

20 July 2012

**BlueStar SecuTech Inc**  
**Final Results for the Year Ended 31 March 2012**

BlueStar SecuTech Inc. (“BlueStar”, “the Company” or “the Group”), the AIM quoted (AIM: BSST) leading provider of digital video surveillance solutions in China, is pleased to announce its final audited results for the 12 months ended 31 March 2012.

**Highlights for the year**

- Revenues down 17% to RMB 176 million (31 March 2011: RMB 213 million)
- Gross profit down 20% to RMB 90 million (31 March 2011: RMB 113 million)
- Gross margin down 2% to 51% (31 March 2011: 53%)
- Fully diluted earnings per share 2.79 fen (31 March 2011: 45.31 fen) (100 fen = 1 RMB)
- Profit before tax down 87% to RMB 5 million (31 March 2011: RMB 37 million excluding negative goodwill)
- Cash position of RMB 51 million at year end (31 March 2011: RMB 55 million)
- No dividend will be declared in respect of financial year ended 31 March 2012

**Commenting on the results, Xiao Gang, Chief Executive of BlueStar said:**

“The Company believes the financial year 2013 will still be another challenging year for its business, although we continue to win new contracts and new clients. The Company intends to increase its revenue in two ways: one is to develop the sales channel by expanding the sales team; the other is to continue to win more banking clients. We hope to create a firm foundation for the year through with this hard work.”

**Enquiries:-**

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## **Chairman's Statement**

The general recent financial downturn that affected business confidence has had a negative effect on the surveillance industry and we have suffered a disappointing year.

Our revenue and profits were less than the previous year. We continue to focus our business in the banking, police, and government security agency sector and continue to provide high quality software, products and services to our quality customers.

Despite the general downturn we have been able to win some major contracts throughout China and achieve new orders.

During the year, BlueStar was awarded eight copyrights in respect of its new software solutions for advanced networking platforms and intelligent management functions.

In November 2011 Blue Star was named in the China Public Security Magazine as one of the "10 most influential DVR brands in China 2011."

We will continue to streamline our management practices and improve operational efficiency aiming at being even more responsive to our customer's needs.

We are sincerely grateful to our customers and stakeholders for their continued long term support and trust. We would particular like to thank our workforce for their commitment and for their dedication to customer service.

Liu Xiaochuan  
Chairman, Non-Executive Director

## Financial Review

For the year ended 31 March 2012, revenue fell by 17% to RMB 176 million (2011: RMB 213 million) and profit after tax fell by 94% to RMB 2 million (2011: RMB 33 million). The poor results reflect our customers' general delay with their projects that resulted in a decrease in orders of DVR and surveillance solutions.

Gross profit for the year ended 31 March 2012 was RMB 90 million (2011: RMB 113 million) and average gross profit margins for the period decreased from 53% in 2011 to 51%.

BlueStar maintained its expenditure on research and development and, as planned, during the year, the Company's investment in R&D amounted to RMB 19 million (2011: RMB 20 million) of which RMB 10 million was capitalised (2011: RMB 12 million).

BlueStar also invested RMB 1.0 million in production and office equipment (2011: RMB 4.3 million).

Finance costs for the financial year ended 31 March 2012 were RMB 1.7 million (2011: RMB 0.2 million). This was due to an increase in bank loans during the period for working capital.

### *Profit before tax*

In view of the above, the group recorded a profit before tax of RMB 4.6 million for the year 2012 as compared with profit before tax of RMB 41 million for the corresponding period in 2011.

The fall in profits is mainly due to the fall in revenue and rise in administrative expenses of RMB 5 million, largely due to the following:

1. An increase in amortisation of intangible assets. In the financial year ended 31 March 2011, RMB 12 million of R&D expenses were capitalised, which began to be amortised during the financial year ended 31 March 2012.
2. Increased bad debt provision. The company treats all outstanding debt older than two years and non-banking debtors as a bad debt provision and so the increased amount of debtors led to an increase in bad debts.

The Company also capitalised a lower amount for R&D expenditure (RMB 3 million less).

For the year ended 31 March 2012 there were no other gains in the accounts compared to the year ended 31 March 2011 when there was a RMB 4 million gain from the acquisition of Beijing Kean Yuanjing Technologies Development Co., Ltd.

