	Held by subsidiary	Principal activities
China Power Information Technology Co., Limited	Hong Kong	10,000 ordinary shares of HK$1 each	100%	–	100%	Dormant
Intelligent Investment Development Limited	Hong Kong	10,001 ordinary shares of HK$1 each	100%	–	100%	Investment holding
China Sino Holdings Limited	Hong Kong	2 ordinary shares of HK$1 each	100%	–	100%	Investment holding
北京普華雅龍科技有限公司*(note ii)*	PRC	RMB3,000,000	100%	–	100%	Research, development and provision of integrated information systems for power grid companies in PRC
Topsheen Limited	BVI	1 ordinary share of US$1	100%	100%	–	Investment holding
Jumbo Lucky Limited	BVI	1 ordinary share of US$1	100%	–	100%	Investment holding
Superco Development Limited	Hong Kong	1 ordinary share of HK$1	100%	–	100%	Investment holding
北京普華智維科技有限公司*(note iii)*	PRC	RMB1,000,000	100%	–	100%	Provision of school network integration services in the PRC
North West Enterprises Limited	BVI	1 ordinary share of US$1	100%	100%	–	Inactive

Notes:

i) 北京捷通易信科技發展有限公司 is a wholly-foreign-owned enterprise established in the PRC to operate for 30 years up to 28 November 2037.

ii) 北京普華雅龍科技有限公司 is a wholly-foreign-owned enterprise established in the PRC to operate for 30 years up to 22 July 2038.

iii) 北京普華智維科技有限公司 (formerly known as 北京智義仁信息技術有限公司) is a wholly-foreign-owned enterprise established in the PRC to operate for 20 years up to 18 May 2026.

18. GOODWILL

	The Group	
	2011	**2010**
	RMB'000	*RMB'000*
Cost		
At the beginning of the year	372,426	72,528
Additions through acquisitions of subsidiaries under Asset Swap *(note 34)*	–	46,896
Adjustments to the cost of acquisition	–	253,002
At the end of the year	372,426	372,426
Accumulated impairment losses		
At the beginning of the year	194,976	6,945
Impairment loss	115,205	188,031
At the end of the year	310,181	194,976
Carrying amount		
At the end of the year	62,245	177,450

For the year 2010 – Adjustments to cost of acquisition

The goodwill for the CGU of the information technology services in the electricity power industry of RMB318,585,000, being the excess of purchase consideration over the fair value of net assets acquired, arose on 17 November 2009 upon the completion of the acquisition by the Group of the 100% equity interest in Intelligent Investment Development Limited ("Intelligent Investment") and China Sino Holdings Limited ("China Sino") which altogether held the entire equity interest in a subsidiary known as 北京普華雅龍科技有限公司 ("Along") (altogether the "Along Group"). The Along Group is engaged in the research, development and provision of integrated information technology services for power grid companies in the PRC.

According to the terms of the acquisition, if the audited profit after taxation of Along for the period from 1 October 2008 to 31 March 2009 exceeds RMB32,720,000, two convertible bonds with principal amount of HK$223,560,000 (equivalent to approximately RMB196,734,000) and HK$63,940,000 (equivalent to approximately RMB56,268,000) will be issued as deferred consideration to the vendors. As the audited combined net profits after tax of Along for the period from 1 October 2008 to 31 March 2010 exceeded RMB32,720,000, the Group issued two convertible bonds with a total principal amount of HK$287,500,000 (equivalent to approximately RMB253,002,000) to the vendors and the carrying value of goodwill has been adjusted for the same amount.

Impairment tests for cash-generating units containing goodwill

Goodwill is allocated to the Group's cash-generating unit ("CGU") identified according to operating segments as follows:

	The Group					
	2011			2010		
	Cost	Accumulated impairment losses	Carrying amount	Cost	Accumulated impairment losses	Carrying amount
	RMB'000	*RMB'000*	*RMB'000*	*RMB'000*	*RMB'000*	*RMB'000*
Sales of application software	6,945	6,945	–	6,945	6,945	–
Information technology services in the electricity power industry	318,585	303,236	15,349	318,585	188,031	130,554
School network integration services	46,896	–	46,896	46,896	–	46,896
At 31 March	372,426	310,181	62,245	372,426	194,976	177,450

Notes:

i) The recoverable amount of the CGU for sales of application software is determined based on fair value less costs to sell, which is determined with reference to the value of the assets net of liabilities. Value is established based on the cost of reproducing or replacing the assets, less depreciation from physical deterioration and functional and economic obsolescence.

Based on the impairment tests performed, the adverse market environment indicated that the carrying amount of goodwill for the CGU of sales of application software was lower than its recoverable amount, the amount of approximately RMB6,945,000 were fully impaired during the year ended 31 March 2009.

ii) The recoverable amount of the CGU for information technology services in the electricity power industry is determined based on value-in-use calculation. These calculations use cash flow projections based on financial budgets approved by management covering a five-year period.

Key assumptions used for value-in-use calculations:

	The Group	
	2011	2010
	%	%
Gross margin	44.00 – 53.00	54.00
Growth rate	(50.00) – 4.00	3.00 – 5.00
Discount rate	14.01	15.10

Management determined the budgeted gross margin based on past performance and its expectation for market development. The set of cash flow beyond the 5 year period is extrapolated using a 3% growth rate. This growth rate is based on the relevant industry growth forecasts and does not exceed the average long-term growth rate for the relevant industry. The discount rate used is after-tax and reflect specific risks relating to the relevant segments.

The impairment loss of approximately RMB115,205,000 in the current year was attributable to the considerable increase in the related cost of materials and workforce while the profit margin decreases as a result of the keen market competition during the recovery from the continuous economic downturn in previous years.

Based on the impairment tests performed, the carrying amount of goodwill for the CGU of information technology services in the electricity power industry was lower than its recoverable amount by approximately RMB115,205,000 (2010: RMB188,031,000) and was partly impaired as at 31 March 2011.

The impairment loss of approximately RMB115,205,000 in the current year was attributable to the considerable increase in the related cost of materials and workforce while the profit margin decreases as a result of the keen market competition during the recovery from the continuous economic downturn in previous years.

The impairment loss of RMB188,031,000 in 2010 was attributable to the adverse market environment caused by the global financial turmoil occurred in September 2008. The Group signed the agreement for acquisition of Along Group in July 2008. The consideration and other terms of the acquisition were negotiated and agreed based on the directors' best estimate of the value and growth potential of Along Group at the time. Unexpectedly, global financial turmoil occurred in September 2008 which has enduring adverse effect on the economy. This seriously affected the business opportunity of Along Group. As at 31 March 2011, Along Group has only two significant projects which are in progress compared to a total of five significant contracts completed during the year ended 31 March 2011. In addition, the global financial turmoil has caused significant deterioration in electricity usage in China, particularly in Inner Mongolia. Given the decrease in expected growth rate in electricity usage, the financial budgets of the electricity power grid companies on IT development have been adversely affected, leading to the significant decrease in the growth potential of Along Group and hence the impairment loss.

iii) The recoverable amount of goodwill for the CGU of school network integration services is determined based on value-in-use calculations. These calculations use cash flow projections based on financial budgets approved by management covering a five-year period.

Key assumptions used for value-in-use calculations:

	The Group	
	2011	**2010**
	%	*%*
Gross margin	40.00	58.00
Growth rate	3.00 – 5.00	3.00 – 5.00
Discount rate	15.93	14.10

Management determined the budgeted gross margin based on past performance and its expectation for market development. The set of cash flow beyond the 5 year period is extrapolated using a 3% growth rate. This growth rate is based on the relevant industry growth forecasts and does not exceed the average long-term growth rate for the relevant industry. The discount rate used is after-tax and reflect specific risks relating to the relevant segments.

Based on the impairment tests performed, no impairment loss is considered necessary (2010: nil).

The calculations of the recoverable amounts of the CGUs stated above are by reference to the valuation reports issued by Messrs. Greater China Appraisal Limited ("Greater China"), independent qualified professional valuers who have among their staff, fellow members of the Hong Kong Institute of Surveyors and with experience in the valuation of similar assets in the relevant industries.

19. INVENTORIES

	2011	**2010**
	RMB'000	*RMB'000*
Computer accessories and low value consumables	–	202

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

	2011	2010
	RMB'000	*RMB'000*
Cost of inventories sold	20,122	13,685

20. TRADE AND OTHER RECEIVABLES

	The Group		The Company	
	2011	2010	2011	2010
	RMB'000	*RMB'000*	*RMB'000*	*RMB'000*
Trade receivables	102,416	110,764	–	–
Less: Allowance for impairment losses for doubtful debts *(note 20(b))*	(41,601)	(37,054)	–	–
	60,815	73,710	–	–
Other receivables	1,934	2,453	–	–
Amount due from a subsidiary *(note 24)*	–	–	4,449	6,411
Loans and receivables	62,749	76,163	4,449	6,411
Prepayments	2,917	1,830	1	1
Deposits	2,422	2,145	180	188
	5,339	3,975	181	189
	68,088	80,138	4,630	6,600

All of the trade and other receivables are expected to be recovered or recognised as expense within one year.

a) Aging analysis

An aging analysis of trade receivables presented based on invoice date as of the end of the reporting period is as follows:

	The Group	
	2011	2010
	RMB'000	*RMB'000*
0-30 days	3,369	3,978
31-90 days	13,225	25,990
91-365 days	34,517	50,068
Over 1 year	51,305	30,728
	102,416	110,764

Trade receivables are normally due within 30 to 360 days from the date of billing.

b) Impairment of trade receivables

Impairment losses in respect of trade 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 receivables directly (see note 2(k)).

Movements in the allowance for impairment losses for doubtful debts

	The Group	
	2011	**2010**
	RMB'000	*RMB'000*
At the beginning of the year	37,054	525
Impairment losses recognised	4,547	37,054
Disposal of subsidiaries	–	(525)
At the end of the year	41,601	37,054

Note:

i) As at 31 March 2011, trade receivables of the Group amounting to RMB41,601,000 (2010: RMB37,054,000) were individually determined to be impaired and full provision had been made. These individually impaired receivables were overdue for over 365 days 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 receivables that are not impaired**

The aging analysis of trade receivables that are neither individually nor collectively considered to be impaired are as follows:

	The Group	
	2011	**2010**
	RMB'000	*RMB'000*
Neither past due nor impaired	9,220	13,668
Past due but not impaired		
Less than 1 month past due	228	5,563
1 to 3 months past due	13,225	12,239
3 months to 1 year past due	28,437	32,266
Over 1 year past due	9,705	9,974
	60,815	73,710

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

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

21. CASH AND CASH EQUIVALENTS

	The Group		The Company	
	2011	**2010**	**2011**	**2010**
	RMB'000	*RMB'000*	*RMB'000*	*RMB'000*
Cash at banks and on hand	5,679	11,502	719	3,339
Cash and cash equivalents in the consolidated statement of financial position and the consolidated statement of cash flows	5,679	11,502	719	3,331

The interest rates on the cash at banks ranged from 0.01% to 0.40% (2010: 0.01% to 0.36%) per annum. The directors consider the carrying value of the amounts at the end of the reporting period approximates their fair value.

22. TRADE PAYABLES

The aging analysis of trade payables is as follows:

	The Group	
	2011	**2010**
	RMB'000	*RMB'000*
Within 1 month	4,323	298
Over 1 month but within 3 months	623	556
Over 3 months but within 1 year	3,530	8,429
Over one year	1,927	3,375
	10,403	12,658

Financial liabilities measured at amortised cost:

Trade payables	10,403	12,658
Other payables and accruals *(note 23)*	14,559	12,180
	24,962	24,838

23. OTHER PAYABLES AND ACCRUALS

	The Group		The Company	
	2011	**2010**	**2011**	**2010**
	RMB'000	*RMB'000*	*RMB'000*	*RMB'000*
Accruals	629	629	628	628
Accrued benefits	189	191	–	–
Advances received	185	582	–	–
Other tax payables	3,066	2,166	–	–
Amount due to former shareholders of subsidiaries *(note (ii))*	5,793	5,793	–	–
Accrued salaries	2,857	1,224	–	–
Other payables	1,840	1,595	–	–
	14,559	12,180	628	628

Notes:

i) All of the other payables and accruals are expected to be settled or recognised as income within one year or are repayable on demand.

ii) The amount due to former shareholders of subsidiaries is interest-free, unsecured and has no fixed terms of repayment.

24. AMOUNTS DUE FROM/(TO) SUBSIDIARIES

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

25. OBLIGATIONS UNDER A FINANCE LEASE

The Group and the Company

	Total minimum lease payments		Present value of minimum lease payments	
	2011	**2010**	**2011**	**2010**
	RMB'000	*RMB'000*	*RMB'000*	*RMB'000*
Amounts payable:				
Within one year	7	7	6	6
After 1 year but within 5 years	4	11	4	10
	11	18	10	16
Less: Finance charges	(1)	(2)		
Present value of finance lease payables	10	16		
Less: Portion classified as current liabilities	(6)	(6)		
Non-current portion	4	10		

The finance lease obligations are secured by a computer equipment of the Group with a carrying amount of approximately RMB10,000 (2010: RMB16,000). The remaining lease payments outstanding are due within five years. Interest rate is fixed at 5.5% per annum. No arrangement has been entered into for contingent rental payment for both of the years 2010 and 2011.

26. CONVERTIBLE BONDS

In accordance with the terms of acquisition of Along Group, on 1 October 2009, the Company issued a zero coupon convertible bond ("Bond A") due on 30 September 2014 with a principal amount denominated in HK$ of HK$223,560,000 and another zero coupon convertible bond ("Bond B") due on 2 October 2012 with a principal amount denominated in HK$ of HK$63,940,000 to Gold Oriental Group Limited as deferred consideration. The bonds are convertible into ordinary shares of the Company at an initial conversion price of HK$2.3 per conversion share (subject to adjustments in accordance with the terms of the convertible bonds) at any time during the period commencing from the date of issue of the convertible bonds.

The Company has no right for early redemption without the consent of the bond holders or its designated affiliates.

In the year 2010, the holders of Bond A converted part of Bond A with a principal amount of HK$138,000,000 into shares of the Company (see note 28).

