CHINA NENG XIAO TECHNOLOGY (GROUP) LIMITED
中國能效科技(集團)有限公司*

(Incorporated in Bermuda with limited liability)

(Stock Code: 8047)

ANNUAL RESULTS ANNOUNCEMENT
FOR THE YEAR ENDED 31 MARCH 2013

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

GEM has been positioned as a market designed to accommodate companies to which a higher investment risk may be attached other than 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.

This announcement, for which the directors of China Neng Xiao Technology (Group) Limited (the "Company") collectively and individually accept full responsibility, includes particulars given in compliance with the Rules Governing the Listing of Securities on GEM of the Stock Exchange (the "GEM Listing Rules") 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 the information contained in this announcement is accurate and complete in all material respects and not misleading or deceptive, and there are no other matters the omission of which would make any statement herein or this announcement misleading.

* *for identification purpose only*

FINANCIAL RESULTS

The board of directors (the "Board") of China Neng Xiao Technology (Group) Limited (the "Company") hereby announces the consolidated results of the Company and its subsidiaries (the "Group") for the year ended 31 March 2013 together with the comparative figures for the corresponding year in 2012 as follows:

CONSOLIDATED STATEMENT OF COMPREHENSIVE INCOME

Year ended 31 March 2013

		2013	2012
	Note	***HK$'000***	*HK$'000*
Continuing operations			
Turnover	*5*	**34,529**	6,319
Cost of services rendered and cost of goods sold		**(8,324)**	(875)
Gross profit		**26,205**	5,444
Other revenue	*5*	**103**	410
Other income	*6*	**4,253**	5,255
Selling and distribution costs		**(5,094)**	(2,254)
Administrative expenses		**(32,265)**	(60,563)
Other operating expenses		**(62,200)**	(32,146)
Share of results of associates		**2,425**	–
Loss before taxation	*7*	**(66,573)**	(83,854)
Income tax (expenses) credit	*8*	**(2,189)**	3,565
Loss for the year from continuing operations		**(68,762)**	(80,289)
Discontinued operations			
Profit for the year from discontinued operations	*12*	**2,089**	8,652
Loss for the year		**(66,673)**	(71,637)

CONSOLIDATED STATEMENT OF COMPREHENSIVE INCOME (continued)

Year ended 31 March 2013

	Note	**2013**	2012
		HK$'000	*HK$'000*
Other comprehensive income (loss) for the year, net of tax:			
Reclassification adjustment for disposal of available-for-sale financial assets		**–**	15,968
Exchange differences on consolidation		**266**	1,030
Share of other comprehensive loss of associates		**(127)**	–
		139	16,998
Total comprehensive loss for the year		**(66,534)**	(54,639)
(Loss) Profit attributable to:			
Equity holders of the Company		**(77,654)**	(68,192)
Non-controlling interests		**10,981**	(3,445)
		(66,673)	(71,637)
Total comprehensive (loss) income attributable to:			
Equity holders of the Company	*9*	**(77,648)**	(51,399)
Non-controlling interests		**11,114**	(3,240)
		(66,534)	(54,639)
Loss per share	*11*		*(adjusted)*
From continuing and discontinued operations			
Basic		**(HK42.98 cents)**	(HK33.00 cents)
Diluted		**(HK42.98 cents)**	(HK33.00 cents)
From continuing operations			
Basic		**(HK46.73 cents)**	(HK35.10 cents)
Diluted		**(HK46.73 cents)**	(HK35.10 cents)

CONSOLIDATED STATEMENT OF FINANCIAL POSITION

At 31 March 2013

	Note	2013 HK$'000	2012 HK$'000
Non-current assets			
Property, plant and equipment		**1,222**	3,975
Available-for-sale financial assets		**–**	–
Interests in associates		**22,462**	–
Intangible assets		**800**	800
Goodwill		**42,308**	40,910
		66,792	45,685
Current assets			
Inventories		**–**	2,541
Trade and other receivables	*13*	**31,132**	48,861
Bank balances and cash		**79,985**	55,041
		111,117	106,443
Current liabilities			
Trade and other payables	*14*	**20,048**	19,153
Tax payable		**2,187**	4,345
Promissory notes		**986**	5,000
		23,221	28,498
Net current assets		**87,896**	77,945
Total assets less current liabilities		**154,688**	123,630
Non-current liabilities			
Other non-current liabilities		**2,469**	–
Promissory notes		**4,373**	1,200
		6,842	1,200
NET ASSETS		**147,846**	122,430
Capital and reserves			
Share capital		**33,387**	69,039
Reserves		**110,187**	40,026
Equity attributable to equity holders of the Company		**143,574**	109,065
Non-controlling interests		**4,272**	13,365
TOTAL EQUITY		**147,846**	122,430