Earnings per share for the period was 2.79 fen (2011: 45.31 fen).

Trade receivables increased to RMB 63 million at 31 March 2012 (2011: RMB 61 million) and accrued income increased by 13% to RMB 166 million at 31 March 2012 (2011: RMB 147 million). RMB 184 million outstanding debtors have been received during last year. Our rise in accrued income is directly related to the Group working with banks, government security agencies projects and contracts which

results in a lengthened working capital cycle. In addition, customers in the banking sector have been slow payers historically, and as such, it normally takes the Company several months to collect the receivables.

For outstanding debtors which the Company has issued an invoice to the customer, the debtor days are 131 days (FY 2011: 104 days); For total outstanding debtors including accrued income, the debtor days are 475 days (FY 2011: 357 days). The company has requested that banking clients change their payment policies by paying us in installments instead of paying only when the project is finished as before.

Inventories at the year end were RMB 35 million (2011: RMB 30 million), which represents an increase in inventories to meet the demand of an increased volume of network projects. This has led to shorter delivery lead time and therefore improved customer satisfaction.

At the end of the financial year, the Company's cash position was RMB 51 million (2011: RMB 55 million).

Total liabilities of RMB 91 million include RMB 2 million of deferred consideration relating to KeAn which will be paid over three years and RMB 30 million short-term bank loan (2011: RMB 3 million) of which RMB 15 million obtained from Huaxia Bank (HXB), RMB 10 million obtained from China Minsheng Banking Corporation (CMBC) and RMB 5 million obtained from Bank of Beijing Trust.

Intangible assets increased from RMB 35 million at 31 March 2011 to RMB 39 million at 31 March 2012. The increase was mainly due to the development new software to be embedded within our equipment.

Net cash used in operating activities was RMB 14 million for the year (2011: RMB 2 million).

## **Operating Review**

### **Research and Development**

As a leading surveillance network solutions provider, BlueStar has continued to win customers through its proven TRENDLINE<sup>®</sup> series of products and comprehensive networking solutions, which are primarily supported by the Company's continued investment in R&D. During the year, the Company's investment in R&D amounted to RMB 19 million, of which RMB 10 million was capitalised. This compares to RMB 20 million being invested in the prior year, of which RMB 12 million was capitalised.

Within the year, the second-generation intelligent video analysis technology has been full-scale applied by our company to our products, such as DVR, DVS, HD IPC etc.

In August 2011, we released a series of HD IP cameras including a gun-type HD IP camera, mispheric and spherical HD IP camera, all of which support the 1080P HD real-time video. Making use of the digital storage technology, we have released HDVR which is compatible with analog and HD IP

cameras, We have also released NVR for HD IP cameras.

In May 2012, BlueStar was awarded eight copyrights in respect of its new software solutions for advanced networking platforms and intelligent management functions. The copyrights included RenderConfig-TV Wall Management system; Intelligent playback platform for BCenter; Video Surveillance System for Embedded NVR; Viloa-Intelligence Digital Video Recorder; Peony-HD IP Camera; Digital Map System for BCenter; TR01B-HD Video Decoder; and Carnation B-Intelligence Digital Video Server.

Reflecting the success of the Company's efforts in product research and development, BlueStar was named in the China Public Security Magazine as one of the "10 Most Influential Brands of DVR in China 2011".

### **Business Development**

During the year the Company won several crucial contracts with state-owned banking giants throughout China as follow:

-Two contracts signed with The Bank of China worth RMB 8.54 million and RMB 15.29 million for installing surveillance equipment for ATM machines in 2011;

-A contract with the Bank of China-Hebei Branch, worth RMB 6.86 million;

-A major contract with Bank of Beijing, Beijing Branch, worth RMB 7.43million;

-New framework contracts with several Chinese banks, including Industrial and Commercial Bank of China-Beijing Branch (RMB 8.3million); China Construction Bank-Hebei Branch (RMB 3 million); Industrial and Commercial Bank of China-Ningxia Branch (RMB 1.88million); and China Construction Bank- Hunan Branch (RMB 4 million), to serve as the general contractor and systems integrator of the surveillance network in China.