The convertible bonds contain two components: liability and equity elements. The equity element is presented in equity heading "convertible bonds equity reserve". Interest rates on Bond A and Bond B are calculated using the effective interest method by applying the effective interest rate of 7.10% and 6.33% per annum respectively and the carrying amounts (as at 31 March 2010) are HK$67,245,000 (equivalents to approximately RMB59,091,000) and HK$58,283,000 (equivalent to approximately RMB51,215,000) respectively.

The fair value of the liability component of the convertible bonds was calculated using the market interest rate for an equivalent non-convertible bond. The residual amount, representing the value of the equity conversion component, is included in equity.

The movements of the convertible bonds are set out below:

	The Group and the Company	
	2011	**2010**
	RMB'000	*RMB'000*
At the beginning of the year	103,470	–
Issue of convertible bonds	–	253,002
Equity component	–	(66,715)
Liability component on initial recognition	–	186,287
Interest expenses charged	6,836	6,154
Conversion of shares during the year	–	(88,971)
Liability component at the end of the year	110,306	103,470

27. DEFERRED TAX LIABILITIES

a) The components of deferred tax liabilities carried in the consolidated statement of financial position are as follows:

The Group

	Enterprise income tax	**Intangible assets**	**Convertible bonds**	**Total**
	RMB'000	*RMB'000*	*RMB'000*	*RMB'000*
At 1 April 2009	382	7,461	–	7,843
Acquisition of subsidiaries	–	4,210	–	4,210
Recognised upon issue of convertible bonds	–	–	11,008	11,008
Charged to profit or loss	–	(6,341)	(1,015)	(7,356)
Disposal of subsidiaries	(382)	–	–	(382)
Credited to reserves	–	–	(5,358)	(5,358)
At 31 March 2010 and 1 April 2010	–	5,330	4,635	9,965
Charged to profit or loss	–	(2,931)	(1,127)	(4,058)
Exchange adjustments	–	–	(187)	(187)
At 31 March 2011	–	2,399	3,321	5,720

The Company

	Convertible bonds *RMB'000*
At 1 April 2009	–
Recognised upon issue of convertible bonds	11,008
Charged to profit or loss	(1,015)
Credited to reserves	(5,358)
At 31 March 2010 and 1 April 2010	4,635
Charged to profit or loss	(1,127)
Exchange adjustments	(186)
At 31 March 2011	3,322

b) **Withholding tax**

Pursuant to the PRC Corporate Income Tax Law which took effect from 1 January 2008, a 10% withholding tax was levied on dividends declared and payable to foreign enterprise investors from PRC entities effective from 1 January 2008. A lower withholding tax rate may be applied if there is a tax treaty arrangement between the PRC and the jurisdiction of the foreign enterprise investors. On 22 February 2008, Caishui (2008) No. 1 was promulgated by the PRC tax authorities to specify that dividends declared and remitted out of the PRC from the retained earnings as at 31 December 2007 determined based on the relevant PRC tax laws and regulations are exempted from the withholding tax. Deferred tax liabilities of RMB2,248,000 (2010: RMB8,781,000) have not been recognised as the Company controls the dividend policy of these subsidiaries and that the profits earned by the Group's PRC subsidiaries for the year from 1 January 2008 to 31 March 2011 will not be distributed in the foreseeable future.

28. SHARE CAPITAL

	2011		2010	
	Number of shares	*RMB'000*	*Number of shares*	*RMB'000*
Authorised:				
Ordinary shares of HK$0.1 each	2,000,000,000	212,000	2,000,000,000	212,000
Ordinary, issued and fully paid:				
At beginning of the year	873,603,500	81,926	638,347,500	61,223
Issue of shares upon a private placement *(note i)*	–	–	30,670,000	2,699
Issue of shares for acquisition of subsidiaries *(note 34)*	–	–	144,586,000	12,724
Issue of shares upon conversion of Bond A *(note 26)*	–	–	60,000,000	5,280
Issue of shares upon exercise of share option *(note ii)*	22,930,000	1,926	–	–
	896,533,500	83,852	873,603,500	81,926

Notes:

i) On 19 July 2009, 30,670,000 new shares of HK$0.1 each together with warrants attached with subscription right to 30,670,000 shares were placed out at a price of HK$0.253 per share.

The subscription price of the warrants is HK$0.253 per share.

ii) On 18 May 2010, 27 July 2010 and 28 July 2010, options were exercised to subscribe for 22,930,000 ordinary shares in the Company at a consideration of RMB2,870,000 of which RMB1,930,000 was credited to share capital and the balance of RMB940,000 was credited to the share premium account.

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.

29. SHARE OPTIONS

Equity-settled share option schemes

On 23 July 2004, the Company adopted a share option scheme (the "Share Option Scheme") to enable the Company to grant options to eligible participants in order to reward or provide incentives to its employees or any person who has contributed or will contribute to the Group. The Share Option Scheme shall continue to be in force for the period commencing from 23 July 2004 and will expire at the close of business on the tenth anniversary thereof, after such period no further options will be granted but the provisions of the Share Option Scheme shall remain in full force and effect in respect of any options granted before its expiry or termination but which have not yet been exercised.

Under the Share Option Scheme, the directors of the Company may offer to any employees or any person who has contributed to the Group including directors of the Company or any of its subsidiaries share options to subscribe for shares in the Company in accordance with the terms of the Share Option Scheme.

The maximum number of shares in respect of which share options may be granted under the Share Option Scheme shall not, when aggregated with any shares subject to any other schemes, exceeds such number of shares as represents 10% of the issued shares as at the date of approval of the Share Option Scheme which shall be equivalent to 63,834,750 shares. On 28 September 2010, the Scheme Mandate Limit was refreshed to 89,653,500 shares. The Company may seek approval from the shareholders in a general meeting to refresh the Share Option Scheme. However, the total number of shares which may be issued upon exercise of all share options to be granted under all of the schemes of the Company or its subsidiaries under the limit must not exceed 10% of the shares in issue as at the date of approval of the Share Option Scheme. As at the date of this report, 943,719,473 shares of the Company were in issue.

The exercise price is determined by the directors of the Company, and shall not be less than the highest of (i) the closing price of the Company's shares on the date of grant, (ii) the average closing price of the shares for the five business days immediately preceding the date of grant, and (iii) the nominal value of the Company's shares.

On 26 March 2008, the Company granted options to subscribe for 4,500,000 shares to its directors and 20,700,000 shares to its employees under the Share Option Scheme. Options granted must be taken within 21 days of the date of grant, upon payment of HK$1 by each of the grantees. The options may be exercised at any time after the date of grant of the share options to the fifth anniversary of the date of grant.

On 18 March 2009, the Company granted options to subscribe for 2,380,000 shares to its directors and 28,200,000 shares to its employees under the Share Option Scheme. Options granted must be taken up within 21 days of the date of grant, upon payment of HK$1 by each of the grantees. The options may be exercised at any time after the date of grant of the share options to the fifth anniversary of the date of grant.

On 27 April 2010, the Company granted options to subscribe for 19,073,000 shares to its directors and 47,800,000 shares to its employees under the Share Option Scheme. Options granted must be taken up within 21 days of the date of grant, upon payment of HK$1 by each of the grantees. The options may be exercised at any time after the date of grant of the share options to the fifth anniversary of the date of grant.

The following table discloses movements of the Company's share options granted under the Share Option Scheme and movements in such holdings:

Category of grantee	Exercise price per share *HK$*	Date of grant	Exercisable period	Vesting conditions	Contractual life of option
Directors	1.677	26 March 2008	26 March 2008 to 25 March 2013	Immediately from date of grant	5 years
	0.149	18 March 2009	18 March 2009 to 17 March 2014	Immediately from date of grant	5 years
	0.45	27 April 2010	27 April 2010 to 26 April 2015	Immediately from date of grant	5 years
Employees	1.677	26 March 2008	26 March 2008 to 25 March 2013	Immediately from date of grant	5 years
	0.149	18 March 2009	18 March 2009 to 17 March 2014	Immediately from date of grant	5 years
	0.45	27 April 2010	27 April 2010 to 26 April 2015	Immediately from date of grant	5 years

a) The following table discloses movements of the Company's share options held by employees and directors.

For 2011

Option type	Outstanding at 1/4/2010	Granted during the year	Exercised during the year	Forfeited during the year	Expired during the year	Outstanding at 31/3/2011
2008	28,339,200	–	–	–	–	28,339,200
2009	29,350,000	–	(22,930,000)	–	–	6,420,000
2010	–	66,873,000	–	–	–	66,873,000
	57,689,200	66,873,000	(22,930,000)	–	–	101,632,200
Exercisable at the end of the year						101,632,200
Weighted average exercise price *(HK$)*	0.72	0.45	0.149	–	–	0.77
(Equivalent to RMB)	0.63	0.387	0.131	–	–	0.68

For 2010

Option type	Outstanding at 1/4/2009	Granted during the year	Exercised during the year	Forfeited during the year	Expired during the year	Outstanding at 31/3/2010
2008	32,668,800	–	–	(4,329,600)	–	28,339,200
2009	30,580,000	–	–	(1,230,000)	–	29,350,000
	63,248,000	–	–	(5,559,600)	–	57,689,200
Exercisable at the end of the year						57,689,200
Weighted average exercise price *(HK$)*	0.94	–	–	1.05	–	0.72
(Equivalent to RMB)	0.83	–	–	0.93	–	0.63

The following share options granted under the employee share option plan were exercised in the current year:

Option type	Number exercised	Exercise date	Share price at exercise date
2009	230,000	18/5/2010	HK$0.15
2009	13,700,000	27/7/2010	HK$0.23
2009	9,000,000	28/7/2010	HK$0.21
	22,930,000		

b) Fair value of share options and assumptions

The fair value of services received in return of share options granted are measured by reference to the fair value of share options granted. The estimate of the fair value of the share options are measured based on a binomial lattice model. The contractual life of the option is used as an input into this model. Expectations of early exercise are incorporated into the binomial lattice model.

Grand dates	**Director 26 March 2008**	**Employee 26 March 2008**	**Director 18 March 2009**	**Employee 18 March 2009**	**Director 27 April 2010**	**Employee 27 April 2010**
Fair value of share options and assumptions:						
Fair value at measurement date *(HK$)*	0.192	0.192	0.079	0.079	0.247	0.149
Share price *(HK$)*	1.68	1.68	0.149	0.149	0.45	0.45
Exercise price *(HK$)*	1.68	1.68	0.149	0.149	0.45	0.45
Expected volatility (expressed as a weighed average volatility used in the modelling under binomial lattice model)	41.75%	41.75%	71.45%	71.45%	77.23%	77.23%
Option life	5 years	5 years	5 years	5 years	5 years	5 years
Expected dividends	0%	0%	0%	0%	0%	0%
Rick-free interest rate (based on Exchange fund Notes)	1.954%	1.954%	1.70%	1.70%	2.09%	2.09%
Expected forfeiture rate	0%	0%	0%	0%	0%	0%

The expected volatility is based on the historic volatility, adjusted for any expected changes to future volatility due to publicly available information. Expected dividends are based on historical dividends. Changes in the subjective input assumptions could materially affect the fair value estimate.

Share options were granted under a service condition. This condition has not been taken into account in the grant date fair value measurement of the services received. There were no market conditions associated with the share option grants.

30. RESERVES

The Group

	Share premium	Contributed surplus	Convertible bond equity reserve	Capital reserve	Share-based compensation reserve	Statutory common reserve	Foreign currency translation reserve	Retained profits/ (accumulated losses)	Total
	(note i)	*(note ii)*	*(note iii)*	*(note iv)*	*(note v)*	*(note vi)*	*(note vii)*		
	RMB'000	*RMB'000*	*RMB'000*	*RMB'000*	*RMB'000*	*RMB'000*	*RMB'000*	*RMB'000*	*RMB'000*
At 1 April 2009	158,287	933	–	115	6,722	4,862	(11,257)	3,051	162,713
Shares issued under a private placement	4,091	–	–	–	–	–	–	–	4,091
Recognition of equity component of convertible notes	–	–	66,715	–	–	–	–	–	66,715
Deferred tax liability on recognition of equity component of convertible notes	–	–	(11,008)	–	–	–	–	–	(11,008)
Shares issued for the acquisition of subsidiaries	15,293	–	–	–	–	–	–	–	15,293
Shares issued under conversion of convertible notes	116,160	–	(32,469)	–	–	–	–	–	83,691
Deferred tax effect on conversion of convertible bonds	–	–	5,358	–	–	–	–	–	5,358
Reserves released on disposal of subsidiaries	–	–	–	(115)	–	(4,862)	(789)	4,977	(789)
Exchange difference on translation of financial statements of subsidiaries	–	–	–	–	–	–	(390)	–	(390)
Loss for the year	–	–	–	–	–	–	–	(249,845)	(249,845)
Transfer to retained profits upon forfeiture of share options	–	–	–	–	(695)	–	–	695	–
At 31 March 2010	293,831	933	28,596	–	6,027	–	(12,436)	(241,122)	75,829
At 1 April 2010	293,831	933	28,596	–	6,027	–	(12,436)	(241,122)	75,829
Share issued under share option scheme	2,464	–	–	–	(1,520)	–	–	–	944
Equity-settled share-based transactions	–	–	–	–	10,153	–	–	–	10,153
Exchange differences on translation of financial statement of subsidiaries	–	–	–	–	–	–	105	–	105
Loss for the year	–	–	–	–	–	–	–	(167,969)	(167,969)
At 31 March 2011	296,295	933	28,596	–	14,660	–	(12,331)	(409,091)	(80,938)