CONSOLIDATED STATEMENT OF CHANGES IN EQUITY

Year ended 31 March 2013

	Attributable to equity holders of the Company												
		Reserves											
	Share capital	Share premium	Contributed surplus	Exchange reserve	Employee share-based payment reserve	Warrant reserve	Available-for-sale financial assets reserve	Statutory reserve	Accumulated losses	Total reserves	Subtotal	Non-controlling interests	Total
	HK$'000	*HK$'000*	*HK$'000*	*HK$'000*	*HK$'000*	*HK$'000*	*HK$'000*	*HK$'000*	*HK$'000*	*HK$'000*	*HK$'000*	*HK$'000*	*HK$'000*
At 1 April 2011	31,381	135,870	252,576	8,397	2,785	240	(15,968)	2,421	(298,316)	88,005	119,386	4,309	123,695
Loss for the year	–	–	–	–	–	–	–	–	(68,192)	(68,192)	(68,192)	(3,445)	(71,637)
Other comprehensive income													
Reclassification adjustment for disposal of available-for-sale financial assets	–	–	–	–	–	–	15,968	–	–	15,968	15,968	–	15,968
Exchange difference on consolidation	–	–	–	825	–	–	–	–	–	825	825	205	1,030
Total comprehensive income (loss) for the year	–	–	–	825	–	–	15,968	–	(68,192)	(51,399)	(51,399)	(3,240)	(54,639)
Transactions with equity holders													
Issue of shares upon open offer	31,383	(1,686)	–	–	–	–	–	–	–	(1,686)	29,697	–	29,697
Issue of consideration shares	6,275	5,522	–	–	–	–	–	–	–	5,522	11,797	–	11,797
Acquisition of subsidiaries	–	–	–	–	–	–	–	–	–	–	–	2,846	2,846
Cancellation of share options	–	–	–	–	(2,303)	–	–	–	2,303	–	–	–	–
Forfeiture of share options	–	–	–	–	(482)	–	–	–	482	–	–	–	–
Disposal of subsidiaries	–	–	–	(416)	–	–	–	–	–	(416)	(416)	9,450	9,034
Transfer of statutory reserve	–	–	–	–	–	–	–	643	(643)	–	–	–	–
	37,658	3,836	–	(416)	(2,785)	–	–	643	2,142	3,420	41,078	12,296	53,374
At 31 March 2012	69,039	139,706	252,576	8,806	–	240	–	3,064	(364,366)	40,026	109,065	13,365	122,430

CONSOLIDATED STATEMENT OF CHANGES IN EQUITY (continued)

Year ended 31 March 2013

	Attributable to equity holders of the Company												
		Reserves											
	Share capital	Share premium	Contributed surplus	Exchange reserve	Employee share-based payment reserve	Warrant reserve	Available-for-sale financial assets reserve	Statutory reserve	Accumulated losses	Total reserves	Subtotal	Non-controlling interests	Total
	HK$'000	*HK$'000*	*HK$'000*	*HK$'000*	*HK$'000*	*HK$'000*	*HK$'000*	*HK$'000*	*HK$'000*	*HK$'000*	*HK$'000*	*HK$'000*	*HK$'000*
At 1 April 2012	69,039	139,706	252,576	8,806	–	240	–	3,064	(364,366)	40,026	109,065	13,365	122,430
Loss for the year	–	–	–	–	–	–	–	–	(77,654)	(77,654)	(77,654)	10,981	(66,673)
Other comprehensive income (loss)													
Exchange difference on consolidation	–	–	–	133	–	–	–	–	–	133	133	133	266
Share of other comprehensive loss of associates	–	–	–	(127)	–	–	–	–	–	(127)	(127)	–	(127)
Total comprehensive income (loss) for the year	–	–	–	6	–	–	–	–	(77,654)	(77,648)	(77,648)	11,114	(66,534)
Transactions with equity holders													
Issue of consideration shares	17,250	23,805	–	–	–	–	–	–	–	23,805	41,055	–	41,055
Acquisition of subsidiaries	–	–	–	–	–	–	–	–	–	–	–	(2,592)	(2,592)
Share reorganisation and capital reduction	(69,031)	(163,511)	232,542	–	–	–	–	–	–	69,031	–	–	–
Issue of unlisted warrants	–	–	–	–	–	1,350	–	–	–	1,350	1,350	–	1,350
Exercise of unlisted warrants	2,700	21,600	–	–	–	(1,350)	–	–	–	20,250	22,950	–	22,950
Deemed disposal of subsidiaries	–	–	–	(384)	–	–	–	(643)	643	(384)	(384)	(17,615)	(17,999)
Issue of shares upon open offer	9,979	13,138	–	–	–	–	–	–	–	13,138	23,117	–	23,117
Issue of shares upon top-up placing	3,450	20,619	–	–	–	–	–	–	–	20,619	24,069	–	24,069
Transfer of statutory reserve	–	–	–	–	–	–	–	17	(17)	–	–	–	–
	(35,652)	(84,349)	232,542	(384)	–	–	–	(626)	626	147,809	112,157	(20,207)	91,950
At 31 March 2013	**33,387**	**55,357**	**485,118**	**8,428**	**–**	**240**	**–**	**2,438**	**(441,394)**	**110,187**	**143,574**	**4,272**	**147,846**

Notes:

1. CORPORATE INFORMATION

China Neng Xiao Technology (Group) Limited (formerly known as Palmpay China (Holdings) Limited) (the "Company") is a limited liability company incorporated in Bermuda on 7 June 2001 as an exempted company with limited liability under the Bermuda Companies Act of 1981. The Company's shares are listed on the Growth Enterprise Market (the "GEM") of The Stock Exchange of Hong Kong Limited (the "Stock Exchange"). The registered office of the Company is located at Clarendon House, 2 Church Street, Hamilton HM 11, Bermuda and its principal place of business is located at Unit 1601, 16/F., Ruttonjee House, Ruttonjee Centre, 11 Duddell Street, Central, Hong Kong.