These important contract wins highlight and reinforce BlueStar's market leading position in the provision of surveillance solutions to the Chinese banking sectors.

### **Strategy**

In the past financial year, the Group's core strategy remained focused on growth in the banking sector and government security agencies sector within China, through expansion in Tier 2 & 3 cities.

The regulations introduced by the Ministry of Public Security ("MPS") currently require continuous video coverage of certain transactions, especially cash transactions. In particular these requirements include:

- The mandatory replacement of existing video surveillance systems by systems employing embedded DVRs after every five years to prevent systems becoming obsolete;

- A one-to-one policy, whereby every cash counter and ATM must have one exclusive camera, which must be connected to one dedicated DVR unit;
- All new systems must be DVR systems that may be connected electronically into a network.

The Directors believe that the technical demands of the banking segment are particularly stringent in terms of DVR-based video surveillance technology due to the legislative and security requirements imposed by the government. The banking segment includes in total 270,000 bank branches and ATMs spread throughout 30 provinces in China. The Directors believe this geographic dispersion provides good opportunities for the sale of networked DVRs as banks focus on the effectiveness and cost-efficiency of centralising their video surveillance activities. BlueStar continuously enhanced the software further by tailoring them for industry specific solutions.

Working with the Chinese government security agency department has also been a significant achievement for BlueStar as it has generated revenue of RMB 22 million for the Company during the year. As a leader in this rapidly growing market, the Company believes that this area will offer the Company considerable opportunities in the future.

#### **Surveillance Command Centre**

The Company's cooperation agreement with "Kaiyuan" marks the expansion of its business from product-driven into providing surveillance services. The surveillance command center which has been established by BlueStar and "Kaiyuan" in Beijing has been fully operational since July 2009. To date, 927 (807 in operation) financial outlets have so far been linked to the centre's services, generating recurring service fees for the Company of RMB 1.67 million (FY2011: RMB 1.05 million) over the period for the connected financial outlets currently subscribing to the service. In future, the Company plans to replicate this model in other top tier cities across China including Shanghai and Guangzhou.

#### **Acquisitions**

In May 2010, the Company acquired Beijing KeAn Yuanjing Technologies Development Co., Ltd ("KeAn") which generated RMB 5 million in revenue during the reporting period.

#### **Awards**

During the year, BlueStar won a number of awards, commendations and accreditations. These include:

- November 2011: BlueStar was named as one of the 10 most influential surveillance DVR brands in China for the second year, in a list sponsored by China Public Security Magazine. The final list of 10 companies is made up of the best performing, most innovative and highest quality products.
- November 2011: Awarded "A quality-trusted surveillance product enterprise in China" & "Famous Surveillance Product Brand in China" by Security & Protection Market Magazine.
- November 2011: Awarded the "2011 China Safe City Construction Recommendation Brand Status" by China Security & Protection Industry Association.

#### **Board Changes**

In May 2012, Mr. Romeo Edward Sze-Lam Kwok, the Vice President and Chief Financial Officer of BlueStar left the Company and stepped down as a director due to personal reason. We would like to

thank him for his significant contribution to the Company during his time with us.

Ms. Antonia Ping has been appointed to the position of Chief Financial Officer of the company effective on 1 June 2012. Antonia joined BlueStar in July 2009 as Company Secretary and CFO assistant and has over 10 years' experience in accounting and financial management. Whilst she was the assistant to CFO, she provided oversight on audits, financial reports and reported directly to the Company's CEO on matters of internal management and was also responsible for investor relations.

## **Outlook**

The Company believes the financial year 2013 will still be another challenging year for its business, although we continue to win new contracts and new clients. The Company intends to increase its revenue in two ways: one is to develop the sales channel by expanding the sales team; the other is to continue to win more banking clients. We hope to create a firm foundation for the year through with this hard work.