The Company

	Share premium (note i) RMB'000	Contributed surplus (note ii) RMB'000	Convertible bond equity reserve (note iii) RMB'000	Share-based compensation reserve (note v) RMB'000	Foreign currency translation reserve (note vii) RMB'000	Accumulated losses RMB'000	Total RMB'000
At 1 April 2009	158,287	(18,702)	–	6,722	(12,497)	(25,437)	108,373
Shares issued under a private placement	4,091	–	–	–	–	–	4,091
Recognition of equity component of convertible notes	–	–	66,715	–	–	–	66,715
Deferred tax liability on recognition of equity component of convertible notes	–	–	(11,008)	–	–	–	(11,008)
Shares issued for the acquisition of subsidiaries	15,293	–	–	–	–	–	15,293
Shares issued under conversion of convertible notes	116,160	–	(32,469)	–	–	–	83,691
Deferred tax effect on conversion of convertible bonds	–	–	5,358	–	–	–	5,358
Exchange differences on translation of financial statements	–	–	–	–	13	–	13
Loss for the year	–	–	–	–	–	(189,653)	(189,653)
Transfer to retained profits upon of forfeiture of share options	–	–	–	(695)	–	695	–
At 31 March 2010	293,831	(18,702)	28,596	6,027	(12,484)	(214,395)	82,873
At 1 April 2010	293,831	(18,702)	28,596	6,027	(12,484)	(214,395)	82,873
Share issued under share option scheme	2,464	–	–	(1,520)	–	–	944
Equity-settled share-based transactions	–	–	–	10,153	–	–	10,153
Exchange differences on translation of financial statements	–	–	–	–	109	–	109
Loss for the year	–	–	–	–	–	(145,851)	(145,851)
At 31 March 2011	296,295	(18,702)	28,596	14,660	(12,375)	(360,246)	(51,772)

i) Share premium

Under the Companies Law of the Cayman Islands, the share premium is available for distribution to shareholders subject to a solvency test on the Company and the provisions of the Articles of Association of the Company.

ii) Contributed surplus

The contributed surplus represents the excess of the fair value of the shares of the subsidiaries acquired pursuant to the reorganisation over the nominal value of the Company's shares issued in exchange therefor.

iii) Convertible bond equity reserve

The convertible bond equity reserve comprises the value of the unexercised equity component of convertible bonds issued by the Group recognised in accordance with the accounting policy adopted for convertible bonds in note 2(p).

iv) Capital reserve

Capital reserve arose as a result of the increase in the registered capital of the Group's subsidiary, Jiangxi A & K, in May and October 1997, which represents the excess of the net assets of Jiangxi A & K over the nominal value of the share capital after the capital verification report was issued. The capital reserve was released on disposal of Jiangxi A & K for the year ended 31 March 2010.

v) Share-based compensation reserve

The share-based compensation reserve represents the fair value of the actual or estimated number of unexercised share options granted to employees of a subsidiary recognised in accordance with the accounting policy adopted for share-based payments set out in note 2(q)(ii) and note 29.

vi) Statutory common reserve

To follow the accounting principles and relevant financial regulations of the PRC applicable to wholly foreign-owned enterprises ("PRC GAAP – WFOE"), in the preparation of its accounting records and financial statements. Pursuant to the accounting regulations for business enterprises (企業會計制度財會(200)25號), and the articles of the association of Jiangxi A & K, Jiangxi A & K is required to appropriate at least 10% of its profit after tax after offsetting prior year's losses to the statutory common reserve fund. Thereafter, any further appropriation can be made at the directors' discretion.

The common reserve fund can be utilised to offset prior years' losses, or to increase the capital on condition that the common reserves fund shall be maintained at a minimum of 50% of the registered capital after such increase.

The statutory common reserve was released on disposal of Jiangxi A & K during the year 2010.

vii) Foreign currency translation

The foreign currency translation reserve comprises all foreign exchange differences arising from the translation of the financial statements of subsidiaries operating outside Hong Kong. The reserve is dealt with in accordance with the accounting policy set out in note 2(v).

31. RETIREMENT BENEFIT COSTS

The Group has implemented a provident fund scheme for its staff in Hong Kong in compliance with the requirements of the Mandatory Provident Fund Schemes Ordinance (the "MPF Ordinance") effective from 1 December 2000. The Group contributed according to the minimum requirements of the MPF Ordinance (i.e., 5% of staff's relevant income with an upper monthly limit of HK$1,000) and the contributions are charged to the profit or loss.

As stipulated by the rules and regulations in the PRC, the Group contributed to a state-sponsored retirement plan for its employees in the PRC at a rate of 10% of the basic salaries of its employees, and has no further obligations for the actual pension payments or post-retirement benefits beyond the annual contributions. The relevant government agencies are responsible for the entire pension obligation payable to all retired employees.

32. OPERATING LEASE COMMITMENTS

The Group leases certain of its office premises under operating lease arrangements. Leases for office premises are negotiated for a lease term of 2 years. The terms of the lease require the lessee to pay security deposits.

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

	2011	**2010**
	RMB'000	*RMB'000*
Within one year	992	2,655
In the second to fifth year inclusive	45	1,901
	1,037	4,556

33. RELATED PARTY TRANSACTIONS

In addition to the transactions and balances disclosed elsewhere in these financial statements, the Group entered into the following significant transactions with related parties:

i) Related party transactions included in the consolidated statement of financial position

	2011	**2010**
	RMB'000	*RMB'000*
Amount due to former shareholders of subsidiaries *(note 23)*	5,793	5,793

The amount arose from the acquisition of subsidiaries.

ii) Compensation of key management personnel of the Group

	2011	**2010**
	RMB'000	*RMB'000*
Salaries, allowances and other benefits	6,816	2,872
Retirement scheme contributions	92	58
	6,908	2,930

Note: Further details of pension scheme contributions and directors' emoluments are included in note 6 and note 9 to the financial statements respectively.

34. ACQUISITION AND DISPOSAL OF SUBSIDIARIES UNDER AN ASSET SWAP ARRANGEMENT

On 30 June 2009, the Company, Dragon Era Investments Limited ("Dragon Era"), a wholly-owned subsidiary of the Company, entered into a sale and purchase agreement (the "Asset Swap"), pursuant to which the Group agreed to acquire from vendor (i) 100% equity interest in Jumbo Lucky Limited ("Jumbo Lucky") and its subsidiaries (the "Jumbo Lucky Group") and (ii) the unsecured and interest-free shareholder's loan owed by Superco Development Limited (Superco"), a wholly-owned subsidiary of Jumbo Lucky, to the vendor (the "Superco Shareholder Loan") in consideration for the Group's disposal of (i) 100% equity interest in A & K Software (BVI) Limited ("A & K (BVI)") and its subsidiaries (the "A & K (BVI) Group") and (ii) the unsecured and interest-free shareholder's loan owed by the A & K (BVI) Group to the Company (the "A & K (BVI) Shareholder Loan"). An Additional consideration of RMB33,017,000 were satisfied by the Group under the Asset Swap as to RMB5,000,000 in cash, and as to RMB28,017,000 by the allotment and issue of 144,586,000 shares ("Consideration Shares") of the Company with a par value of HK$0.1 each at an issue price of each by the Company. The fair value of the shares issued for the acquisition of Jumbo Lucky Group amounting to HK$31,809,000 (equivalent to approximately RMB28,017,000) was determined by reference to the closing quoted bid price at the date of acquisition. The Asset Swap was completed on 30 September 2009.

Part of the additional consideration (Consideration Share") of HK$31,809,000 (equivalent to approximately RMB28,017,000) is subject to adjustments based on the audited profit after taxation of Jumbo Lucky Group for the period from 1 October 2009 to 30 September 2010. Since according to the audited consolidated financial statements of Jumbo Lucky Group for the period from 1 October 2009 to 30 September 2010, the audited profit of Jumbo Lucky Group is not less than RMB12,000,000, all of the Consideration Shares issued and placed in the escrow account were delivered to the vendor on 15 business days after the issue of the audited consolidated financial statements of Jumbo Lucky Group. No adjustment to the cost of acquisition is required.

From the date of acquisition to 1 October 2009, the Jumbo Lucky Group contributed approximately RMB28,386,000 and RMB7,779,000 respectively to the revenue and consolidated profit of the Group for the year ended 31 March 2010. Had the acquisition occurred on 1 April 2009, the revenue and consolidated profit of the Group for the year ended 31 March 2010 would have been approximately RMB39,535,000 and RMB8,871,000 respectively. The pro forma information is for illustrative purposes only and is not necessarily an indication of revenue and results of the Group that actually would have been achieved had the acquisition been completed on 1 April 2009, nor is it intended to be projection of future results.

i) Acquisitions of subsidiaries under the Asset Swap

On completion of the Asset Swap, the Jumbo Lucky Group became subsidiaries of the Group and their results were consolidated to the Group's consolidated financial statements since the date of acquisition.

Details of net assets of subsidiaries acquired in the Asset Swap are as follows:

	Carrying amounts	**Fair value adjustments**	**Recognised values**
	RMB'000	*RMB'000*	*RMB'000*
Property, plant and equipment	73	–	73
Intangible assets acquired on acquisition	–	28,067	28,067
Inventory	1,923	–	1,923
Tax recoverables	97	–	97
Trade and other receivables	7,953	–	7,953
Cash and cash equivalents	872	–	872
Trade and other payables	(8,396)	–	(8,396)
Superco shareholder loan	(1,500)	–	(1,500)
Deferred tax liabilities	–	(4,210)	(4,210)
Net assets of the Jumbo Lucky Group acquired	1,022	23,857	24,879
Assignment of the Superco Shareholder Loan			1,500
Goodwill arising on acquisition *(note 18)*			46,896
			73,275
Consideration satisfied by:			
Cash			5,000
Consideration Shares			28,017
Net assets of the A & K (BVI) Group and A & K (BVI) shareholder loan acquired *(note 34(ii))*			40,258
			73,275

The intangible assets consist of business contracts, customer relationships and acquired computer software.

The intangible assets were valued at approximately RMB28,067,000 by an independent qualified valuer, Greater China Appraisal Limited under the income capitalisation approach at the date of acquisition.

Goodwill arose in the business combination as the cost of the combination included amounts in relation to the benefits of expected synergy, revenue growth and future market development. These benefits are not recognised separately from goodwill as the future economic benefits arising from them cannot be reliably measured.

ii) Disposal of subsidiaries under the Asset Swap

The assets and liabilities of the A & K (BVI) Group disposed of in the Asset Swap are as follows:

	RMB'000
Property, plant and equipment	209
Deposit paid for acquisition of available-for-sale investment	120
Intangible assets acquired on acquisition property, plant and equipment	5,086
Trade and other receivables	3,706
Cash and cash equivalents	37,378
Trade and other payables	(4,282)
Tax payables	(788)
Deferred tax liabilities	(382)
Superco Shareholder Loan	(8,162)
Net assets of the Jumbo Lucky Group acquired	32,885
Assignment of the A & K (BVI) Shareholder Loan	8,162
Exchange reserve realized upon disposal	(789)
Gain/(loss) on the Asset Swap	–
	40,258
Satisfied by:	
Part of consideration on acquisition of subsidiaries under the Asset Swap *(note 34(i))*	40,258
Net cash inflow/(outflow) in Asset Swap:	
Cash consideration paid	(5,000)
Cash and cash equivalents disposed of	(37,378)
Cash and cash equivalents acquired	872
	(41,506)

35. PARENT AND ULTIMATE CONTROLLING PARTY

The directors consider that the Company does not have a parent company or a controlling party.

36. FINANCIAL RISK MANAGEMENT OBJECTIVES AND POLICES

The Group's major financial instruments include trade receivables and trade payables. Details of the financial instruments are disclosed in the respective notes. The risks associated with these financial instruments include credit risk, liquidity risk, currency risk and 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) Credit risk

i) As at 31 March 2011, the maximum exposure to credit risk is represented by the carrying amount of each financial asset in the consolidated statement of financial position after deducting any impairment allowance.

ii) In respect of trade and other receivables, in order to minimize 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 conditions is 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 collaterals in respect of its financial assets. Debts are usually due within 30 to 360 days from the date of billing.

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 the country in which customers operate also has an influence on credit risk. As at 31 March 2011, the Group had a certain concentration of credit risk as 61.2% (2010: 37.0%) and 74.2% (2010: 76.6%) of the total trade and other receivables was due from the Group's largest customer and the five largest customers respectively.

iv) In respect of deposits with banks, the Group mitigates its exposure to credit risk by placing deposits with financial institutions with high credit ratings. Given the high credit ratings of the banks, management does not expect any counterparty to fail to meet its obligations.

b) Liquidity risk

Individual operating entities within the Group are responsible for their own cash management, including the short-term investment of cash surpluses and the raising of loans to cover expected cash demands, subject to board approval. The Group's policy is to regularly monitor current and expected liquidity requirements to ensure that it maintains sufficient amount of cash and obtains adequate lines of funding from major financial institutions to meet its liquidity requirements in the short and longer term.

The following liquidity 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) and the earliest date the Group and the Company are required to pay:

The Group

	2011				
	Within 1 year or on demand	**More than 1 year but less than 2 years**	**More than 2 years but less than 5 years**	**Total contractual undiscounted cash flow**	**Carrying amount**
	RMB'000	*RMB'000*	*RMB'000*	*RMB'000*	*RMB'000*
Trade payables	10,403	–	–	10,403	10,403
Other payables and accruals	14,559	–	–	14,559	14,559
Obligations under a finance lease	7	4	–	11	10
Convertible bonds	–	53,710	71,870	125,580	110,306
	24,969	53,714	71,870	150,553	135,278

	2010				
	Within 1 year or on demand	**More than 1 year but less than 2 years**	**More than 2 years but less than 5 years**	**Total contractual undiscounted cash flow**	**Carrying amount**
	RMB'000	*RMB'000*	*RMB'000*	*RMB'000*	*RMB'000*
Trade payables	12,658	–	–	12,658	12,658
Other payables and accruals	12,180	–	–	12,180	12,180
Obligations under a finance lease	7	7	4	18	16
Convertible bonds	–	–	131,560	131,560	103,470
	24,845	7	131,564	156,416	128,324

The Company

	2011				
	Within 1 year or on demand	**More than 1 year but less than 2 years**	**More than 2 years but less than 5 years**	**Total contractual undiscounted cash flow**	**Carrying amount**
	RMB'000	*RMB'000*	*RMB'000*	*RMB'000*	*RMB'000*
Amount due to subsidiaries	8	–	–	8	8
Obligation under a finance lease	7	4	–	11	10
Convertible bonds	–	53,710	71,870	125,580	110,306
	15	53,714	71,870	125,599	110,324

	2010				
	Within 1 year or on demand	**More than 1 year but less than 2 years**	**More than 2 years but less than 5 years**	**Total contractual undiscounted cash flow**	**Carrying amount**
	RMB'000	*RMB'000*	*RMB'000*	*RMB'000*	*RMB'000*
Amount due to subsidiaries	8	–	–	8	8
Obligation under a finance lease	7	7	4	18	16
Convertible bonds	–	–	131,560	131,560	103,470
	15	7	131,564	131,586	103,494

c) Fair value and cash flow interest rate risk

Fair value interest rate risk is the risk that the value of a financial instrument will fluctuate because of changes in market interest rates. Cash flow interest rate risk is the risk that the future cash flows of a financial instrument will fluctuate because of changes in market interest rates.