The principal activity of the Company is investment holding and the principal activities of its subsidiaries are the provision of integrated solution for lightning electromagnetic protection service, the provision of payment gateway services and the provision of energy management services.

2. STATEMENT OF COMPLIANCE

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

These consolidated financial statements have been prepared on a basis consistent with the accounting policies adopted in the 2012 consolidated financial statements. The adoption of certain new / revised HKFRSs that are relevant to the Group and effective from the current year had no significant effects on the results and financial position of the Group and the Company for current and prior years.

3. FUTURE CHANGES IN HKFRSs

At the date of authorisation of these consolidated financial statements, the HKICPA has issued the following new / revised HKFRSs are not yet effective for the current year, which the Group has not early adopted.

Amendments to HKAS 1	*Presentation of items of other comprehensive income* [1]
HKAS 19 (2011)	*Employee Benefits* [2]
HKAS 27 (2011)	*Separate Financial Statements* [2]
HKAS 28 (2011)	*Investments in Associates and Joint Ventures* [2]
HKFRS 10	*Consolidated financial statements* [2]
HKFRS 11	*Joint Arrangements* [2]
HKFRS 12	*Disclosures of Interests in Other Entities* [2]
Amendments to HKFRS 10, HKFRS 11, HKFRS 12	*Additional transition relief – Consolidated financial statements, Joint Arrangements, Disclosures of Interests in Other Entities* [2]
HKFRS 13	*Fair value measurement* [2]
Various HKFRSs	*Annual Improvements Project – 2009-2011 Cycle* [2]
Amendments to HKFRS 7	*Disclosure – Offsetting Financial Assets and Financial Liabilities* [2]
Amendments to HKAS 32	*Presentation – Offsetting Financial Assets and Financial Liabilities* [3]
Amendments to HKAS 27 (2011), HKFRS 10, HKFRS 12	*Investment Entities – Amendments to Separate Financial Statements, Consolidated Financial Statements, Disclosures of Interests in Other Entities* [3]
HKFRS 9	*Financial Instruments* [4]
Amendments to HKFRS 9 and HKFRS 7	*Mandatory Effective Date of HKFRS 9, Financial Instruments, and Transition Disclosure* [4]

[1] Effective for annual periods beginning on or after 1 July 2012
[2] Effective for annual periods beginning on or after 1 January 2013
[3] Effective for annual periods beginning on or after 1 January 2014
[4] Effective for annual periods beginning on or after 1 January 2015

The directors do not anticipate that the adoption of these new / revised HKFRSs in future periods will have any material impact on the results of the Group.

4. SEGMENTAL INFORMATION

The Group manages its businesses by individual companies, which are organised by a mixture of both business lines and geographical locations. In a manner consistent with the way in which information is reported internally to the Group's chief operating decision maker for the purposes of resource allocation and performance assessment, the Group has presented the following reporting segments. No operating segments have been aggregated to form the following reporting segments:

– Lightning electromagnetic pulse protection segment which provides integrated solutions for lightning electromagnetic pulse protection and its related engineering design, construction and technical services;

– Payment gateway segment which provides e-payment services;

– Energy management segment which provides energy and other resources management and conservation system and integrated solutions; and

– Telecommunication optic fiber segment which manufactures and trades products related to optimal optical fibers, electric power network systems and equipment and provides associated services, which is considered as the discontinued operations as detailed in note 12 to this announcement.

(a) Segment results, assets and liabilities

For the purposes of assessing segment performance and allocating resources between segments, the Group's chief operating decision maker monitors the results, assets and liabilities attributable to each reporting segment on the following bases:

Segment assets include all allocated assets with the exception of available-for-sale financial assets and other corporate assets. Segment liabilities include trade and other payables attributable to the sales / service activities of the individual segments.

Revenue and expenses are allocated to the reporting segments with reference to revenue generated by those segments and the expenses incurred by those segments or which otherwise arise from the depreciation of assets attributable to those segments. However, assistance provided by one segment to another, including sharing of assets and technical know-how, is not measured.

Information regarding the Group's reporting segments as provided to the Group's chief operating decision maker for the purposes of resource allocation and assessment of segment performance for the years ended 31 March 2013 and 2012 is set out below.

