TAI SHING

Tai Shing International (Holdings) Limited

(formerly known as Systek Information Technology (Holdings) Limited)

(incorporated in the Cayman Islands with limited liability)

Annual Report 2004

Internet

on-line

e-business

Network

Trading

Technology

Connection

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

GEM has been established as a market designed to accommodate companies to which a high investment risk may be attached. In particular, companies may list on GEM with neither a track record of profitability nor any obligation to forecast future profitability. Furthermore, there may be risks arising out of the emerging nature of companies listed on GEM and the business sectors or countries in which the companies operate. 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.

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The principal means of information dissemination on the GEM is publication on the Internet website operated by the Stock Exchange. Listed companies are not generally required to issue paid announcements in gazetted newspapers. Accordingly, prospective investors should note that they need to have access to the GEM website in order to obtain up-to-date information on GEM-listed issuers.

The Stock Exchange takes no responsibility for the contents of this report, makes no representation as to its accuracy or completeness and expressly disclaims any liability whatsoever for any loss howsoever arising from or in reliance upon the whole or any part of the contents of this report.

This report, for which the directors (the "Directors") of Tai Shing International (Holdings) Limited (the "Company") collectively and individually accept full responsibility, includes particulars given in compliance with the Rules Governing the Listing of Securities on the GEM of the Stock Exchange for the purpose of given information with regard to the Company. The Directors of the Company, having made all reasonable enquiries, confirm that, to the best of their knowledge and belief:– (1) the information contained in this report is accurate and complete in all material respects and not misleading; (2) there are no other matters the omission of which would make any statement in this report misleading; and (3) all opinions expressed in this report have been arrived at after due and careful consideration and are founded on bases and assumptions that are fair and reasonable.

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Corporate Information

EXECUTIVE DIRECTORS
Mr. Luk Yat Hung
Mr. Ho Cho Hang

INDEPENDENT NON-EXECUTIVE DIRECTORS
Mr. Chung Shui Ming, Timpson
Professor Ip Ho Shing, Horace

COMPANY SECRETARY
Mr. Young Wai Ching, *ACCA, AHKSA*

QUALIFIED ACCOUNTANT
Mr. Luk Yat Hung, *FCCA, FHKSA*

COMPLIANCE OFFICER
Mr. Luk Yat Hung, *FCCA, FHKSA*

AUTHORIZED REPRESENTATIVES
Mr. Luk Yat Hung
Mr. Ho Cho Hang

AUDIT COMMITTEE
Mr. Chung Shui Ming, Timpson
Professor Ip Ho Shing, Horace

REGISTERED OFFICE
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Grand Cayman
British West Indies

PRINCIPAL OFFICE IN HONG KONG
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Causeway Bay
Hong Kong

AUDITORS
Charles Chan, Ip & Fung CPA Limited
37/F, Hennessy Centre
500 Hennessy Road
Causeway Bay
Hong Kong

LEGAL ADVISER
P.C. Woo & Co.
(as to Hong Kong Law)

Conyers Dill & Pearman
(as to Cayman Islands Law)

PRINCIPAL BANKERS
Hongkong and Shanghai Banking Corporation Limited

PRINCIPAL SHARE REGISTRAR AND TRANSFER OFFICE
Bank of Butterfield International (Cayman) Ltd.
Butterfield House
Fort Street
P.O. Box 705
George Town
Grand Cayman
Cayman Islands
British West Indies

HONG KONG BRANCH SHARE REGISTRAR AND TRANSFER OFFICE
Computershare Hong Kong Investor Services Limited
Rooms 1901-05
19th Floor
Hopewell Centre
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Hong Kong

STOCK CODE
08103

WEBSITE
www.taishingintl.com

BUSINESS REVIEW

Early in May 2003, Mr. To Cho Kei ("Mr. To"), the ex-chairman of the Company holding an aggregate of 529,421,914 shares, representing approximately 51.08% of the then issued share capital of the Company, sold the entire shareholding to Wide Source Group Ltd., which replaced Mr. To as the controlling shareholder of the Company. The new composition of the board of directors was formed on 25 July 2003.