As the Group has no material interest-bearing liabilities, the Group's expenses and financing cash flows are independent of changes in market interest rates.

The Group is exposed to cashflow interest rate risks as the Group has significant cash and cash equivalents which are deposited in banks offering variable interest rate. The management monitors interest rate exposures by keeping the cash in floating rate bank accounts and considers that there is no significant impact on cash flow interest rate risk. The Group's interest rate profile as monitored by management is set out in (i) below.

i) Interest rate profile

The following table details the interest rate profile of the Group's interest-earning financial assets at the end of the reporting period:

	The Group				The Company			
	2011		2010		2011		2010	
	Effective interest rate	One year or less	Effective interest rate	One year or less	Effective interest rate	One year or less	Effective interest rate	One year or less
	%	*RMB'000*	%	*RMB'000*	%	*RMB'000*	%	*RMB'000*
Variable rate bank balance and deposit	0.01% – 0.40%	5,508	0.01% – 1.6%	11,502	0.01%	561	0.01%	3,298

ii) Sensitivity analysis

At 31 March 2011, it is estimated that a general decrease/increase of 100 basis points in interest rates, with all other variables held constant, would increase/decrease the Group's loss after tax and accumulated loss by approximately RMB550 (2010: RMB98,000). Other components of consolidated equity would not be affected (2010: RMB nil) by the changes in interest rates.

The sensitivity analysis above has been determined assuming that the change in interest rates had occurred at the end of the reporting period and had been applied to the exposure to interest rate risk for cash and cash equivalents in existence at that date. The 100 basis point increase or decrease represents management's assessment of a reasonably possible change in interest rates over the period until the end of the next reporting period. The analysis is performed on the same basis for 2010.

d) Currency risk

The transactional currency of the entitles within the Group is substantially the same as each of their functional currency. The Company and the Group's transactional foreign exchange exposure was insignificant.

e) Fair values

The fair values of cash and cash equivalents, bank deposits, trade and other receivables, trade and other payables are not materially different from their carrying amounts because of the immediate or short-term maturity of these financial instruments.

f) Estimation of fair value

The fair value of obligations under finance leases is estimated as the present value of future cash flows, discounted at current market interest rates for similar financial instruments. The directors of the Company consider the carrying amounts of financial liabilities as recorded in the consolidated financial statements approximate their fair value at the end of the reporting period.

g) Capital risk management

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 maximizing the return to shareholders through the optimization of the debt and equity balance. The management reviews the capital structure by considering 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 gearing ratios at 31 March 2011 and 2010 ware as follows:

	2011	**2010**
	RMB'000	*RMB'000*
Convertible bonds	110,306	103,470
Less: Cash and cash equivalents	(5,679)	(11,502)
Net debt	104,627	91,968
Total equity	2,914	157,755
Gearing ratio	3,590%	58%

Neither the company nor any of its subsidiaries are subject to externally imposed capital requirements.

37. CRITICAL ACCOUNTING ESTIMATES

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

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

a) Useful lives of property, plant and equipment

The Group's management determines the estimated useful lives and related depreciation charges for its property, plant and equipment. This estimate is based on the historical experience of the actual useful lives of property, plant and equipment of similar nature and functions. It could change significantly as a result of technical innovations and competitor actions in response to severe industry cycles. Management will increase the depreciation charge where useful lives are less than previously estimated lives, or it will write-off or write-down technically obsolete or non-strategic assets that have been abandoned or sold. The carrying amount of property, plant and equipment as at the end of the reporting period was RMB1,605,000.

b) **Impairment of receivables**

The Group maintains impairment allowance for doubtful accounts based upon the periodically evaluation of the recoverability of the trade and other receivables, where applicable. The estimates are based on the aging 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 may be required. The carrying amount of trade and other receivables as at the end of the reporting period was RMB68,088,000.

c) **Impairment of goodwill**

Determining whether goodwill is impaired requires an estimation of the fair value of the cash-generating units to which goodwill has been allocated. When applying the value-in-use calculations, the Group estimates the future cash flows expected to arise from the cash-generating units and a suitable discount rate in order to calculate the present value. When applying the fair value less cost to sell, the Group estimates the cost of reproducing or replacing the asset, less depreciation charge based on the estimated useful lives and the expected physical deterioration and functional and economic obsolescence. If the estimated fair value of the cash-generating unit exceeds its recoverable amount, additional impairment allowance may be required. The carrying amount of goodwill as at the end of the reporting period was RMB62,245,000.

d) **Estimated net realisable value of inventories**

The Group's management writes off slow-moving or obsolete inventories based on an assessment of the net realisable value of the inventories. Inventories will be written off where events or changes in circumstances indicates that the net realisable value is less than cost. The determination of net realisable value requires the use of judgement and estimates. Where the expectation is different from the original estimate, such difference will have an impact on the carrying value of the inventories and revision of the amount of inventories written off in the period in which such estimate has been changed is required to be made. The carrying amount of inventories as at the end of the reporting period was RMB nil.

e) **Impairment of intangible assets**

The Group assesses annually whether intangible assets have any indication of impairment in accordance with the relevant accounting policies. If such indication exists, the recoverable amounts of the assets would be determined by reference to value-in-use and fair value less cost to sell. Value-in-use is determined using the discounted cash flow method. Owing to inherent risks associated with estimations in the timing and magnitude of future cash flows and fair value less cost to sell, the estimated recoverable amount of the assets may be different from their actual recoverable amount and profit or loss could be affected by the accuracy of the estimations. The carrying amount of intangible assets as at the end of the reporting period was RMB2,715,000.

f) **Acquired intangible assets**

Acquired intangible assets of the segment of judicial authentication services and sales of application software are customer contracts and forensic centre contractual rights; the segment of information technology services in the electricity power industry are customer base and technology know-how; the segment of school network integration services are customer contracts, customer base and required computer software. They are amortised over their estimated useful lives. The valuation and estimated useful lives of customer base and customer contracts are dependent on a number of assumptions and judgements, such as expected cash flows, customer attrition, and royalty rates, variations in which could produce different values and/or useful lives. The carrying amount of intangible assets as at the end of the reporting period was RMB2,715,000.

g) **Current taxation and deferred taxation**

Judgement is required in determining the amount of the provision for taxation and the timing of payment of the related taxation. There are many transactions and calculations for which the ultimate tax determination is uncertain during the ordinary course of business. Where the final tax outcome of these matters is different from the amounts that were initially recorded, such differences will impact the income tax and deferred tax provisions in the periods in which such determination are made.

Deferred taxation relating to certain temporary differences and tax losses are recognised as management considers it is probable that future taxable profit will be available against which the temporary differences or tax losses can be utilised. Where the expectations are different from the original estimate, such differences will impact the recognition of deferred taxation in the periods in which such estimate is changed.

The carrying amounts of current taxation and deferred tax liabilities were RMB nil and RMB5,720,000 respectively.

38. POSSIBLE IMPACT OF AMENDMENTS, NEW AND REVISED STANDARDS AND INTERPRETATIONS ISSUED BUT NOT YET EFFECTIVE FOR THE YEAR ENDED 31 MARCH 2011

New/revised HKFRSs not adopted

Up to the date of issue of these financial statements, the HKICPA has issued the following amendments, new and revised standards and Interpretations which are not yet effective for the year ended 31 March 2011.

The Group has not early applied any of the following new and revised Standards, Amendments or Interpretations that have been issued but are not yet effective.

HKFRSs (Amendments)	Improvements to HKFRSs 2010 except for the amendments to HKFRS 3 (Revised in 2008), HKFRS 7, HKAS 1 and HKAS 28[1]
HKFRS 1 (Amendment)	Limited Exemption from Comparative HKFRS 7 Disclosures for First-time Adopters[2]
HKFRS 1 (Amendment)	Severe Hyperinflation and Removal of Fixed Dates for First-time Adopters[4]
HKFRS 7 (Amendments)	Disclosures – Transfers of Financial Assets[4]
HKFRS 9	Financial instruments[6]
HKAS 12 (Amendments)	Deferred Tax: Recovery of Underlying Assets[5]
HKAS 24 (Revised)	Related Party Disclosures[3]
HK(IFRIC)-Int 14 (Amendments)	Prepayments of a Minimum Funding Requirement[3]
HK(IFRIC)-Int 19	Extinguishing Financial Liabilities with Equity Instruments[2]

[1] Effective for annual periods beginning on or after 1 July 2010 and 1 January 2011, as appropriate.
[2] Effective for annual periods beginning on or after 1 July 2010.
[3] Effective for annual periods beginning on or after 1 January 2011.
[4] Effective for annual periods beginning on or after 1 July 2011.
[5] Effective for annual periods beginning on or after 1 January 2012.
[6] Effective for annual periods beginning on or after 1 January 2013.

HKFRS 9 Financial Instruments issued in November 2009 and amended in October 2010 introduces new requirements for the classification and measurement of financial assets and financial liabilities and for derecognition.

- HKFRS 9 requires all recognised financial assets that are within the scope of HKAS 39 Financial Instruments: Recognition and Measurement to be subsequently measured at amortised cost or fair value. Specifically, debt investments that are held within a business model whose objective is to collect the contractual cash flows, and that have contractual cash flows that are solely payments of principal and interest on the principal outstanding are generally measured at amortised cost at the end of subsequent accounting periods. All other debt investments and equity investments are measured at their fair values at the end of subsequent accounting periods.

- The most significant effect of HKFRS 9 regarding the classification and measurement of financial liabilities relates to the accounting for changes in fair value of a financial liability (designated as at fair value through profit or loss) attributable to changes in the credit risk of that liability. Specifically, under HKFRS 9, for financial liabilities that are designated as at fair value through profit or loss, the amount of change in the fair value of the financial liability that is attributable to changes in the credit risk of that liability is recognised in other comprehensive income, unless the recognition of the effects of changes in the liability's credit risk in other comprehensive income would create or enlarge an accounting mismatch in profit or loss. Changes in fair value attributable to a financial liability's credit risk are not subsequently reclassified to profit or loss. Previously, under HKSA 39, the entire amount of the changes in the fair value of the financial liability designated as at fair value through profit or loss was recognised in profit or loss.

HKFRS 9 is effective for annual periods beginning on or after 1 January 2013, with earlier application permitted.

The directors of the Company anticipate that HKFRS 9 will be adopted in the Group's consolidated financial statements for the annual period beginning 1 April 2013 and that the application of the new standard will have certain impact on amounts reported in respect of the Group's financial assets and financial liabilities. However, it is not practicable to provide a reasonable estimate of that effect until a detailed review has been completed.

The amendments to HKFRS 7 titled Disclosures – Transfers of Financial Assets increase the disclosure requirements for transactions involving transfers of financial assets. These amendments are intended to provide greater transparency around risk exposures when a financial asset is transferred but the transferor retains some level of continuing exposure in the assets. The amendments also require disclosures where transfers of financial assets are not evenly distributed throughout the period. To date, the Group has not entered into transactions involving transfers of financial assets. However, if the Group enters into any such transactions in the future, disclosures regarding those transfers may be affected.

HKAS 24 Related Party Disclosures (as revised in 2009) modifies the definition of a related party and simplifies disclosures for government-related entities. The disclosure exemptions introduced in HKAS 24 (as revised in 2009) do not affect the Group because the Group is not a government-related entity.

The amendments to HK(IFRIC)-Int 14 require entities to recognise as an economic benefit any prepayment of minimum funding requirement contributions. As the Group has no defined benefit scheme, the amendments are unlikely to have any financial impact on the Group.

HK(IFRIC)-Int 19 provides guidance regarding the accounting the extinguishment of a financial liability by the issue of equity instruments. To date, the Group has not entered into transactions of this nature. However, if the Group does enter into such transactions in the future, HK(IFRIC)-Int 19 will affect the required accounting. In particular, under HK(IFRIC)-Int 19, equity instruments issued under such arrangements will be measured at their fair value, and any difference between the carrying amount of the financial liability extinguished and the fair value of equity instruments issued will be recognised in profit or loss.

The directors of the Company anticipate that the application of other new and revised standards, amendments or interpretations will have no material impact on the results and the financial position of the Group.

39. EVENTS AFTER THE REPORTING PERIOD

(a) Disposal of subsidiaries

On 12 May 2011, Topsheen Limited, a subsidiary of the Group, entered into a sales and purchase agreement with First Legend Holdings Limited, an independent third party, to dispose (the "Disposal") of its entire interests in its subsidiaries, China Sino Limited ("China Sino") and Intelligent Investment Limited ("Intelligent Investment"), and the sale loans at an aggregate consideration of HK$35 million. However, the consideration will be subject to adjustment. If the net asset value of the disposal group as at the date of completion increases by more than 5% of the net asset value of the disposal group as at 31 March 2011, the purchaser shall pay to the vendor an amount equal to the excess over the 5% increase. If the net asset value of the disposal group as at the date of completion decreases by more than 5% of the net asset value of the disposal group as at 31 March 2011, the vendor shall pay to the purchaser an amount equal to the deficit after the 5% decrease. China Sino and Intelligent Investment are limited companies incorporated in Hong Kong, altogether held the entire equity interest in a subsidiary, Along, a wholly foreign owned enterprise incorporated in the PRC, altogether the Along Group. The Along Group is engaged in its loss making research, development and provision of integrated information systems for power grid companies in the PRC which is under the segment of information technology services in the electricity power industry. Since the Along Group has been making losses for the two years ended 31 March 2011 and operating environment of the Along Group has become more competitive, the Disposal provides an opportunity to realize the investment in the Along Group. The Disposal is completed on 24 June 2011. Upon completion, the Along Group will cease to be subsidiaries of the Company and its financial results will no longer be consolidated into the Group's financial statements. The net carrying amounts of the CGU of information technology services in the electricity power industry included in goodwill and intangible assets as at the completion date will be included in the calculation of the profit or loss. The net asset value of the Along Group as at 31 March 2011 amounted to approximately RMB22.2 million. The consolidated net loss after tax of the Along Group for the year ended 31 March 2011 is amounted to approximately RMB24.1 million. Although the Disposal is completed on 24 June 2011, the directors of the Company did not have the intention and plan for the Disposal as at 31 March 2011, the Along Group was not classified as "asset held for sale" under HKFRS 5 "Non-current Assets Held for Sale and Discontinued Operations".