Continuing operations

	Lightning electromagnetic pulse protection business		Payment gateway business		Energy management business		Consolidated	
	2013	2012	**2013**	2012	**2013**	2012	**2013**	2012
	HK$'000	*HK$'000*	***HK$'000***	*HK$'000*	***HK$'000***	*HK$'000*	***HK$'000***	*HK$'000*
Segment revenue								
Sale / Services to external customers	**16,090**	–	**–**	3,981	**18,439**	2,338	**34,529**	6,319
Segment results	**9,070**	–	**(6,775)**	(59,033)	**2,267**	(425)	**4,562**	(59,458)
Unallocated income							**4,302**	430
Unallocated expenses							**(77,862)**	(24,826)
Share of results of associates							**2,425**	–
Loss before taxation							**(66,573)**	(83,854)
Income tax (expenses) credit							**(2,189)**	3,565
Loss for the year from continuing operations							**(68,762)**	(80,289)
Assets and liabilities								
Segment assets	**35,192**	–	**1,442**	5,388	**40,835**	33,928	**77,469**	39,316
Assets relating to discontinued operations							**–**	49,523
Unallocated assets, including interests in associates							**100,440**	63,289
Consolidated total assets							**177,909**	152,128
Segment liabilities	**4,154**	–	**2,032**	4,221	**12,941**	2,547	**19,127**	6,768
Liabilities relating to discontinued operations							**–**	13,166
Unallocated liabilities							**10,936**	9,764
Consolidated total liabilities							**30,063**	29,698
Other segment information								
Depreciation	**20**	–	**160**	967	**172**	31	**352**	998
Capital expenditure	**133**	–	**–**	883	**328**	347	**461**	1,230
Goodwill – additions	**78,473**	–	**–**	–	**–**	26,035	**78,473**	26,035
Impairment loss of goodwill	**55,000**	–	**–**	–	**7,200**	–	**62,200**	–
Impairment loss of intangible assets	**–**	–	**–**	30,695	**–**	–	**–**	30,695
Impairment loss of property, plant and equipment	**–**	–	**–**	1,451	**–**	–	**–**	1,451
Write-down of inventories	**–**	–	**–**	5,778	**–**	–	**–**	5,778
Research and development costs	**–**	–	**–**	–	**4,582**	–	**4,582**	–
Allowance for bad and doubtful debts	**–**	–	**918**	20,760	**3,510**	–	**4,428**	20,760
Gain on disposal of subsidiaries	**–**	–	**–**	935	**–**	–	**–**	935
Gain arising from fair value change in promissory notes	**1,877**	–	**–**	–	**214**	–	**2,091**	–

(b) Geographical information

The Group's operations are primarily derived from external customers based in the PRC and all segment assets are located in the PRC. Accordingly, no geographical information is presented in accordance with HKFRS 8: *Operating Segments*.

(c) Information about major customers

For the year ended 31 March 2013, four customers *(2012: Nil)* that individually accounted for over 10% of total revenue for continuing operations of the Group are set out below:

	Lightning electromagnetic pulse protection business		**Payment gateway business**		**Energy management business**		**Consolidated**	
	2013	2012	**2013**	2012	**2013**	2012	**2013**	2012
	HK$'000	*HK$'000*	***HK$'000***	*HK$'000*	***HK$'000***	*HK$'000*	***HK$'000***	*HK$'000*
Customer A	**7,994**	–	**–**	–	**1,888**	–	**9,882**	–
Customer B	**–**	–	**–**	–	**7,407**	–	**7,407**	–
Customer C	**4,935**	–	**–**	–	**–**	–	**4,935**	–
Customer D	**2,469**	–	**–**	–	**2,099**	–	**4,568**	–
	15,398	–	**–**	–	**11,394**	–	**26,792**	–

5. TURNOVER AND REVENUE

An analysis of the Group's turnover and revenue during the year for continuing operations is as follows:

	2013	2012
	HK$'000	*HK$'000*
Rendering of services	**30,677**	6,319
Sale of goods	**3,852**	–
Turnover	**34,529**	6,319
Interest income	**103**	410
Other revenue	**103**	410
Total turnover and revenue	**34,632**	6,729

6. OTHER INCOME

	2013	2012
	HK$'000	*HK$'000*
Gain arising from fair value change of promissory notes	**2,091**	–
Gain on disposal of subsidiaries	**–**	935
Overprovision of business tax	**–**	3,047
Overprovision of staff social welfare	**–**	936
Subsidy income for research and development	**–**	308
Sundry income	**42**	10
Waiver of amount due to an ex-director	**1,770**	–
Write-back of other payables	**350**	19
	4,253	5,255

7. LOSS BEFORE TAXATION

Loss before taxation from both continuing and discontinued operations is stated after charging (crediting):

	2013	2012
	HK$'000	*HK$'000*
Employee benefit expenses (including directors' remuneration)		
Salaries, allowances and benefits in kind	**7,426**	7,369
Contribution to defined contribution schemes	**2,331**	1,477
	9,757	8,846
Other items		
Allowance for bad and doubtful debts		
Trade receivables	**3,665**	20,272
Other receivables	**763**	488
Auditor's remuneration	**830**	470
Cost of goods sold (including relevant employee benefit expenses and depreciation)	**6,569**	6,895
Cost of services rendered (including relevant employee benefit expenses and depreciation)	**5,784**	866
Depreciation of property, plant and equipment	**624**	1,391
Exchange losses, net	**90**	105
(Gain) Loss arising on change in fair value of promissory notes	**(2,091)**	300
Impairment loss of goodwill*	**62,200**	–
Impairment loss of intangible assets*	**–**	30,695
Impairment loss of property, plant and equipment*	**–**	1,451
Loss on disposal of available-for-sale financial assets	**–**	15,815
Operating lease payments for premises	**1,530**	2,197
Research and development costs	**4,650**	95
Write-down of inventories	**–**	5,778

* Included in other operating expenses.

8. TAXATION

Hong Kong Profits Tax has not been provided as the Group incurred a loss for taxation purposes for the years ended 31 March 2013 and 2012.

The income tax provision in respect of operations in the PRC is calculated at the applicable tax rates on the estimated assessable profits for the year based on existing legislation, interpretations and practices in respect thereof.