In order to reflect the changes of both the controlling shareholder and the management of the Company, the name of the Company was changed from Systek Information Technology (Holdings) Limited and 訊泰科技(控股)有限公司 (for identification purpose) to Tai Shing International (Holdings) Limited and 泰盛國際(控股)有限公司 (for identification purpose) with effect from 2 February 2004.

In September 2003, the Company acquired a 40% interest in 北京中廣鴻聯網絡技術有限公司 ("Hung Luen"), an information technology company incorporated in Beijing, People's Republic of China ("PRC"). Hung Luen is principally engaged in the business of research, development and provision of information-on-demand system solutions, telecommunication and broadcasting media network solutions and the provision of related products and services. In addition, it is also engaged in distribution of computers and computer-related hardware, medical equipments, domestic appliances, general merchandises and spare parts of automobiles. It is believed that by leveraging on the technical know-how possessed by Hung Luen in computer systems design, development and its distribution network, the Group can widen its assets and earning base and to diversify its business portfolio by capturing a suitable investment opportunity in the information technology industry in the PRC. As a consequence, the Group would be able to (i) enhance its existing products and services with the technical support from Hung Luen; (ii) expand its existing products range by introducing the products of Hung Luen to its clients in Hong Kong; and (iii) market and distribute its products and services to potential clients in the PRC through Hung Luen.

BUSINESS OUTLOOK

Subsequent to the review period, the Company proposed to acquire the entire issued share capital of Treasure Wise Enterprises Limited ("Treasure Wise") which is an indirect beneficial owner of a 40% interest in Beijing Tongfang Electronic Science & Technology Company Limited (北京同方電子科技有限公司) ("Beijing Tongfang"), a wholly foreign owned enterprise established in the PRC. The proposed acquisition was approved by the shareholders at the extraordinary general meeting held on 7 May 2004.

Beijing Tongfang is principally engaged in research, development and provision of integrated management information system for application in electricity generation and operations of power plant; and total solutions for application in banking business including customer relationship management, office automation, branch operation, cash management, credit management, data interchange, phone banking and Internet banking.

The Board considers that by leveraging on the technical support from Beijing Tongfang, the Group can further invest in information technology related business in the PRC, widen its earning base and to diversify its business portfolio by capturing a suitable investment opportunity in the information technology industry in the PRC and provide synergy to enhance its existing products and services with the technical support from Beijing Tongfang.

PROSPECTS

Moving into a new fiscal year, we will continue to transform the Company by simplifying the organization structure, tightly controlling the expenses, developing innovative solutions, executing strategic acquisitions and disposal of unprofitable businesses.

In closing, we would like to express our deep appreciation to the shareholders for their patience and continuing support of the Company during this transition period. We have no higher priority than working to assure you that your confidence in us is rewarding. We will continue to do our best to become a company of choice for stock investors, customers and employees.

Sincerely yours,

Luk Yat Hung
Chairman

Hong Kong, 28 June 2004

FINANCIAL PERFORMANCE

During the year ended 31 March 2004, the Group recorded a turnover of HK$18.2 million (2003: HK$37.7 million) representing a decrease of approximately 51.7% as compared with the comparative figures of the corresponding year. General and administrative expenses were reduced to approximately HK$8.1 million as compared to HK$25.7 million of the previous corresponding year, representing a decrease of approximately 68.5%. The loss attributable to the shareholders amounted to HK$6.9 million (2003: HK$56.8 million) representing an improvement of approximately 87.8% over the same period in 2003.