(b) Conversion of Convertible Bonds

On 22 June 2011, the Company issued and allotted 47,185,973 ordinary shares of HK$0.1 each to the holder of Bond B upon the exercise by the holder of all of its conversion rights attached to Bond B.

40. COMPARATIVE FIGURES

Certain comparative amounts have been reclassified to conform with the current year's presentation and accounting treatment.

4. INDEBTEDNESS STATEMENT

As at the close of business on 31 October 2011, being the latest practicable date for the purpose of this indebtedness statement prior to the printing of this circular, the Group had outstanding indebtedness of approximately RMB69,309,000 (equivalent to HK$85,567,000), which comprise the outstanding principal amount of convertible bonds of HK$85,560,000 (equivalent to RMB69,303,000) in aggregate and a finance lease of HK$7,000 (equivalent to RMB6,000). For the purpose of this statement of indebtedness, the outstanding indebtedness in Hong Kong Dollars have been translated into RMB at the exchange rate of HK$1.00 to RMB0.81 prevailing as at the close of business on 31 October 2011.

As at 31 October 2011, the Group had no material contingent liabilities.

Save as aforesaid and apart from intra-group liabilities and normal trade payables, as at the close of business on 31 October 2011, the Group did not have any debt securities issued and outstanding or agreed to be issued, bank overdrafts, loans or other similar indebtedness, liabilities under acceptance (other than normal trade bills) or acceptable credits, debentures, mortgages, charges, finance leases or hire purchase commitments, guarantees or other material contingent liabilities.

5. WORKING CAPITAL

The Directors are of the opinion that after taking into account the present internal financial resources of the Group, the estimated net proceeds of the Open Offer, and in the absence of unforeseen circumstances, the Group has sufficient working capital for its present requirements (that is, for at least the next twelve months from the date of this circular).

6. MATERIAL CHANGE

As at the Latest Practicable Date, save as disclosed in the following paragraphs, all of which have been disclosed in the interim report for the six months ended 30 September 2011, the Directors confirm that there is no material change in the financial or trading position or outlook of the Group since 31 March 2011, being the date to which the latest published audited financial statements of the Group were made up:

(a) the disposal of two wholly-owned subsidiaries of the Company as detailed in the circular of the Company dated 2 June 2011. On 12 May 2011, Topsheen Limited, a subsidiary of the Group, entered into a sale and purchase agreement with an independent third party to dispose of its entire equity interests in Intelligent Investment Development Limited and China Sino Holdings Limited which altogether held entire interest in Beijing Power Along Technology Co., Ltd. (collectively known as "Along Group"). The Along Group was principally engaged in making research, development and provision of integrated information systems for power grid companies in the PRC. The disposal was completed on 24 June 2011, since then, the Along Group ceased to be subsidiaries of the Group;

(b) the amendments made to the terms of the tranche A convertible bonds issued by the Company pursuant the agreement dated 25 July 2008 (as supplemented on 7 August 2008 and 20 July 2011). Details of such amendments are set out in the circular of the Company dated 11 August 2011; and

(c) as stated in the profit warning announcement of the Company dated 8 November 2011 and the interim report of the Company for the six months ended 30 September 2011, the unaudited interim results of the Group for the six months ended 30 September 2011 experienced an increase in net loss compared to the corresponding period of 2010 due to, amongst other things, a decrease in revenue from school network integration services during the period and the discontinuation of the operation of information technology services in the electricity industry in June 2011.

7. FINANCIAL AND TRADING PROSPECTS OF THE GROUP

FINANCIAL REVIEW

The turnover of the Group from continuing operations decreased approximately 52.20% for the six months ended 30 September 2011 as compared with the same period in 2010. The decrease was mainly due to the Group facing more competitive marketing situation.

The cost of sales of the Group from continuing operations increased approximately 100% for the six months ended 30 September 2011 as compared with the same period in 2010. The main reason was due to increase of relevant marketing costs for new business.

The administrative expenses from continuing operations had decreased approximately 57.11%, for the six months ended 30 September 2011 as compared with the same period in 2010. The main reason of the decrease was the Group had not granted the share options to increase the staff cost.

As at 30 September 2011, the shareholders' funds of the Group amounted to approximately RMB29.98 million. Current assets amounted to approximately RMB42.28 million of which approximately RMB15.89 million were cash and bank balances and approximately RMB21.26 million were trade receivables, prepayment, deposit and others receivables. The Group's current liabilities amounted to approximately RMB9.34 million.

The Group gearing ratio (being non-current liabilities over total equity) is 2.06 times as at 30 September 2011 (2010: 0.71 times) The increase in gearing ratio is mainly due to the loss incurred for the period.

PROSPECTS

For the first half of the financial year ended 30 September 2011, the Group's revenue was mainly generated from integration of school networks. The decline in revenue is attributed to the discontinuation of information technology services in the electric industry and the decrease in revenue from school network integration services. The decline in revenue from the school network integration services is mainly due to the government imposing tighter requirements and controls over the reporting period. The disposal of Beijing Power Along Technology Co., Ltd ("Along") has been completed, hence the Group has retreated from a business segment which features extreme competition and drastically changed business conditions.

With the disposal of Along completed, the Group has successfully withdrew from a business with limited benefits for the Shareholders. The government has imposed tighter requirements and policies for the school network integration services industry, the Group will strive to adapt to the new operating environment and it is the Board's intention to conduct regular review on the business of IT services in education section in order to formulate business plans and strategies for such existing business from time to time. On the other hand, the Group will continue to explore new business opportunities, including but not limited to, the use of financial investment company to look for investment opportunities. The Group will continue to seek for business opportunities and strive to maximize shareholders value by allocating resources into attractive opportunities.

Save for disclosed above and in paragraph (c) under the section headed "Material change" of this Appendix I that the unaudited interim results of the Group for the six months ended 30 September 2011 experienced an increase in net loss compared to the corresponding period of 2010 due to, amongst other things, a decrease in revenue from school network integration services during the period and the discontinuation of the operation of information technology services in the electricity industry in June 2011, the Directors are not aware of any material adverse change in the financial or trading position of the Group since the latest published audited accounts of the Company, being 31 March 2011.

For illustrative purposes only, set out below is the unaudited pro forma statement of adjusted consolidated net tangible assets of the Group after completion of the Open Offer as if it had taken place as at 30 September 2011.

A. UNAUDITED PRO FORMA STATEMENT OF ADJUSTED CONSOLIDATED NET TANGIBLE ASSETS OF THE GROUP

The unaudited pro forma statement of adjusted consolidated net tangible assets of the Group (the "Unaudited Pro Forma Financial Information") has been prepared by the Directors in accordance with paragraph 7.31 of the GEM Listing Rules to illustrate the effect of the proposed Open Offer on the basis of four Offer Shares for every one New Share held by Qualifying Shareholders on the Record Date on the unaudited consolidated net tangible assets of the Group as if the Open Offer had taken place on 30 September 2011. The Open Offer is conditional upon the Capital Reorganisation becoming effective.

The Unaudited Pro Forma Financial Information of the Group has been prepared for illustrative purpose only, and because of its hypothetical nature, it may not give a true picture of the consolidated net tangible assets of the Group had the Open Offer taken place on 30 September 2011 or any future date.

The Unaudited Pro Forma Financial Information of the Group is prepared based on relevant financial information as extracted from the published unaudited interim report of the Company for the six months ended 30 September 2011, after incorporating the unaudited pro forma adjustments described in the accompanying notes.

	Unaudited consolidated net assets of the Group as at 30 September 2011	Less: Intangible assets	Unaudited adjusted consolidated negative net tangible assets of the Group as at 30 September 2011	Estimated net proceeds from the Open Offer	Unaudited pro forma adjusted consolidated net tangible assets of the Group immediately after the completion of the Open Offer
	RMB'000	*RMB'000*	*RMB'000*	*RMB'000*	*RMB'000*
	(Note 1)	*(Note 2)*		*(Note 3)*	
Based on minimum number 754,975,576 Offer Shares to be issued	29,975	59,166	(29,191)	39,840	10,649
Based on maximum number 837,353,336 Offer Shares to be issued	29,975	59,166	(29,191)	44,311	15,120
Unaudited adjusted consolidated negative net tangible assets of the Group per New Share as at 30 September 2011 prior to the completion of the Open Offer *(Note 4)*					(RMB0.155)
Unaudited pro forma adjusted consolidated net tangible assets of the Group per New Share as at 30 September 2011 immediately after the completion of the Open Offer (based on the minimum number of 754,975,576 Offer Shares to be issued) *(Note 5)*					RMB0.011
Unaudited pro forma adjusted consolidated net tangible assets of the Group per New Share as at 30 September 2011 immediately after the completion of the Open Offer (based on the maximum number of 837,353,336 Offer Shares to be issued) *(Note 6)*					RMB0.014

Notes:

1. The unaudited consolidated net assets of the Group as at 30 September 2011 was extracted from the interim report of the Company for the six months ended 30 September 2011.

2. Intangible assets represented goodwill of approximately RMB46,898,000, and customer base and technology know-how of approximately RMB12,268,000 as extracted from the interim report of the Company for the six months ended 30 September 2011.

3. The estimated net proceeds from the issue of Offer Shares of approximately HK$48,585,000 (equivalent to RMB39,840,000) and HK$54,038,000 (equivalent to RMB44,311,000) are calculated based on the minimum number of 754,975,576 Offer Shares (assuming none of the outstanding Derivatives having been exercised on or before the Record Date) and the maximum number of 837,353,336 Offer Shares (assuming all of the outstanding Share Options and Existing Warrants having been exercised in full on or before the Record Date), respectively, to be issued at HK$0.0674 per Offer Share and after deduction of estimated related expenses of approximately HK$2,300,000 and HK$2,400,000 respectively.

   The net proceeds from the issue of Offer Shares are translated into RMB at the exchange rate of HK$1.00 to RMB0.82 for illustrative purpose only.

4. The number of shares used for the calculation of unaudited adjusted consolidated negative net tangible assets per New Share prior to the Open Offer is 188,743,894, which represent the number of shares of the Company in issue as at 30 September 2011 of 943,719,473 as adjusted by proposed Share Consolidation to consolidate every five issued and unissued shares of the Company of HK$0.1 each into one consolidated share of HK$0.5 each.

5. The number of shares used for the calculation of unaudited pro forma adjusted consolidated net tangible assets of the Group per New Share immediately after completion of the Open Offer is based on 943,719,470 New Shares, comprising 188,743,894 New Shares immediately after the Capital Reorganisation and the minimum number of 754,975,576 Offer Shares to be issued pursuant to the Open Offer.

6. The number of shares used for the calculation of unaudited pro forma adjusted consolidated net tangible assets of the Group per New Share immediately after completion of the Open Offer is based on 1,046,691,670 New Shares, comprising 188,743,894 New Shares immediately after the Capital Reorganisation, 20,594,440 New Shares issued upon the exercise of the outstanding Share Options and Existing Warrants and the maximum number of 837,353,336 Offer Shares to be issued pursuant to the Open Offer.

7. No adjustment has been made to reflect any trading results or other transactions of the Group entered into subsequent to 30 September 2011.

B. ACCOUNTANTS' REPORT ON THE UNAUDITED PRO FORMA STATEMENT OF ADJUSTED CONSOLIDATED NET TANGIBLE ASSETS OF THE GROUP

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The Directors
China Electric Power Technology Holdings Limited

21 December 2011

Dear Sirs

CHINA ELECTRIC POWER TECHNOLOGY HOLDINGS LIMITED

We report on the unaudited pro forma financial information (the "Pro Forma Financial Information") of China Electric Power Technology Holdings Limited (the "Company") and its subsidiaries (hereinafter collectively referred to as the "Group"), which has been prepared by the directors of the Company, for illustrative purposes only, to provide information about how the proposed open offer (the "Open Offer") of not less than 754,975,576 offer shares and not more than 837,353,336 offer shares in the Company at HK$0.0674 per offer share, which is conditional upon the capital reorganisation of the Company as announced on 20 July 2011, 11 August 2011, 7 October 2011 and 8 December 2011 becoming effective, might have affected the financial information presented, for inclusion in Appendix II of the Company's circular dated 21 December 2011 (the "Circular"). The basis of preparation of the unaudited Pro Forma Financial Information is set out on pages 144 to 146 of the Circular.

Respective responsibilities of directors of the Company and reporting accountants

It is the responsibility solely of the directors of the Company to prepare the unaudited Pro Forma Financial Information in accordance with paragraph 7.31 of the Rules Governing the Listing of Securities on the Growth Enterprise Market of The Stock Exchange of Hong Kong Limited (the "GEM Rules") and with reference to Accounting Guideline 7 "Preparation of Pro Forma Financial Information for Inclusion in Investment Circulars" issued by the Hong Kong Institute of Certified Public Accountants (the "HKICPA").

It is our responsibility to form an opinion, as required by paragraph 7.31(7) of the GEM Rules, on the unaudited Pro Forma Financial Information and to report our opinion to you. We do not accept any responsibility for any reports previously given by us on any financial information used in the compilation of the unaudited Pro Forma Financial Information beyond that owed to those to whom those reports were addressed by us at the dates of their issue.

Basis of opinion

We conducted our engagement in accordance with Hong Kong Standard on Investment Circular Reporting Engagements (HKSIR) 300 "Accountants' Reports on Pro Forma Financial Information in Investment Circulars" issued by the HKICPA. Our work consisted primarily of comparing the unadjusted financial information with source documents, considering the evidence supporting the adjustments and discussing the unaudited Pro Forma Financial Information with the directors of the Company. This engagement did not involve independent examination of any of the underlying financial information.