	2013	2012
	HK$'000	*HK$'000*
Continuing operations		
Current tax		
PRC enterprise income tax		
Current year	**2,189**	443
Overprovision in prior years	**–**	(4,008)
Income tax expenses (credit) from continuing operations	**2,189**	(3,565)
Discontinued operations		
Current tax		
PRC enterprise income tax, current year	**5,676**	3,336
Total income tax expenses (credit) from continuing and discontinued operations	**7,865**	(229)

Reconciliation of effective tax rate from continuing operations:

	2013	2012
	%	%
Applicable tax rate	**(16.4)**	(22.6)
Share of results of associates	**(0.6)**	–
Effect of tax concession	**–**	0.3
Non-deductible expenses	**4.2**	1.4
Non-taxable revenue	**(1.0)**	(0.2)
Unrecognised tax losses	**2.5**	5.3
Unrecognised temporary differences	**15.4**	15.8
Utilisations of previously unrecognised tax losses	**(0.8)**	–
Overprovision in prior years	**–**	(4.3)
Others	**–**	0.1
Effective tax rate for the year	**3.3**	(4.2)

The applicable tax rate is the weighted average of tax rates prevailing in the territories in which the Group's entities operate. The increase is caused by a change in the profitability of the Group's subsidiaries in the respective countries.

9. LOSS ATTRIBUTABLE TO EQUITY HOLDERS OF THE COMPANY

The loss attributable to equity holders of the Company for the year ended 31 March 2013 includes a loss of HK$88,916,000 *(2012: HK$25,232,000)* which has been dealt with in the financial statements of the Company.

10. DIVIDENDS

The directors of the Company do not recommend the payment of a dividend for the year *(2012: Nil)*.

11. LOSS PER SHARE

The calculation of basic loss per share is based on the loss attributable to equity holders of the Company for continuing and discontinued operations and the weighted average number of the Company's ordinary shares in issue during the year as follows:

	2013	2012
	HK$'000	*HK$'000*
Loss attributable to equity holders of the Company from continuing and discontinued operations	**(77,654)**	(68,192)
Loss attributable to equity holders of the Company from continuing operations	**(84,434)**	(72,527)

	Number of shares	
	2013	2012
		(adjusted)
Weighted average number of ordinary shares in issue during the year	**180,692,008**	206,648,085

The number of shares for the purpose of calculating basic loss per share for the years ended 31 March 2013 and 2012 has been adjusted to reflect (i) the bonus element of open offer of shares completed in February 2013 and (ii) the impact of the capital reorganisation effected subsequent to the end of the reporting period as set out in note 15 (iii) to this announcement.

For the years ended 31 March 2013 and 2012, diluted loss per share is the same as basic loss per share as the potential ordinary shares issuable under the unlisted warrants have anti-dilutive effects on the basic loss per share.

12. DISCONTINUED OPERATIONS

On 12 September 2012, China Optic Communication Technology Limited ("China Optic BVI"), a non-wholly owned subsidiary of the Company which manufactures and trades products related to optimal optical fibers, electric power network systems and equipment and provides associated services, entered into a subscription agreement with an independent third party (the "Investor") pursuant to which China Optic BVI would allot and issue and the Investor would subscribe for approximately 4.85% of issued share capital of China Optic BVI, at a consideration of HK$7 million (the "Deemed Disposal"). Upon completion of the Deemed Disposal on 15 December 2012, the Group's equity interest in China Optic BVI was diluted from 50.1% to 47.67%.

Management considers China Optic BVI whereby the Group had control had been discontinued and thereby constituted discontinued operations. Accordingly, certain comparative figures in the consolidated statement of comprehensive income have been re-presented to separately reflect the results of the continuing operations and discontinued operations. The results and cash flows of the discontinued operations for the period from 1 April 2012 to 15 December 2012 together with its comparative figures for the year ended 31 March 2012 have been analysed as follows:

(a) Profit for the year from discontinued operations

	2013	2012
	HK$'000	*HK$'000*
Turnover	**23,991**	22,197
Cost of services rendered and cost of goods sold	**(4,029)**	(6,886)
	19,962	15,311
Other revenue	**3**	6
Other income	**884**	–
Selling and distribution costs	**(155)**	(1,565)
Administrative expenses	**(1,485)**	(1,764)
Profit before taxation	**19,209**	11,988
Income tax expenses	**(5,676)**	(3,336)
Profit for the year	**13,533**	8,652
Loss on deemed disposal of subsidiaries	**(11,444)**	–
Profit for the year from discontinued operations	**2,089**	8,652

(b) The net cash inflows (outflows) attributable to discontinued operations

	2013	2012
	HK$'000	*HK$'000*
Net cash flows		
Operating activities	**2,218**	1,425
Investing activities	**(47)**	(1,192)
Financing activities	**–**	–
Total net cash inflows	**2,171**	233

13. TRADE AND OTHER RECEIVABLES

		2013	2012
	Note	***HK$'000***	*HK$'000*
Trade receivables from third parties		**103,814**	101,223
Allowance for bad and doubtful debts		**(81,914)**	(78,249)
	(i)	**21,900**	22,974
Other receivables			
Prepayments		**6,950**	215
Deposits		**327**	16,072
Other receivables		**1,690**	9,600
Due from associates	*(ii)*	**265**	–
		9,232	25,887
		31,132	48,861