LIQUIDITY AND FINANCIAL RESOURCES

As at 31 March 2004, shareholders' funds of the Group amounted to approximately HK$1 million (2003: HK$5.4 million). Current assets amounted to approximately HK$3.9 million (2003: HK$11.3 million), of which approximately HK$0.9 million (2003: HK$2.1 million) were cash and cash equivalents. Current liabilities were approximately HK$2.7 million (2003: HK$10.3 million) mainly comprised of other payables and accruals as well as receipts in advance.

The Group currently has not engaged in any borrowing activities. The Group further confirms that it does not have any impending capital expenditure commitments.

GEARING RATIO

The gearing ratio calculated on the basis of total liabilities over the total shareholders' fund as at 31 March 2004 was 265.5% (2003: 190.2%).

CAPITAL STRUCTURE

During the year under review and subsequent to the review period, there were several corporate actions occurred that had resulted in material changes on the capital structure of the Company.

With the shareholders' approval granted at the extraordinary general meeting on 22 October 2003 and the approval granted by the Grand Court of the Cayman Islands and taking effect on 2 February 2004, the paid-up and the nominal value of each of the 1,036,375,000 issued shares of the Company was reduced from HK$0.10 to HK$0.002 whereby the Company's issued share capital of HK$103,637,500 was reduced to HK$2,072,750, every 25 intermediate shares of HK$0.002 each was consolidated into one reorganized share of HK$0.05 each (the "Capital Reorganization"). The amount standing to the credit of the share premium account was applied towards the elimination of the same amount of the accumulated losses of the Company as permitted by the laws of the Cayman Islands.

Upon the completion of the Capital Reorganization on 2 February 2004, the authorized share capital of the Company had been changed from HK$200,000,000 divided into 2,000,000,000 shares of HK$0.10 each to HK$200,000,000 divided into 4,000,000,000 shares of HK$0.05 each. Whereas, the issued share capital of the Company upon consolidation had been reduced from HK$103,637,500 divided into 1,036,375,000 shares of HK$0.10 each to HK$2,072,750 divided into 41,455,000 shares of HK0.05 each.

Subsequent to the Capital Reorganization, the Company had further completed a placing of 6,000,000 new shares at a price of HK$0.48 per share on 16 March 2004 from which HK$2.5 million of net proceeds were raised for the Group's future expansion, business development and general working capital.

As at 31 March 2004, the authorized share capital of the Company was HK$200,000,000 divided into 4,000,000,000 shares of HK$0.05 each and the issued share capital of the Company was HK$2,372,750 divided into 47,455,000 shares of HK$0.05 each.

FOREIGN CURRENCY EXPOSURE

During the year ended 31 March 2004, the Group experienced only immaterial exchange rate fluctuations, as the functional currencies of the Group's operations were mainly Hong Kong dollars and Renminbi. As the risk on exchange rate difference considered being minimal, the Group did not employ any financial instruments for hedging purposes.

NEW PRODUCTS AND SERVICES

The information technology market is characterized by rapidly changing technologies, evolving industry standards as well as frequent new platform and application launch. The introduction of new products and services embodying new technologies is tended to be costly to the Group's financial position. Therefore, the Group's future direction is to reduce the investments in research and development of new products. Instead, the management will identify several critical technologies and seek for the right business partners either through merger and acquisition or forming strategic alliances. This led to the acquisition of Hung Luen and Beijing Tongfang that directly support this strategy and offer a product portfolio deeper and broader than the Group can provide.

SIGNIFICANT INVESTMENTS, MATERIAL ACQUISITIONS AND DISPOSAL OF SUBSIDIARIES

During the period under review and up to the date of this report, the Company has successfully completed two strategic acquisitions.

The Company had successfully acquired 40% interest in Hung Luen, an information technology company incorporated in Beijing, PRC in a consideration of HK$1.8 million which was satisfied by an issue of promissory note. The details of the acquisition were set out in the Company's circular dated 30 September 2003.