The Company expects to publish its report and accounts for the period by 10 August 2012. The reports will be posted to shareholders and available on our website with the following address:

<http://www.bstar.com.cn/html/en/index.php?ac=article&at=list&tid=121>

## CONSOLIDATED AND COMPANY STATEMENT OF COMPREHENSIVE INCOME

	Note	Group		Company	
		Year ended	Year ended	Year ended	Year ended
		31 March 2012	31 March 2011	31 March 2012	31 March 2011
		RMB'000	RMB'000	RMB'000	RMB'000
Revenue	3	176,424	212,671	-	-
Cost of sales		(86,596)	(99,733)	-	-
<b>Gross profit</b>		<b>89,828</b>	<b>112,938</b>	-	-
Other income		3,505	4,289	-	-
Distribution costs		(51,001)	(50,374)	-	-
Administrative expenses		(37,092)	(29,866)	(2,630)	(3,714)
Other expenses		(44)	(109)	5	(34)
Other gains/ (losses)		-	3,926	-	-
<b>Profit/(loss) from operations</b>		<b>5,196</b>	<b>40,804</b>	<b>(2,625)</b>	<b>(3,748)</b>
Finance cost		(1,662)	(193)	(25)	(33)
Investment income		1,111	390	-	-
<b>Profit/(loss) before tax</b>		<b>4,645</b>	<b>41,001</b>	<b>(2,650)</b>	<b>(3,781)</b>
Income tax expense	4	(2,611)	(8,011)	-	-
<b>Profit/(loss) for the year</b>		<b>2,034</b>	<b>32,990</b>	<b>(2,650)</b>	<b>(3,781)</b>
<b>Other comprehensive income</b>		-	-	-	-
<b>Total comprehensive income for the year</b>		<b>2,034</b>	<b>32,990</b>	<b>(2,650)</b>	<b>(3,781)</b>
<b>Earnings per ordinary share (fen)</b>	5				
Basic		2.79	45.31		
Diluted		2.79	45.31		



**CONSOLIDATED AND COMPANY STATEMENT OF FINANCIAL POSITION AS AT 31 MARCH 2012**

	Note	Group		Company	
		2012	2011	2012	2011
		RMB'000	RMB'000	RMB'000	RMB'000
<b>ASSETS</b>					
<b>Non-current assets</b>					
Intangible assets		39,031	35,498	-	-
Property, plant and equipment		9,786	12,990	-	-
Investment in subsidiaries		-	-	128,021	128,021
Deferred tax assets		1,393	1,249	-	-
<b>Total non-current assets</b>		<b>50,210</b>	<b>49,737</b>	<b>128,021</b>	<b>128,021</b>
<b>Current assets</b>					
Inventories		34,581	30,448	-	-
Trade and other receivables		242,955	217,216	1,794	9,007
Cash and cash equivalents		51,246	55,212	1,076	1,798
<b>Total current assets</b>		<b>328,782</b>	<b>302,876</b>	<b>2,870</b>	<b>10,805</b>
<b>Total assets</b>		<b>378,992</b>	<b>352,613</b>	<b>130,891</b>	<b>138,826</b>
<b>EQUITY AND LIABILITIES</b>					
<b>Equity attributable to owners of the parent</b>					
Share capital	6	134,861	134,861	134,861	134,861
Merger reserve		(7,575)	(7,575)	-	-
Retained earnings		119,110	127,868	(10,711)	(1,464)
Option reserve		4,408	4,520	4,408	4,520
Other reserves		36,817	32,622	-	-
<b>Total equity</b>		<b>287,621</b>	<b>292,296</b>	<b>128,558</b>	<b>137,917</b>
<b>Current liabilities</b>					
Trade and other payables		29,949	28,661	1,622	479
Short-term borrowings		30,000	3,000	-	-
Income tax payable		5,974	6,274	-	-
Other tax payable		18,283	16,292	711	430
<b>Total current liabilities</b>		<b>84,206</b>	<b>54,227</b>	<b>2,333</b>	<b>909</b>
<b>Non-current liabilities</b>					
Deferred tax liabilities		5,104	4,029	-	-
Deferred consideration		2,061	2,061	-	-
<b>Total non-current liabilities</b>		<b>7,165</b>	<b>6,090</b>	<b>-</b>	<b>-</b>
<b>Total liabilities</b>		<b>91,371</b>	<b>60,317</b>	<b>2,333</b>	<b>909</b>
<b>Total equity and liabilities</b>		<b>378,992</b>	<b>352,613</b>	<b>130,891</b>	<b>138,826</b>