(i) Aging of trade receivables

The Group normally grants credit term of 90 days to its customers upon the delivery of products or when the services are rendered. The aging of trade receivables (net of allowances of bad and doubtful debts) based on invoice date is as follows:

	2013	2012
	HK$'000	*HK$'000*
Less than 90 days	**17,509**	253
91 – 180 days	**1,704**	9,570
181 – 270 days	**1,481**	12,898
271 – 365 days	**119**	3
Over 1 year	**1,087**	250
	21,900	22,974

At the end of the reporting period, the aging analysis of the accounts receivable by overdue date that are neither individually nor collectively considered to be impaired is as follows:

	2013	2012
	HK$'000	*HK$'000*
Current	**14,625**	414
Less than 90 days past due	**4,084**	9,782
91 – 180 days past due	**1,807**	12,525
181 – 270 days past due	**17**	3
271 – 365 days past due	**165**	–
Over 1 year past due	**1,202**	250
	7,275	22,560
	21,900	22,974

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

(ii) Due from associates

The amounts due are unsecured, interest-free and have no fixed repayment term.

14. TRADE AND OTHER PAYABLES

	Note	**2013**	2012
		HK$'000	*HK$'000*
Trade payables	*(i)*	**4,845**	2,949
Accruals		**4,287**	3,942
Other tax payables		**2,437**	3,217
Other payables		**8,479**	7,152
Due to directors	*(ii)*	**–**	1,893
		20,048	19,153

(i) Aging of trade payables

At the end of the reporting period, the ageing analysis of the trade payables based on invoice date is as follows:

	2013	2012
	HK$'000	*HK$'000*
Less than 90 days	**2,302**	–
91 – 180 days	**1,605**	2,949
Over 180 days	**938**	–
	4,845	2,949

(ii) Due to directors

The amounts due to directors were unsecured, interest-free and had no fixed repayment term.

15. EVENTS AFTER THE REPORTING PERIOD

(i) On 8 February 2013, Upper Power Limited ("Upper Power"), a wholly-owned subsidiary of the Company entered into a non-legally binding memorandum of understanding (the "MOU") and the supplemental MOU, with independent third parties, in respect of the possible acquisition of equity interest of Hong Kong Automobile Restoration Group Limited (the "Target Company", together with its subsidiaries, the "Target Group") (the "Potential Acquisition"). The Target Group is principally engaged in motor vehicles beauty services including cars detailing, repairing and maintenance services in Hong Kong, Macau and Taiwan.

The consideration for the Potential Acquisition is subject to further negotiation between the parties to the MOU and the due diligence to be conducted on the Target Group. Pursuant to the supplemental MOU signed on 25 April 2013, Upper Power paid HK$5,500,000 as the deposit which will be refundable in full in the event that (i) the formal agreement is not entered into by the parties prior to the MOU expiry date, as extended by the supplemental MOU, which is on 24 July 2013; or (ii) the consideration stated in the formal agreement does not comprise any cash portion.

A legally binding formal agreement in relation to the Potential Acquisition is yet to be finalised as at the date of these consolidated financial statements and therefore, it is not practicable to reliably estimate the financial effect for the Potential Acquisition.

(ii) On 17 April 2013, the Company completed the placing of 349,480,000 placing shares at a price of HK$0.072 per placing share.

(iii) Pursuant to a special resolution passed in a special general meeting held on 13 May 2013, the Company effected a capital reorganisation which involves (i) the reduction of issued share capital of the Company through a cancellation of the paid-up capital of the Company to the extent of HK$0.009 on each of the issued shares so that the nominal value of each issued share would be reduced from HK$0.01 to HK$0.001; (ii) the cancellation of the entire sum standing to the credit of the Company's share premium account; (iii) the transfer of the credit arising from the capital reduction and the share premium reduction to the contributed surplus account of the Company; and (iv) the share consolidation of every ten shares of HK$0.001 each in the issued share capital of the Company immediately after the capital reduction into one new share of HK$0.01 in the issued share capital of the Company.

MANAGEMENT DISCUSSION AND ANALYSIS OPERATIONAL REVIEW

OPERATIONAL REVIEW

Business and Operation Review

Electromagnetic pulse protection business

In May 2012, the Group has completed the acquisition of the electromagnetic pulse protection (the "EPP") business. Revenue and profit after tax of the EPP business for the financial year 2012/13 attributable to the Group was approximately HK$16,000,000 and HK$7,000,000 respectively. The EPP business has shown significant improvement in the gross profit margin due to the Group's effort in cost control and experience in tendering.

During the year, contractual works have been completed for China Unicom in provinces such as Hubei (湖北), Anhui (安徽), Jilin (吉林), Sichuan (四川), Shanxi (山西), Tianjin (天津), Henan (河南), and stated-owned electricity enterprise in Liaoning (遼寧). The Group will continue to react vigorously in tenders for the coming year as management is confident and optimistic in the prospect of the EPP business and of its future contribution to the Group.

With the established connections of the Group in China Unicom and the emphasis of China Unicom on the EPP business (total budget of over RMB500 million in 2013), the Group is well positioned to capture further growth in such EPP business in 2013.

Energy management business

The Group recorded a profit after tax in its energy management business of approximately HK$2,300,000 as compared to a loss of approximately HK$425,000 in the previous year. During the year, contractual works have been completed for China Telecom in provinces such as Henan (河南), Jiangsu (江蘇), Anhui (安徽), Guizhou (貴州), Shanxi (山西), and China Mobile in Sichuan (四川).