We planned and performed our work so as to obtain the information and explanations we considered necessary in order to provide us with sufficient evidence to give reasonable assurance that the unaudited Pro Forma Financial Information has been properly compiled by the directors of the Company on the basis stated, that such basis is consistent with the accounting policies of the Group and that the adjustments are appropriate for the purposes of the unaudited Pro Forma Financial Information as disclosed pursuant to paragraph 7.31(1) of the GEM Rules.

Our work did not constitute an audit or review performed in accordance with Hong Kong Standards on Auditing or Hong Kong Standards on Review Engagements issued by the HKICPA, and accordingly, we did not express any such assurance on the unaudited Pro Forma Financial Information.

The unaudited Pro Forma Financial Information is for illustrative purposes only, based on the judgements and assumptions of the directors of the Company, and, because of its hypothetical nature, does not provide any assurance or indication that any event will take place in the future and may not be indicative of the financial positions of the Group as at 30 September 2011 or any future date.

We made no comments regarding the reasonableness of the amount of net proceeds from the Open Offer, the application of those net proceeds or whether such use will actually take place as described under section headed "Reasons for the Open Offer and Use of Proceeds" in the "Letter from the Board" set out on pages 26 to 27 of the Circular.

Opinion

In our opinion:

a. the unaudited Pro Forma Financial Information has been properly compiled by the directors of the Company on the basis stated;

b. such basis is consistent with the accounting policies of the Group; and

c. the adjustments are appropriate for the purposes of the unaudited Pro Forma Financial Information as disclosed pursuant to paragraph 7.31(1) of the GEM Rules.

Yours faithfully
BDO Limited
Certified Public Accountants
Hong Kong

1. RESPONSIBILITY STATEMENT

This circular, for which the Directors collectively and individually accept full responsibility, includes particulars given in compliance with the GEM Listing Rules and the Takeovers Code for the purpose of giving information with regard to the Company. The Directors, having made all reasonable enquiries, confirm that, to the best of their knowledge and belief: (i) the information contained in this document is accurate and complete in all material respects and not misleading or deceptive; and (ii) there are no other matters the omission of which would make any statement in this circular misleading.

All Directors jointly and severally accept full responsibility for the accuracy of information contained in this circular and confirm, having made all reasonable inquiries, that to the best of their knowledge, opinions expressed in this circular have been arrived at after due and careful consideration and there are no other facts not contained in this circular, the omission of which would make any statement in this circular misleading.

2. SHARE CAPITAL

The authorised and issued share capital of the Company (i) as at the Latest Practicable Date, and (ii) immediately upon completion of the Open Offer assuming the outstanding Share Options and Existing Warrants having been exercised in full on or before the Record Date were as follows:

Share capital of the Company

(a) Share capital as at the Latest Practicable Date

	Nominal value per share	**Number of Existing Shares**	**Amount**
	HK$		*HK$*
Authorised:			
As at the Latest Practicable Date	0.10	2,000,000,000	200,000,000
Issued and fully paid:			
As at the Latest Practicable Date	0.10	943,719,473	94,371,947.30

(b) *Share capital immediately upon completion of the Open Offer assuming none of the outstanding Derivatives having been exercised on or before the Record Date*

	Nominal value per share	Number of New Shares	Amount
	HK$		*HK$*
Authorised:			
As at the Latest Practicable Date (assuming Capital Reorganisation becoming effective)	0.01	400,000,000	4,000,000
Increase in authorised capital	0.01	1,100,000,000	11,000,000
		1,500,000,000	15,000,000
Issued and fully paid:			
As at the Latest Practicable Date (assuming Capital Reorganisation becoming effective)	0.01	188,743,894	1,887,438.94
Offer Shares to be issued pursuant to the Open Offer	0.01	754,975,576	7,549,755.76
New Shares upon completion of the Open Offer	0.01	943,719,470	9,437,194.70

(c) Share capital immediately upon completion of the Open Offer assuming the outstanding Share Options and Existing Warrants having been exercised in full on or before the Record Date

	Nominal value per share	Number of New Shares	Amount
	HK$		*HK$*
Authorised:			
As at the Latest Practicable Date (assuming Capital Reorganisation becoming effective)	0.01	400,000,000	4,000,000
Increase in authorised capital	0.01	1,100,000,000	11,000,000
		1,500,000,000	15,000,000
Issued and fully paid:			
As at the Latest Practicable Date (assuming Capital Reorgaisation becoming effective)	0.01	188,743,894	1,887,438.94
New Shares to be issued upon full exercised of the outstanding Share Options and Existing Warrants	0.01	20,594,440	205,944.40
		209,338,334	2,093,383.34
Offer Shares to be issued pursuant to the Open Offer	0.01	837,353,336	8,373,533.36
New Shares upon completion of the Open Offer	0.01	1,046,691,670	10,466,916.70

All the issued Shares rank *pari passu* with each other in all respects including the right to vote, dividends and return of capital. The Offer Shares to be allotted and issued will, when issued and fully paid, rank *pari passu* in all respects with the New Shares upon completion of the Capital Reorganisation.

Except for a total of 47,185,973 Existing Shares issued on 22 June 2011 pursuant to the exercise of the Convertible Bonds, since 31 March 2011, the date to which the latest audited consolidated accounts of the Company were made up, and up to the Latest Practicable Date, there had not been any new issue of Existing Shares.

Share Options

As at the Latest Practicable Date, the Company had the following outstanding Share Options held by the Directors and employees of the Company:

Name or category of participant		Date of grant	Exercisable period	Exercise price (after adjustment for Capital Reorganisation) per New Share	Number of share options (after adjustment for Capital Reorganisation) as at the Latest Practicable Date
				HK$	
(i)	Directors				
	Wang Dongbin	26 March 2008	27 March 2008 to 26 March 2013	8.385	78,720
	Yeung Kenneth King Wah				78,720
	Gao Feng				78,720
	Employees				5,431,680
	Total				5,667,840
(ii)	Directors				
	Wang Dongbin	18 March 2009	19 March 2009 to 18 March 2014	0.745	46,000
	Yeung Kenneth King Wah				46,000
	Gao Feng				46,000
	Wu Kehe (Resigned as at 8 July 2011)				–
	Employees				100,000
	Total				238,000

Name or category of participant	Date of grant	Exercisable period	Exercise price (after adjustment for Capital Reorganisation) per New Share	Number of share options (after adjustment for Capital Reorganisation) as at the Latest Practicable Date
			HK$	
(iii) Directors				
Li Kangying	27 April 2010	27 April 2010 to 26 April 2015	2.250	1,700,000
Wang Dongbin				174,600
Wu Zhanjiang (Resigned as at 8 July 2011)				–
Li Wing Sang (Resigned as at 24 August 2011)				–
Yeung Kenneth King Wah				60,000
Gao Feng				60,000
Wu Kehe (Resigned as at 8 July 2011)				–
Employees				6,560,000
Total				8,554,600

Existing Warrants

On 28 July 2009, the Company issued warrants in an aggregate principal amount of HK$7,759,510 to Wincrest Ventures, LP, which entitle the holders thereof to subscribe for 30,670,000 Existing Shares (or 6,134,000 New Shares after adjustment for Capital Reorganisation) at any time on or after 28 July 2009 but not later than 27 July 2014 at a subscription price of HK$0.253 per Existing Shares (or HK$1.265 per New Shares after adjustment for Capital Reorganisation).

Convertible Bonds

Pursuant to the agreement dated 25 July 2008 (as supplemented on 7 August 2008) entered into between Topsheen Limited, a wholly owned subsidiary of the Company, as purchaser, and Union Victory Investments Limited and China Venture Enterprise Limited as vendors, the Company issued the tranche A convertible bonds due on 30 September 2014. As at the Latest Practicable Date, the Convertible Bondholder, namely Expert Intelligence Limited, held the Convertible Bonds of outstanding principal amount of HK$85,560,000, which can be converted into 37,200,000 Existing Shares (or 7,440,000 New Shares after adjustment for Capital Reorganisation) at the conversion price of HK$2.30 per Existing Share (or HK$11.50 per New Share after adjustment for Capital Reorganisation).

Save as disclosed in this paragraph 2, the Company did not have any other options, warrants and other convertible securities or rights affecting the Shares as at the Latest Practicable Date.

3. MARKET PRICE

The table below shows the closing prices of the Existing Shares as recorded on the Stock Exchange on (i) the Last Trading Day; (ii) the last trading day of each calendar month during the Relevant Period; (iii) the last trading day of November 2011; and (iv) the Latest Practicable Date.

Date	Closing price per Existing Share *HK$*
31 May 2011	0.118
30 June 2011	0.103
29 July 2011	0.07
31 August 2011	0.06
30 September 2011	0.055
31 October 2011	0.058
16 November 2011 (Last Trading Day)	0.06
30 November 2011	0.048
Latest Practicable Date	0.055

The highest and lowest closing prices of the Existing Shares as quoted on the Stock Exchange during the Relevant Period were HK$0.14 on 27 May 2011 and HK$0.045 on 1 December 2011 respectively.

4. DIRECTORS' AND CHIEF EXECUTIVE'S INTERESTS OR SHORT POSITIONS IN SHARES AND UNDERLYING SHARES OF THE COMPANY AND ITS ASSOCIATED CORPORATIONS

As at the Latest Practicable Date, the interests or short positions of the Directors and the chief executive of the Company in the shares and underlying shares of the Company or any of its associated corporations (within the meaning of Part XV of the SFO) which were notified to the Company and the Stock Exchange pursuant to Divisions 7 and 8 of Part XV of the SFO (including interests or short positions which is taken or deemed to have under such provisions of the SFO), or which were required, to be entered in the register required to be kept under section 352 of the SFO, or which were required to be notified to the Company and the Stock Exchange pursuant to Rules 5.46 to 5.67 of the GEM Listing Rules, were as follows:

	Number of Existing Shares			
Director	**Controlled Corporation**	**Underlying Existing Shares** *(Note 2)*	**Total**	**Percentage of Shareholding**
Mr. Li Kangying	45,500,000 *(Note 1)*	8,500,000	54,000,000	6.02%
Mr. Wang Dongbin	–	1,496,600	1,496,600	0.16%
Mr. Yeung Kenneth King Wah	–	923,600	923,600	0.10%
Mr. Gao Feng	–	923,600	923,600	0.10%

Notes:

(1) These Existing Shares are registered in the name of and beneficially owned by Manrich Investments Limited ("Manrich Investments") and Fortune Sun Holdings Limited ("Fortune Sun"). Manrich Investments and Fortune Sun is 100% legally and beneficially owned by Mr. Li Kangying.

(2) The interests in the underlying Existing Shares represent the Share Options granted to the Directors.

Save as disclosed above, as at the Latest Practicable Date, none of the Directors or chief executive 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 Divisions 7 and 8 of Part XV of the SFO (including interests or short positions which they are taken or deemed to have 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 otherwise required, pursuant to the minimum standards of dealing by directors of listed issuers as referred to in Rules 5.46 to 5.67 of the GEM Listing Rules, to be notified to the Company and the Stock Exchange.

5. SUBSTANTIAL SHAREHOLDERS AND PERSONS WITH DISCLOSEABLE INTEREST AND SHORT POSITION IN SHARES UNDER SFO

So far as is known to any Director or chief executive of the Company, as at the Latest Practicable Date, the following persons (other than the Directors or chief executive of the Company as disclosed above) had an interest or short position in the Existing Shares or underlying Existing Shares which would fall to be disclosed to the Company under the provisions of Divisions 2 and 3 of Part XV of the SFO. or, who is expected, directly or indirectly, to be interested in 10%. or more of the nominal value of any class of share capital carrying rights to vote in all circumstances at general meetings of any other member of the Group.

Long positions in shares

Name	Nature of Interest	Number of Existing Shares	Number of underlying Existing Shares	Total	Percentage of shareholding
Crown Castle	Beneficial Owner *(Note 1)*	233,300,000	–	233,300,000	24.72%
Choi Yat Wan	Interest of controlled corporation *(Note 1)*	233,300,000	–	233,300,000	24.72%
Gold Oriental	Beneficial owner *(Note 2)*	162,445,973	–	162,445,973	17.21%
Cheung Yuet	Interest of controlled corporation *(Note 2)*	162,445,973	–	162,445,973	17.21%

Notes:

(1) Crown Castle is wholly and beneficially owned by Ms. Choi Yat Wan.

(2) Gold Oriental is wholly and beneficially owned by Mr. Cheung Yuet.

Save as disclosed above, as at the Latest Practicable Date, the Company had not been notified of any other person (other than the Directors or chief executive of the Company) who had a discloseable interest or short position in the Shares as recorded in the register required to be kept under section 336 of the SFO or carrying rights to vote in all circumstances at general meetings of any other members of the Group.