## CONSOLIDATED AND COMPANY STATEMENT OF CASH FLOWS

	Group		Company	
	Year ended	Year ended	Year ended	Year ended
	31 March 2012	31 March 2011	31 March 2012	31 March 2011
	RMB'000	RMB'000	RMB'000	RMB'000
<b>Cash flows from operating activities</b>				
Profit/(loss) before interest and tax	5,410	40,670	(2,650)	(3,781)
<b>Adjustments for:</b>				
Allowance for doubtful debts	1,149	440	-	-
Depreciation of property, plant and equipment	4,195	3,834	-	-
Amortisation of intangible assets	6,276	4,823	-	-
Loss on disposal of property, plant and equipment	14	33	-	-
Other gains/ (losses)	-	(3,926)	-	-
Share-based payment	(112)	437	(112)	437
Operating cash flows before movement in working capital	16,932	46,311	(2,762)	(3,344)
Increase in inventories	(4,133)	(5,631)	-	-
(Increase)/decrease in trade and other receivables	(26,886)	(36,104)	7,213	8,424
Increase/(decrease) in trade and other payables	3,279	(4,878)	1,424	909
Cash (used in)/generated from operations	(10,808)	(302)	5,875	5,989
Interest paid	(1,558)	(59)	-	-
Income tax paid	(1,982)	(1,630)	-	-
<b>Net cash (used in)/generated from operating activities</b>	<b>(14,348)</b>	<b>(1,991)</b>	<b>5,875</b>	<b>5,989</b>
<b>Cash flow from investing activities</b>				
Interest received	793	390	-	-
Proceeds of disposal of property, plant and equipment	-	1	-	-
Purchase of property, plant and equipment	(1,005)	(4,289)	-	-
Expenditure on intangible assets	(9,809)	(12,721)	-	-
Net cash flow arising from acquisition	-	3,881	-	-
<b>Net cash used in investing activities</b>	<b>(10,021)</b>	<b>(12,738)</b>	<b>-</b>	<b>-</b>
<b>Cash flow from financing activities</b>				
Cash received from borrowing	27,000	3,000	-	-
Dividends paid	(6,597)	(6,508)	(6,597)	(6,508)
<b>Net cash generated from/(used in) financing activities</b>	<b>20,403</b>	<b>(3,508)</b>	<b>(6,597)</b>	<b>(6,508)</b>
Net decrease in cash and cash equivalents	(3,966)	(18,237)	(722)	(519)
Cash and cash equivalents at the beginning of the year	55,212	73,449	1,798	2,317
<b>Cash and cash equivalents at the end of the year</b>	<b>51,246</b>	<b>55,212</b>	<b>1,076</b>	<b>1,798</b>

## CONSOLIDATED AND COMPANY STATEMENT OF CHANGES IN EQUITY – GROUP

	Share capital RMB'000	Merger reserve RMB'000	Retained earnings RMB'000	Other reserves RMB'000	Option reserve RMB'000	Total RMB'000
<b>Balance at 31 March 2010</b>	<b>134,861</b>	<b>(7,575)</b>	<b>104,685</b>	<b>29,323</b>	<b>4,083</b>	<b>265,377</b>
Total comprehensive income for the year	-	-	32,990	-	-	32,990
Dividends distribution	-	-	(6,508)	-	-	(6,508)
Transfer to statutory reserve	-	-	(3,299)	3,299	-	-
Share-based payment	-	-	-	-	437	437
<b>Balance as at 31 March 2011</b>	<b>134,861</b>	<b>(7,575)</b>	<b>127,868</b>	<b>32,622</b>	<b>4,520</b>	<b>292,296</b>
Total comprehensive income for the year	-	-	2,034	-	-	2,034
Dividends distribution	-	-	(6,597)	-	-	(6,597)
Transfer to statutory reserve	-	-	(4,195)	4,195	-	-
Share-based payment	-	-	-	-	(112)	(112)
<b>Balance as at 31 March 2012</b>	<b>134,861</b>	<b>(7,575)</b>	<b>119,110</b>	<b>36,817</b>	<b>4,408</b>	<b>287,621</b>