Telecommunication optic fiber business

The Group's telecommunication optic fiber (the "TOF") business is conducted through China Optic BVI and its subsidiaries. After the completion of disposal of 2.43% equity interests in China Optic BVI in December 2012, it changed from a subsidiary of the Group to an associated company of the Group. The TOF business has recorded a turnover and profit after tax of approximately HK$32,000,000 and HK$19,000,000 for the financial year ended 31 December 2012 compared with approximately HK$30,000,000 and HK$13,000,000 for financial year ended 31 December 2011.

During the year, the Group has continued to develop business relationships with China Mobile and other private sectors of the telecommunication industry through direct contractual agreements.

PROSPECTS

With the completion of the rationalization process, the Group is well facilitated to commence a new era of the business. To further extend the scope of the business, the Group will continue to look for investment opportunities which will generate significant profitability in medium to long term.

Finally, on behalf of the Board, I would like to take this opportunity to express my gratitude to all members of the Board and staff for their dedication and contribution to the Group and to those who have supported us. We will continue to make our best efforts in developing our businesses to produce good economic results and better return for our shareholders.

FINANCIAL REVIEW

Results

The Group recorded an increase in turnover from continuing operations of approximately 446% to approximately HK$34.5 million for the year ended 31 March 2013 as compared to approximately HK$6.3 million in the previous year. The increase in turnover was due to the full year contribution from the energy management business and the new electromagnetic pulse protection business acquired in May 2012.

The Group also recorded an increase in gross profit from continuing operations of approximately 381% to approximately HK$26.2 million in the current year as compared to approximately HK$5.4 million in the previous year. The increase in gross profit was mainly due to the increase in turnover of the energy management business and the contribution from the electromagnetic pulse protection business.

Net loss attributable to equity holders of the Company for the year amounted to approximately HK$77.7 million *(2012: HK$68.2 million)*. Loss during the year was mainly due to the impairment loss of goodwill and loss on deemed disposal of subsidiary amounted to approximately HK$62.2 million and approximately HK$11.4 million respectively.

Liquidity, financial resources and capital structure

As at 31 March 2013, the Group had total assets of approximately HK$177.9 million *(2012: HK$152.1 million)*, including net cash and bank balances of approximately HK$80.0 million *(2012: HK$55.0 million)*.

For the year ended 31 March 2013, the Group financed its operations mainly with its own working capital and there was no general banking facilities *(2012: Nil)*. There was no charge on the Group's assets as at 31 March 2013 *(2012: Nil)*.

As at 31 March 2013, the gearing ratio (defined as the ratio between total bank borrowings and total assets) was zero *(2012: Nil)*. The Group had no bank borrowings as at 31 March 2013 *(2012: Nil)*.

Exposure to fluctuations in exchange rates and related hedges

Most of the transactions of the Group are denominated in Hong Kong Dollar ("HKD") and Renminbi ("RMB"). The Group adopts a conservative treasury policy with most of the bank deposits being kept in HKD, or in the local currencies of the operating subsidiaries to minimize exposure to foreign exchange risks. As at 31 March 2013, the Group had no foreign exchange contracts, interests or currency swaps or other financial derivatives for hedging purposes.

Charge on Group assets

As at 31 March 2013, the Group did not have any charge on its assets *(2012: Nil)*.

Segment information

The revenue of the Group comprises the provision of payment gateway business, the provision of energy management business, the provision of integrated solutions for lighting electromagnetic pulse protection business and manufacturing and trading of products related to optimal optical fibers, telecommunications, electric power network systems and equipment which is considered as the discontinued operations.

As to the geographical segments, sale of the Group generated in the PRC market was approximately HK$58.5 million during the year ended 31 March 2013 *(2012: HK$28.5 million in the PRC)*.

New products and services

During the year, the Group continued to develop new products to increase its products range and strengthen its competitive position.

Significant investments

The Group did not have any significant investment during the year *(2012: Nil)*.

Material acquisitions or disposals of subsidiaries and affiliated companies

During the year, the Group has acquired 55% equity interests in Boomtech Limited ("Boomtech") and its subsidiaries. Boomtech and its subsidiaries are principally engaged in the provision of integrated solutions for lightning electromagnetic pulse protection, grounding technology, electromagnetic security and high-energy electromagnetic pulse protection and its related engineering design, construction and technical services, including the telecommunication operators and electricity providers, in the PRC.

Details of the acquisition are disclosed in the Company's circular dated 4 May 2012.

Besides, during the year, the Group has disposed 2.43% equity interests in China Optic BVI and its subsidiaries. China Optic BVI and its subsidiaries are principally engaged in the provision of technologies, services and products related to optimal optical fiber, telecommunications, electric power in the PRC.

Details of the disposal are disclosed in the Company's circular dated 19 November 2012.

Future plans for material investments and expected source of funding

Other than disclosed elsewhere in the announcement, the Group did not have any plan for material investment or acquisition of material capital assets as at 31 March 2013. However, the Group is constantly looking for opportunities for investments or capital assets to enhance shareholders' value.

Contingent liabilities

The Group had no contingent liabilities as at 31 March 2013.