6. ADDITIONAL DISCLOSURE

As at the Latest Practicable Date:

(a) there is no agreement, undertaking, understanding and arrangement that any Shares, convertible securities, warrants, options or derivatives in respect of the Shares acquired in pursuance of the Open Offer will be transferred, charged or pledged to any other persons;

(b) there was no arrangement of the kind referred to in Note 8 to Rule 22 of the Takeovers Code with Pacific Motion, Mr. Cheung and parties acting in concert with any of them and other person(s);

(c) no persons had irrevocably committed themselves to vote for or against the resolution(s) to approve the Open Offer, the Underwriting Agreement and the Whitewash Waiver at the EGM;

(d) none of Pacific Motion, Mr. Cheung and parties acting in concert with any of them has borrowed or lent any relevant securities (as defined in Note 4 to Rule 22 of the Takeovers Code) of the Company;

(e) no benefit will be or has been given to any Director as compensation for loss of office in any member of the Group or otherwise in connection with the Open Offer, the Underwriting Agreement and/or the Whitewash Waiver;

(f) save for the Underwriting Agreement, there was (i) no agreement, arrangement or understanding (including any compensation arrangement) existed between Pacific Motion, Mr. Cheung or parties acting in concert with any of them and any of the Directors, recent Directors, Shareholders or recent Shareholders having any connection with or dependence upon the Open Offer, the Underwriting Agreement and/or the Whitewash Waiver; and (ii) no agreement or arrangement between any Directors and any other person which is conditional on or dependent upon the outcome of the Open Offer, the Underwriting Agreement and/or the Whitewash Waiver or otherwise connected with the Open Offer, the Underwriting Agreement and/or the Whitewash Waiver;

(g) there was no agreement or arrangement to which Pacific Motion is a party which relates to the circumstances in which it may or may not invoke or seek to invoke a pre-condition or a condition to the Open Offer, the Underwriting Agreement and the Whitewash Waiver, other than those set out in the paragraph headed "Conditions of the Open Offer" in the letter from the Board of this circular;

(h) no person had any arrangement of the kind referred to in Note 8 to Rule 22 of the Takeovers Code with the Company or with any person who is an associate of the Company by virtue of classes (1), (2), (3) and (4) of the definition of "associate" in the Takeovers Code, and no such person had dealt for value in any securities in the Company during the Relevant Period;

(i) save for Mr. Cheung, none of the Company and the Directors held any shares, convertible securities, warrants, options and derivatives in respect of shares of Pacific Motion, and none of them had dealt for value in any shares, convertible securities, warrants, options and derivatives in respect of shares of Pacific Motion during the Relevant Period. Save for Mr. Li Kangying who held 45,500,000 Existing Shares and 8,500,000, 1,496,600, 923,600 and 923,600 outstanding Share Options granted to Mr. Li Kangying, Mr. Wang Dongbin, Mr. Yeung Kenneth King Wah and Mr. Gao Feng, none of the Directors held any shares, convertible securities, warrants, options and derivatives of the Company;

(j) none of (i) the subsidiaries of the Company; (ii) the pension fund of the Company or of a subsidiary of the Company; and (iii) any advisers to the Company (as specified in class (2) of the definition of "associate" under the Takeovers Code) had any interest in the Shares, convertible securities, warrants, options or derivatives of the Company, and none of them had dealt for value in any shares, convertible securities, warrants, options and derivatives of the Company during the Relevant Period;

(k) no Shares, convertible securities, warrants, options or derivatives of the Company were managed on a discretionary basis by fund mangers connected with the Company. In addition, no fund managers connected with the Company had dealt for value in the relevant securities (as defined in Note 4 to Rule 22 of the Takeovers Code) in the Company from the date of the Underwriting Agreement up to the Latest Practicable Date;

(l) the Company or the Directors did not borrow or lend any relevant securities (as defined in Note 4 to Rule 22 of the Takeovers Code) in the Company;

(m) save for the Underwriting Agreement, there was no material contract entered into by Pacific Motion or Mr. Cheung in which a Director had a material personal interest;

(n) save for the Underwritten Shares that may be taken up by the Underwriters pursuant to the Underwriting Agreement, none of the Underwriters, Mr. Cheung and parties acting in concert with any of them held any Existing Shares or had interest in any shares, convertible securities, warrants, options or derivatives of the Company or had dealt in any shares, convertible securities, warrants, options and derivatives of the Company during the Relevant Period; and

(o) save as disclosed under section 4 of this Appendix III, none of the Directors have any interests in the Shares and convertible securities, warrants, options or derivatives in respect of the Shares of the Company. Save for Ms. Wang Dongbin who disposed 36,000,000 Existing Shares and 54,000,000 Existing Shares in August and September 2011 respectively, none of the Directors had dealt for value in the Shares and convertible securities, warrants, options or derivatives in respect of the Shares of the Company or Pacific Motion during the Relevant Period; and

(p) Mr. Yeung Kenneth King Wah and Mr. Gao Feng, being independent non-executive Directors; and Mr. Li Kangying and Mr. Wang Dongbin, being the executive Directors interested in the Share Options, have no intention to exercise the Share Options granted to them on or before the record date for determining eligibility to attend and voting at the EGM. Daily Growth, Mr. Cheng, Mr. Cheung, Pacific Motion and its ultimate beneficial owners, together with parties acting in concert with any of them and Shareholders who are not Independent Shareholders, namely Mr. Li Kangying; and Mr. Wang Dongbin and Mr. Chau King Fai shall abstain from voting at the EGM in respect of the resolutions approving the Open Offer, the Underwriting Agreement and the Whitewash Waiver.

7. DIRECTORS' SERVICES CONTRACTS

(a) Mr. Li Kangying has entered into a new service contract with the Company on 8 July 2011 in relation to his appointment as the Chairman of the Board of the Company for a period expiring on 31 March 2012 with a fixed remuneration of HK$600,000 per annum, such term and remuneration are different from his former service contract. Under his former service contract, Mr. Li was appointed for a period expiring on 7 February 2013 with a fixed remuneration of HK$800,000 per annum. In addition, Mr. Li has executed an appointment letter for his appointment as an executive Director with the Company for a period from 8 July 2011 to 31 March 2012 at a fixed annual remuneration of HK$120,000. No variable bonus is available to Mr. Li under his contract(s) with the Company.

(b) Mr. Wang Dongbin has entered into a new service contract with the Company on 8 July 2011 in relation to his appointment as the chief executive officer of the Company for a period expiring on 31 March 2012 with a fixed remuneration of HK$600,000 per annum, such term and remuneration are different from his former service contract. Under his former service contract, Mr. Wang was appointed for a period expired on 31 October 2011 with a fixed remuneration of HK$800,000 per annum. In addition, Mr. Wang has executed an appointment letter for his appointment as an executive Director with the Company for a period from 8 July 2011 to 31 March 2012 at a fixed annual remuneration of HK$120,000. No variable bonus is available to Mr. Wang under his contract(s) with the Company.

(c) Mr. Cheung has entered into a contract with the Company on 8 July 2011 in relation to his appointment as an executive Director for a period of 2 years commencing from 8 July 2011 and expiring on 7 July 2013 with a fixed remuneration of HK$120,000 per annum. No variable bonus is available to Mr. Cheung under his contract with the Company.

(d) Mr. Cheng has entered into a contract with the Company on 8 July 2011 in relation to his appointment as an executive Director for a period of 2 years commencing from 8 July 2011 and expiring on 7 July 2013 with a fixed remuneration of HK$120,000 per annum. No variable bonus is available to Mr. Cheng under his contract with the Company.

(e) Mr. Chau King Fai has entered into a contract with the Company on 6 September 2011 in relation to his appointment as a non-executive Director for a period of 2 years commencing from 6 September 2011 and expiring on 5 September 2013 with a fixed remuneration of HK$120,000 per annum. No variable bonus is available to Mr. Chau under his contract with the Company.

(f) Mr. Chiang Sheung Yee Anthony has entered into a contract with the Company on 8 July 2011 in relation to his appointment as an independent non-executive Director for a period of 2 years commencing from 8 July 2011 and expiring on 7 July 2013 with a fixed remuneration of HK$120,000 per annum. No variable bonus is available to Mr. Chiang under his contract with the Company.

Save as disclosed above, none of the Directors has service contract with the Company or any of its subsidiaries or associated companies (i) which (including both continuous and fixed term contract) have been entered into or amended within 6 months before the date of the Announcement; (ii) which are continuous contracts with a notice period of 12 months or more; or (iii) which are fixed term contracts with more than 12 months to run irrespective of the notice period.

8. DIRECTORS' INTEREST IN CONTRACTS AND ASSETS

There was no contract or arrangement in which any of the Directors is materially interested and which is significant in relation to the business of the Group subsisted as at the Latest Practicable Date.

As at the Latest Practicable Date, none of the Directors has, or has had, any direct or indirect interests in any assets which have been acquired or disposed of by or leased to, or which are proposed to be acquired or disposed of by or leased to, any member of the Group since 31 March 2011, the date to which the latest published audited consolidated accounts of the Group were made up.

9. COMPETING INTERESTS

As at the Latest Practicable Date, none of the Directors or the controlling shareholders or any of their respective associates (as defined in the GEM Listing Rules) had an interest in a business which competes or may compete, either directly or indirectly, with the business of the Group or have or may have any other conflicts or interests with the Group.

10. LITIGATION

As at the Latest Practicable Date, there was no litigation or claim of material importance known to the Directors to be pending or threatened against any member of the Group; and there was no material litigation to which the Group has become a party.

11. EXPERTS AND CONSENT

The following are the qualifications of the experts whose letters and reports are contained in this circular:

Name	Qualification
Veda Capital	a licensed corporation for Type 6 (advising on corporate finance) regulated activity under the SFO
BDO Limited	Certified Public Accountants

Each of Veda Capital and BDO Limited has given and has not withdrawn its written consent to the issue of this circular with the inclusion of its letter and/or report and the reference to its name in the form and context in which they appear.

As at the Latest Practicable Date, Veda Capital and BDO Limited did not have any shareholding in any member of the Group and did not have any right, whether legally enforceable or not, to subscribe for or to nominate persons to subscribe for securities in any member of the Group.

As at the Latest Practicable Date, Veda Capital and BDO Limited did not have any direct or indirect interest in any assets which have been, since 31 March 2011 (the date to which the latest published audited consolidated accounts of the Group were made up), acquired or disposed of by or leased to any member of the Group, or are proposed to be acquired or disposed of by or leased to any member of the Group.

12. MATERIAL CONTRACTS

The following contracts (not being contracts entered into in the ordinary course of business carried on or intended to be carried on by the Company or any of its subsidiaries) were entered into by members of the Group within the two years preceding the date of the Announcement which are or may be material:

(i) the sale and purchase agreement dated 12 May 2011 entered into between Topsheen Limited, a wholly-owned subsidiary of the Company, and First Legend Holdings Limited ("First Legend"), an independent third party to the Company, in which Topsheen Limited disposed of its entire equity interests in Intelligent Investment Development Limited ("Intelligent Investment") and China Sino Holdings Limited which altogether held entire interest in Beijing Power Along Technology Co., Ltd. ("Power Along") and the assignment of sale loans for a total cash consideration of HK$35,000,000;

(ii) the deed of assignment and novation dated 3 June 2011 entered into between Topsheen Limited, Beijing eJet Science & Development Co., Ltd., Intelligent Investment, and Power Along in relation to a debt of RMB4,000,000 due to Beijing eJect by Power Along;

(iii) the assignment deed dated 24 June 2011 entered into between Topsheen Limited as assignor and First Legend as assignee in respect of the assignment of a loan in the sum of HK$4,812,564.76 due from Intelligent Investment;

(iv) the supplemental agreement dated 20 July 2011 entered into between the Company and the Convertible Bondholder for amending the terms and conditions of the Convertible Bonds;

(v) the Underwriting Agreement; and

(vi) the irrevocable undertakings dated 16 November 2011 given by Convertible Bondholder to the Company in relation to the Open Offer.

13. EXPENSES

The expenses in connection with the Open Offer, including the underwriting commission, printing, registration, translation, legal and accounting fees, are estimated to be approximately HK$2.30 million on the basis of 754,975,576 Offer Shares to be issued, and will payable by the Company.

14. DOCUMENTS AVAILABLE FOR INSPECTION

Copies of the following documents will be available for inspection on any business day from the date of this circular up to and including the date of the EGM during normal business hours from 9:00 a.m. to 5:00 p.m. (except Saturdays and public holidays) at the principal office of the Company at Unit A, 11th Floor, Two Chinachem Plaza, 68 Connaught Road Central, Hong Kong, and will also be available on the websites of the Company at www.ceptchina.com and the SFC at http://www.sfc.hk:

(a) the memorandum and articles of association of the Company and the Underwriters;

(b) the annual reports of the Company for each of the two years ended 31 March 2010 and 2011;

(c) the interim report of the Company for the six months ended 30 September 2011;

(d) the material contracts referred to in the paragraph headed "Material contracts" in this appendix;

(e) the services contracts referred to in the paragraph headed "Directors' services contracts" in this appendix;

(f) a copy of each of the circulars issued by the Company pursuant to the requirements set out in Chapter 19 and/or 20 of the GEM Listing Rules since 31 March 2011 (being the date to which the latest published audited consolidated accounts of the Company was made);

(g) the letter from the Board, the text of which is set out on pages 10 to 35 of this circular;

(h) the letter of recommendation from the Independent Board Committee, the text of which is set out on page 36 of this circular;

(i) the letter of advice from Veda Capital, the text of which is set out on pages 37 to 53 of this circular;

(j) the accountants' report from BDO Limited in respect of the unaudited pro-forma financial information on the Group, the text of which is set out in appendix II of this circular; and

(k) the written consents referred to in the paragraph headed "Experts and consents" in this appendix.

15. PARTICULARS OF DIRECTORS

(a) The addresses of the Directors are set out below:

Name	**Address**
Executive Director	
Mr. Li Kangying	Room 1-101, Building 30 Wanquan Xinxin Jiayuan Haidian District, Beijing PRC
Mr. Wang Dongbin	Flat C, 10/F., Block 2 Tung Chung Crescent Tung Chung Hong Kong
Mr. Cheung Jonathan	A502, 5/F., Block A Villa Verde 16-18 Guildford Road The Peak Hong Kong
Mr. Cheng Wai Lam James	Flat 3522, BLK 2, Harbourview Horizon 12 Hung Lok Road Hung Hom, Kowloon Hong Kong
Non-executive Director	
Chau King Fai	Flat B2, 1/F., Kowloon Tong Court 4-8 Lancashire Road Kowloon Tong, Kowloon Hong Kong
Independent non-executive Directors	
Mr. Yeung Kenneth King Wah	Flat C, 32/F., Tower 5 Grand Promenade Sai Wan Ho Hong Kong

Mr. Gao Feng	Room 601, Flat 2, 26/F Wanquan Xin Xin Garden Beijing PRC
Mr. Chiang Sheung Yee Anthony	Flat 2, 6/F., Block D Summit Court 144-158 Tin Hau Temple Road North Point Hong Kong

(b) The brief biographies of the Directors are set out below:

Executive Directors

Mr. Li Kangying, aged 55, has been appointed as senior consultant since 1 November 2008 and executive director and chairman of the Board from 8 February 2010, is a qualified engineer in the PRC. Mr. Li graduated from North China University of Electric Power majoring in telecommunications. Prior to joining the Company, Mr. Li was the deputy director of BNTDZ (北京市新技術產業開發試驗區) and has accumulated extensive experience in corporate management. In the last three years, Mr. Li was previously the executive director and president of Beijing Development (Hong Kong) Limited (stock code: 154) and executive director of China Information Technology Development Limited (stock code: 8178), the shares of the said two companies are listed on the Stock Exchange of Hong Kong Limited.