## CONSOLIDATED AND COMPANY STATEMENT OF CHANGES IN EQUITY – COMPANY

	Share capital RMB'000	Retained earnings RMB'000	Option reserves RMB'000	Total RMB'000
<b>Balance at 31 March 2010</b>	<b>134,861</b>	<b>8,825</b>	<b>4,083</b>	<b>147,769</b>
Total comprehensive income for the year	-	(3,781)	-	(3,781)
Dividends distribution	-	(6,508)	-	(6,508)
Share-based payment	-	-	437	437
<b>Balance as at 31 March 2011</b>	<b>134,861</b>	<b>(1,464)</b>	<b>4,520</b>	<b>137,917</b>
Total comprehensive income for the year	-	(2,650)	-	(2,650)
Dividends distribution	-	(6,597)	-	(6,597)
Share-based payment	-	-	(112)	(112)
<b>Balance as at 31 March 2012</b>	<b>134,861</b>	<b>(10,711)</b>	<b>4,408</b>	<b>128,558</b>

## NOTES TO THE FINANCIAL INFORMATION

### 1. BASIS OF PREPARATION OF THE FINANCIAL INFORMATION

The financial information set out in this announcement, which does not constitute the statutory financial statements of the Group, is extracted from the Group's financial statements for the year ended 31 March 2012, which were approved by the Board on 19 July 2012. The auditors have reported on those financial statements and their report was unqualified.

The consolidated financial statements have been prepared in accordance with International Financial Reporting Standards as adopted by European Union and using the accounting policies which are consistent with those applied in the audited financial statements for the period ended 31 March 2011.

The full financial statements will be included in the Group's annual report. A copy of the financial statements for the year ended 31 March 2012 will be issued to shareholders prior to the Company's General Meeting.

### 2. SIGNIFICANT ACCOUNTING POLICIES

The condensed financial statements have been prepared under the historical cost convention.

The same accounting policies, presentation and methods of computation have been followed in these condensed financial statements as were applied in the preparation of the Group's financial statements for the year ended 31 March 2011.

### 3. REVENUE AND SEGMENTAL ANALYSIS

The Group's revenue from continuing operations is as follows:

	Revenue	Revenue	Segment profit	Segment profit
	Year ended 31 March 2012	Year ended 31 March 2011	Year ended 31 March 2012	Year ended 31 March 2011
	RMB'000	RMB'000	RMB'000	RMB'000
Sales of digital video devices	172,317	206,859	30,668	56,217
Sales of software	926	43	629	32
Revenue from technological service	3,181	5,769	2,149	4,236
<b>Total for continuing operations</b>	<b>176,424</b>	<b>212,671</b>	<b>33,446</b>	<b>60,485</b>
Central administration and director's salaries			(28,250)	(23,607)
Finance income			1,111	390
Finance cost			(1,662)	(193)
Other gains and losses			-	3,926
<b>Profit before tax (continuing operations)</b>			<b>4,645</b>	<b>41,001</b>

Analysis of the Group's assets by operating segment:

	<b>Assets</b>	<b>Assets</b>
	<b>At 31 March 2012</b>	<b>At 31 March 2011</b>
	<b>RMB'000</b>	<b>RMB'000</b>
Continuing Operations		
Sales of digital video devices	371,204	343,611
Sales of software	1,797	65
Revenue from technological service	5,991	8,937
<b>Total for continuing operations</b>	<b>378,992</b>	<b>352,613</b>

The Group's revenue and profit before taxation were all derived from its principal activity. All revenue and results originates in the PRC and assets and liabilities are mainly held in the PRC.

All of the segment revenue reported above is from external customers.

Segment profit represents the profit earned by each segment without allocation of central administration costs and director's salaries, share of profits of associates, investment revenue and finance costs. This is the measure reported to the chief operating decision maker for the purposes of resource allocation and assessment of segment performance.

#### **Information about major customers**

Included in revenue arising from sales of digital video devices of RMB 172 million are revenue of approximate RMB 38 million, RMB 27 million and RMB 21 million which arose from sales to the Group's three largest customers.