Employees and remuneration policies

As at 31 March 2013, the Group had 86 *(2012: 125)* employees including directors. Total staff costs (excluding directors' emoluments) amounted to approximately HK$9.2 million for the year ended 31 March 2013 *(2012: HK$8.1 million)*. Remuneration is determined with reference to market terms and the performance, qualification and experience of individual employee. Year-end bonus based on individual performance will be paid to employees as recognition of and reward for their contributions. Other benefits include contributions to statutory mandatory provident fund scheme to its employees in Hong Kong and basic insurance for the elderly, basic medical insurance, work injury insurance and unemployment insurance to its employees in the PRC.

DIRECTORS' INTEREST IN COMPETING BUSINESS

During the year under review, none of the directors or the management shareholders or substantial shareholders or their respective associates (as defined in the GEM Listing Rules) of the Company had an interest in a business which competed with or might compete with the business of the Group.

CORPORATE GOVERNANCE PRACTICES

The Company has adopted the code provisions set out in the Code on Corporate Governance Practices (the "Code") as set out in Appendix 15 of the Rules Governing the Listing of Securities on The Stock Exchange of Hong Kong Limited (the "Listing Rules"). The Company has applied the principles in the Code and complied with the code provisions set out in the Code for the year ended 31 March 2013.

CODE OF CONDUCT REGARDING DIRECTORS' SECURITIES TRANSACTIONS

The Company has adopted a code of conduct regarding directors' securities transactions on terms no less exacting than the required standard of dealings as set out in Rules 5.48 to 5.67 of the GEM Listing Rules. Having made specific enquiry of all directors, the directors have complied with such code of conduct and the required standard of dealings regarding securities transactions throughout the year ended 31 March 2013.

PURCHASE, REDEMPTION OR SALE OF LISTED SECURITIES OF THE COMPANY

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

NOMINATION COMMITTEE

A nomination committee has been established with written terms of reference in compliance with the GEM Listing Rules. The nomination committee comprises five members, of which one executive director, namely Mr. Chan Francis Ping Kuen and four independent non-executive directors namely Mr. Kwok Chi Sun, Vincent, Mr. Yeung Kam Yan, Mr. Cheung Chi Hwa, Justin and Mr. Tam Chak Chi. The chairman of the committee is Mr. Kwok Chi Sun, Vincent.

The nomination committee is mainly responsible for making recommendations to the Board on appointment of directors and succession planning for the directors. The Board took into consideration criteria such as expertise, experience, the market situation and applicable laws and regulations when considering new director appointments.

REMUNERATION COMMITTEE

The remuneration committee was established in January 2006 with written terms of reference in compliance with the code provision. The remuneration committee consists of five members, of which four are independent non-executive directors, namely Mr. Kwok Chi Sun, Vincent, Mr. Yeung Kam Yan, Mr. Cheung Chi Hwa, Justin and Mr. Tam Chak Chi and one is executive director being Mr. Chan Francis Ping Kuen. The chairman of the committee is Mr. Kwok Chi Sun, Vincent.

AUDIT COMMITTEE

The Company set up an audit committee on 18 October 2001, 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. During the year, the audit committee comprises the three independent non-executive directors of the Company, namely, Mr. Kwok Chi Sun, Vincent, Mr. Yeung Kam Yan and Mr. Cheung Chi Hwa, Justin. During the year, the audit committee held five meetings to review and supervise the financial reporting process, and to provide advice and recommendations to the board of directors.

On 13 May 2013, Mr. Tam Chak Chi was appointed as the member of the audit committee.

The financial statements of the Group for the year ended 31 March 2013 have been reviewed by the audit committee, who is of the opinion that such statements comply with the applicable accounting standards, the Stock Exchange and legal requirements, and that adequate disclosures have been made.

REVIEW OF FINANCIAL INFORMATION

The audit committee of the Company has reviewed with the management the accounting principles and practices adopted by the Company and discussed auditing, internal control and financial reporting matters including the review of the financial statements of the Group and the annual report for the year ended 31 March 2013.

SCOPE OF WORK OF MAZARS CPA LIMITED

The figures in respect of the preliminary announcement of the Group's results for the year ended 31 March 2013 have been agreed by the Group's auditor, Mazars CPA Limited ("Mazars"), to the amounts set out in the Group's draft consolidated financial statements for the year. The work performed by Mazars in this respect did not constitute an assurance engagement in accordance with Hong Kong Standards on Auditing, Hong Kong Standards on Review Engagements or Hong Kong Standards on Assurance Engagements issued by the Hong Kong Institute of Certified Public Accountants and consequently no assurance has been expressed by Mazars on the preliminary announcement.

By order of the Board
China Neng Xiao Technology (Group) Limited
Ms. Sung Ting Yee
Chairman

Hong Kong, 26 June 2013

As at the date of this announcement, the executive Directors are Ms. Sung Ting Yee, Mr. Wu Zhinan, Mr. Chan Francis Ping Kuen, Mr. Chan Hin Wing, James and Mr. Tsang Ho Ka, Eugene. The independent non-executive Directors are Mr. Kwok Chi Sun, Vincent, Mr. Yeung Kam Yan, Mr. Cheung Chi Hwa, Justin and Mr. Tam Chak Chi.

This announcement will remain on the "Latest Company Announcements" page of the GEM website (www.hkgem.com) for at least 7 days from the date of its posting and the Company's website at www.nengxiao.com.hk.