Mr. Wang Dongbin, aged 44, has been appointed as an executive director and chief executive officer from 28 November 2007. Mr. Wang was previously the executive director and chief executive officer of Xteam Software International Limited (Stock code: 8178). He graduated from Tsinghua University in 1992 with a master's degree in applied physics. Mr. Wang has over 14 years' experience in the telecommunications, information technology and educational information service fields.

Mr. Cheung Jonathan, Certified FRM, aged 25, holds a Bachelor of Science degree from Cornell University, New York, majoring in Operations Research and Information Engineering. Mr. Cheung holds the Financial Risk Manager (FRM) designation. Mr. Cheung worked in major investment banks and major asset management firms. Mr. Cheung had experiences in corporate finance, financial advisory, private equity investments, direct investments and asset management.

Mr. Cheng Wai Lam James, aged 51, holds a Master of Business Administrations. Mr. Cheng is currently the Chief Executive Officer of Daily Growth Securities Limited, Daily Growth Wealth Management Limited and Daily Growth Futures Limited. He is the responsible officers for the first two companies named above. All three companies being licensed corporations regulated by the Securities and Futures Commission. He is also a Director of the Hong Kong Associations of Online Brokers. He has over 25 years of experience in various industries including banking and finance, manufacturing and telecommunications, of which over 20 years were in senior management positions.

Non-executive Director

Mr. Chau King Fai, aged 50, has over 20 years of experience in banking and corporate finance. He has held senior positions with several major international banks. Mr. Chau has been involved in numerous corporate finance transactions including floatation of various companies on stock exchanges in Hong Kong and the PRC, fund raising exercises of listed companies in the secondary market and financial advisory works of various nature for public and private companies in the Great China region. Mr. Chau holds a bachelor degree in business administration majoring in Finance from the Chinese University of Hong Kong. Mr. Chau is currently an executive director of Value Convergence Holdings Limited (stock code 821).

Independent non-executive Directors

Mr. Yeung Kenneth King Wah, aged 53, has been appointed as an independent non-executive Director and as the chairman of the audit committee and remuneration committee from 1 August 2007. Mr. Yeung is a fellow member of the Institute of Chartered Accountants in England and Wales, and the Hong Kong Institute of Certified Public Accountants. He is also a member of the Chartered Institute of Taxation in the United Kingdom. Mr. Yeung set up his own management consulting practice in Hong Kong. Mr. Yeung is currently an independent non-executive director of Smart Union Group (Holdings) Limited (stock code: 2700). He was formerly an independent non-executive director and the chairman of the audit committee and the remuneration and nomination committee of Northern International Holdings Limited (stock code: 736) and an independent non-executive director and the chairman of the audit committee and member of the remuneration committee of eForce Holdings Limited (stock code: 943).

Mr. Gao Feng, aged 43, has been appointed as an independent non-executive Director and as a member of the audit committee and remuneration committee from 28 November 2007. Mr. Gao is the visiting professor of Nankai University, Tianjin, China and partner, Board member, chief operating officer of AutekBio (Beijing) Inc.（中美奧達生物技術（北京）有限公司）. He graduated from the Medical College of Ohio at Toledo with a degree of Doctor of Philosophy in Medical Science in 2001. Mr. Gao has extensive marketing and management experience in the biotech field.

Mr. Chiang Sheung Yee Anthony, aged 53 has been appointed as an independent non-executive director and as a member of the audit committee and remuneration committee from 8 July 2011, is a practicing solicitor in Hong Kong. He obtained a Bachelor of Laws degree at the University of Hong Kong in 1980 and was admitted as a solicitor of Hong Kong in 1983. He was appointed by the Ministry of Justice in the People's Republic of China as an attesting officer in 1995. Mr. Chiang has substantial experience in foreign investment into the PRC.

The Company has set up an audit committee with written terms of reference in compliance with the GEM Listing Rules, for the purpose of reviewing and providing supervision over the financial reporting process and internal control of the Group, and providing advice and comments to the Board accordingly.

16. CORPORATE INFORMATION

Head office and principle place of business	*In the PRC:* Room 908, Block E Jiahua Building No. 9 3rd Shangdi Street Haidian District, Beijing PRC *In Hong Kong:* Unit A, 11th Floor Two Chinachem Plaza 68 Connaught Road Central Hong Kong
Registered office	Cricket Square Hutchins Drive P.O. Box 2681 Grand Cayman KY1-1111 Cayman Islands
Independent financial adviser	Veda Capital Limited Suite 3214, 32/F COSCO Tower 183 Queen's Road Central Hong Kong
Legal advisers	*As to Hong Kong law:* Troutman Sanders 34th Floor Two Exchange Square 8 Connaught Place Central, Hong Kong *As to Cayman Islands law:* Conyers Dill & Pearman Cricket Square Hutchins Drive PO Box 2681 Grand Cayman KY1-1111 Cayman Islands

Auditors	BDO Limited 25th Floor Wing On Centre 111 Connaught Road Central Hong Kong
Principal bankers	*In the PRC:* Bank of Beijing Shangdi Branch No. 1, Shangdi Xinxi Road Beijing PRC *In Hong Kong:* Hang Seng Bank Limited 83 Des Voeux Road Central Hong Kong
Share registrars and transfer office	*Principal share registrar* Butterfield Fund Services (Cayman) Limited Butterfield House 68 Fort Street P.O. Box 705 George Town Grand Cayman Cayman Islands *Hong Kong branch share registrar* Computershare Hong Kong Investor Services Limited Shops 1712-1716, 17/F Hopewell Centre 183 Queen's Road East Wanchai Hong Kong
Authorised representatives	Mr. Wang Dongbin Ms. Shen Tianwei
Company secretary	Ms. Shen Tianwei MAPAIS, CPA, CICPA
Compliance officer	Mr. Cheung Jonathan A502, 5/F, Block A Villa Verde 16-18 Guildford Road The Peak Hong Kong

Underwriters	Pacific Motion Limited *Registered address in British Virigin Islands;* OMC Chambers Wickhams Cay 1 Road Town Tortola British Virgin Islands *Registered address in Hong Kong:* A502, 5/F, Block A Villa Verde 16-18 Guildford Road The Peak Hong Kong Daily Growth Securities Limited Room 3705 The Center 99 Queen's Road Central Hong Kong
Financial adviser to the Company	VC Capital Limited 28/F, The Centrium 60 Wyndham Street Central Hong Kong

CHINA ELECTRIC POWER TECHNOLOGY HOLDINGS LIMITED

中電科 中國電力科技控股有限公司

(Incorporated in the Cayman Islands with limited liability)

(Stock Code: 8053)

NOTICE OF THE EXTRAORDINARY GENERAL MEETING

NOTICE IS HEREBY GIVEN that an extraordinary general meeting of China Electric Power Technology Holdings Limited (the "**Company**") will be held at Room 1201-1206, 12th Floor, Block A, Di Sam Ji Plaza, No. 66 North Fourth Ring West Road, Haidian District, Beijing, the PRC on Monday, 16 January 2012 at 9:00 a.m., for the purposes of considering and, if thought fit, passing, with or without modification, the following as ordinary resolutions of the Company. Unless otherwise indicated, capitalised terms used in this notice and the following resolutions shall have the same meanings as those defined in the circular of the Company dated 21 December 2011 (the "**Circular**") of which the notice convening this meeting forms part.

ORDINARY RESOLUTIONS

1. "**THAT** conditional upon the Capital Reorganisation becoming effective on and with effect from the Business Day next following the date that the Capital Reorganisation became effective (Hong Kong time):-

    (a) the authorised share capital of the Company be increased from HK$4,000,000 divided into 400,000,000 New Shares of HK$0.01 each after completion of the Capital Reorganisation to HK$15,000,000 divided into 1,500,000,000 New Shares of HK$0.01 each by the creation of an additional 1,100,000,000 unissued New Shares of HK$0.01 each (the "**Capital Increase**"); and

    (b) any one director of the Company (the "**Director(s)**") be and is hereby authorized for and on behalf of the Company to execute all such documents, instruments and agreements and to do all such acts or things deemed by them to be incidental to, ancillary to or in connection with the matters contemplated in and for completion of the Capital Increase."

2. "**THAT** conditional upon the Capital Reorganisation and the Capital Increase referred to in the ordinary resolution numbered 1 above becoming effective and conditional upon fulfillment or wavier (where applicable) of the conditions of the Underwriting Agreement (as defined below),:

    (a) the allotment and issue of not less than 754,975,576 New Shares and not more than 837,353,336 New Shares in the share capital of the Company (the "**Offer Shares**") by way of open offer (the "**Open Offer**") at a subscription price of HK$0.0674 per Offer Share to the qualifying holders of the New Shares (the "**Qualifying Shareholders**") of the Company whose names appear on the register of members of the Company on Tuesday, 31 January 2012 (or such later date as the Company and the Underwriters may agree to be the record date for such Open Offer) (the "**Record Date**") other than those shareholders with addresses on the Record Date are outside Hong Kong whom the Directors, after making relevant enquiry, consider their exclusion from the Open Offer to be necessary or expedient on account either of the legal restrictions under the laws of the relevant place or the requirements of the relevant regulatory body or stock exchange in that place (the "**Excluded Shareholders**") as described in further details in the Circular and on and subject to such terms and conditions as may be determined by the Directors and otherwise pursuant to and subject to the fulfillment of the conditions set out in the underwriting agreement (the "**Underwriting Agreement**" including all supplemental agreement(s) relating thereto, if any) (a copy of which has been produced to this meeting marked "A" and signed by the chairman of this meeting for the purpose of identification) dated 16 November 2011 and made between the Company, and Pacific Motion Limited and Daily Growth Securities Limited as underwriters (the "**Underwriters**"), and the transactions contemplated thereunder, be and are hereby approved;

(b) any one Director be and is hereby authorised to allot and issue the Offer Shares pursuant to or in connection with the Open Offer notwithstanding that (i) the same may be offered, allotted or issued otherwise than pro rata to the Qualifying Shareholders and, in particular, the Directors may make such exclusions or other arrangements in relation to Excluded Shareholders as they deem necessary or expedient having regard to any restrictions or obligations under the laws of, or the requirements of any recognised regulatory body or any stock exchange in, any territory outside Hong Kong, and (ii) excess Offer Shares which would otherwise have been made available for application by the Qualifying Shareholders or the Excluded Shareholders (as the case may be) will be made available for subscription under forms of application for excess Offer Shares;

(c) the entering into of the Underwriting Agreement by the Company be and is hereby approved, confirmed and ratified and the performance of the transactions contemplated thereunder by the Company (including but not limited to the arrangements for taking up of the underwritten Offer Shares, if any, by the Underwriters) be and are hereby approved;

(d) the arrangements for application for Offer Shares by the Qualifying Shareholders in excess of their entitlements under the Open Offer be and are hereby approved, confirmed and ratified;

(e) any one Director be and is hereby authorised to sign and execute such documents and do all such acts and things incidental to the Open Offer or as he/she considers necessary, desirable or expedient in connection with the implementation of or giving effect to the Open Offer, the Underwriting Agreement and the transactions contemplated thereunder or in this resolution."

3. "**THAT** subject to the Executive granting to Pacific Motion Limited, Mr. Cheung Jonathan and the parties acting in concert with any of them the Whitewash Waiver and the satisfaction of any condition(s) attached to the Whitewash Waiver and such other necessary waiver or consent of the Executive for the transactions contemplated under the Open Offer, the waiver pursuant to Note 1 on dispensations from Rule 26 of the Hong Kong Code on Takeovers and Mergers (the "**Takeovers Code**") waiving any obligation on the part of Pacific Motion Limited, Mr. Cheung Jonathan and the parties acting in concert with any of them to acquire securities (including all outstanding Derivatives) of the Company other than those already owned by Pacific Motion Limited, Mr. Cheung Jonathan and the parties acting in concert with any of them which would otherwise arise under Rule 26.1 of the Takeovers Code as result of the fulfillment of the obligations under the Underwriting Agreement, the principal terms of which are set out in the Circular, be and is hereby approved."

By order of the Board
China Electric Power Technology Holdings Limited
Li Kangying
Chairman

Hong Kong, 21 December 2011

Registered office:
Cricket Square
Hutchins Drive
P.O. Box 2681
Grand Cayman KY1-1111
Cayman Islands

Head office and principal place of business in the PRC and Hong Kong:
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Jiahua Building
No. 9 3rd Shangdi Street
Haidian District, Beijing
PRC

Unit A, 11th Floor
Two Chinachem Plaza
68 Connaught Road Central
Hong Kong

Notes:

1. Any member of the Company entitled to attend and vote at the EGM is entitled to appoint another person as his proxy to attend and vote instead of him. A proxy need not be a member of the Company. A member who is the holder of two or more shares of the Company may appoint more than one proxy to represent him to attend and vote on his behalf. In case of a recognised clearing house (or its nominees(s) and in each case, being a corporation), it may authorise such persons as it thinks fit to act as its representatives of the meeting and vote in its stead.

2. A form of proxy for use in connection with the EGM is enclosed with this circular. To be valid, the form of proxy, and (if required by the directors of the Company) the power of attorney or other authority (if any) under which it is signed or a certified copy of that power of attorney or authority must be deposited at the branch share registrars of the Company, Computershare Hong Kong Investor Services Limited, 17M Floor, Hopewell Centre, 183 Queen's Road East, Wan Chai, Hong Kong not less than 48 hours before the time appointed for holding the EGM or any adjournment thereof.

3. Where there are joint registered holders of any shares of the Company, any one of such persons may vote at any meeting, either personally or by proxy, in respect of such shares as if he were solely entitled thereto; but if more than one of such joint holders is present at any meeting personally or by proxy, that one of the said persons so present whose name stands first on the register in respect of such shares shall alone be entitled to vote in respect thereof. Completion and return of the form of proxy will not preclude shareholders from attending and voting in person at the meeting if shareholders so wish.

4. All resolutions shall be voted by way of a poll of the shareholders of the Company.