#### **4. INCOME TAX EXPENSE**

	<b>Group</b>	
	<b>Year ended</b>	<b>Year ended</b>
	<b>31 March 2012</b>	<b>31 March 2011</b>
	<b>RMB'000</b>	<b>RMB'000</b>
Current tax:		
Current tax for profit for the year	1,680	4,819
Income tax prior year adjustment	-	36
Total current tax	1,680	4,855
Deferred tax (Note 21)		
Temporary differences	1,075	1,624
Tax losses carry-forward	(144)	1,532
Total deferred tax	931	3,156
Income tax expense	2,611	8,011

Reconciliation of tax charge:

	<b>Group</b>	
	<b>Year ended</b>	<b>Year ended</b>
	<b>31 March 2012</b>	<b>31 March 2011</b>
	<b>RMB'000</b>	<b>RMB'000</b>
Profit before tax	4,645	41,001
Tax at PRC tax rate of 25% (2011: 25%)	1,161	10,250
Factors affecting income tax charge:		
Expenses not deductible	579	951
Timing differences	931	1,457
Unrelieved tax losses carry-forward	325	(1,249)
Utilisation of tax losses	(181)	2,782
Preferential rate	(1,729)	(6,336)
Exempt from income tax	663	945
Prior year adjustments	-	36
Other adjustments	862	(825)
Tax expense for the year	2,611	8,011

A company is deemed to be resident in PRC if it is established in PRC or its effective management is in PRC. Residents are taxed on their worldwide income. Non residents are taxed on PRC source income and income effectively connected with their establishments in PRC.

The Company is regarded as resident for the tax purposes in BVI. There are no applicable taxes in the BVI for the Company.

The Company's operating subsidiaries in PRC are subject to income tax rate at 25% (2011: 25%) except certain operating subsidiaries are:

- i) exempt from income tax for the first three years, followed by two or three years at half of domestic rate subject to the approval of the tax authorities if the operating subsidiaries are qualified for high technology enterprise status;
- ii) Tax at a fixed income tax rate based on turnover.

A 10% withholding tax on dividends payable to non tax resident companies in PRC was introduced on 1 January 2008. The 10% withholding tax may be reduced under an applicable tax treaty.

## 5. EARNINGS PER SHARE

### Basic earnings per share

Basic earnings per share is calculated by dividing the profit attributable to equity shareholders of the Company by the weighted average number of ordinary shares in issue during the year.

	31 March 2012	31 March 2011
	RMB'000	RMB'000
Profit attributable to equity holders of the company	2,034	32,990
Weighted average number of shares in issue (thousands)	72,808	72,808

### Diluted earnings per share

Diluted earnings per share is calculated by adjusting the weighted average number of ordinary shares outstanding to assume conversion of all dilutive potential ordinary shares. The dilutive potential ordinary shares in the Company are share options. A calculation is done to determine the number of shares that could have been acquired at fair value (determined as the average annual market share price of the Company's shares) based on the monetary rights attached to outstanding share options. The number of shares calculated above is compared with the number of shares that would have issued assuming the exercise of the share options. The exercise prices for the options granted are above the average share price of the company. As a result of this there is no diluted effect. The weighted average number of shares in issue is the number of shares issued.

## 6. SHARE CAPITAL

The total authorised number of ordinary shares is 72,808,000 shares (2011: 72,808,000 shares) with a nil par value per share (2011: nil par value per share). All issued shares are fully paid.

	<b>2012</b>	<b>2011</b>
<b>Issued and paid up:</b>	<b>RMB'000</b>	<b>RMB'000</b>
72,808,000 ordinary shares of nil par value	134,861	134,861

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

At 31 March 2012, the Company had the following outstanding share options:

<b>Number</b>	<b>Exercise price (£)</b>	<b>Date of grant</b>	<b>Exercise period</b>
1,456,160	0.48	18.06.2007	18.06.2007–17.06.2012
36,404	0.48	18.06.2007	18.06.2008 – 17.06.2017
1,008,904	0.23	14.04.2010	15.07.2013 - 31.08.2013 and 25.11.2013 - 31.03.2014
1,008,904	0.23	14.04.2010	15.07.2014 - 31.08.2014 and 25.11.2014 - 31.03.2015

## 7. DIVIDEND

No dividend will be declared in respect of financial year ended 31 March 2012.

## 8. APPROVAL

The financial information was approved by the board of directors and authorised for issue on 19 July 2012 and were signed on its behalf by:

Mr. Xiao Gang

Chief Executive Officer