Subsequent to the review period, with the approval of the shareholders of the Company at the extraordinary general meeting on 7 May 2004, the Company proposed to acquire the entire issued share capital of Treasure Wise which was an indirect beneficial owner of 40% interest in Beijing Tongfang in a consideration of HK$9.08 million by way of issuance of 18,160,000 new shares at an issue price of HK$0.50 per share. The details of the acquisition were set out in the circular of the Company dated 20 April 2004.

During the year under review, the Board had disposed of some of the subsidiaries which were either dormant or sustaining losses for years in order to simplify the organization structure and improve the financial performance of the Group. It was believed that the sales of dormant and unprofitable subsidiaries were in the best interests of the Group and the shareholders as a whole. In addition, the Board was of the opinion that the disposals did not result in any material adverse impact on the business and financial position of the Group. On the contrary, the disposals could improve the trend of the continual declining financial results of the Group in the long run.

Save as disclosed above, as at 31 March 2004 and up to the date of this report, the Group did not have any other significant investments, material acquisitions or disposal of subsidiaries.

FUTURE PLANS FOR MATERIAL INVESTMENTS OR CAPITAL ASSETS

As at 31 March 2004, the Group had no future plan for material investments or capital assets.

SEGMENTAL INFORMATION

The Group is principally engaged in four business segments mainly in Hong Kong and the other regions of the PRC. The Group presents its segmental information based on the nature of the products and services provided.

In accordance with the Group's internal financial reporting, the Group has determined that business segments be presented as the primary reporting format and geographical segments as the secondary reporting format. The Group reports its businesses in four business segments namely:

- systems development;
- sales of software and hardware products;
- provision of professional services; and
- provision of training services.

Activities under each of the business segment decreased tremendously. This may drive the management to reorganize the business model of these business segments in order to improve the financial performance of the Group as a whole.

With respect to geographical segments, there was a decrease during the period under review. Turnover generated from PRC represented approximately 3.5% of the total turnover of the Group during the year ended 31 March 2004 as compared to approximately 9.5% in the previous year under review. However, it is expected that the level of the Group's activities in PRC may increase following the acquisitions of Hung Luen and Beijing Tongfang.

EMPLOYEES AND REMUNERATION POLICIES

As at 31 March 2004, the Group had hired a total of 38 (2003: 132) employees including the executive directors of the Company. Total staff costs including directors' remuneration for the year under review amounting to approximately HK$16 million (2003: HK$40.3 million). The decrease was mainly caused by the headcount reduction and the disposal of unprofitable businesses. The Group's remuneration policies are in line with the prevailing market practices and are determined on the basis of performance and experience of individual employees. The Group also provides mandatory provident fund scheme for employees employed under the jurisdiction of the Hong Kong Employment Ordinance.

The Group did not made any changes to its remuneration policy and no bonuses were granted to any of its executive directors or employees for the year ended 31 March 2004.

The Company has conditionally adopted a new share option scheme on 22 October 2003 to replace the old share option scheme adopted on 26 August 2000. Pursuant to both schemes, the directors and employees of the Company and its subsidiaries may be granted options to subscribe for shares of the Company. During the year ended 31 March 2004, no option was granted under both the old and new share option schemes.

CHARGES ON GROUP'S ASSETS AND CONTINGENT LIABILITIES

As of the year ended 31 March 2004, the Company and its subsidiaries did not have any mortgages, charges, debentures, loan capital, bank loans and overdrafts, debt securities or other similar indebtedness, finance leases or hire purchase commitments, liabilities under acceptances or acceptance credits or any guarantees or other material contingent liabilities outstanding.

EXECUTIVE DIRECTORS

Mr. Luk Yat Hung, aged 44, joined the Group in July 2003. Mr. Luk is a member of Chartered Association of Certified Accountants of the United Kingdom and a member of Hong Kong Society of Accountants with a master degree in business administration with Oklahoma City University, the United States of America. Mr. Luk has over 18 years of working experience with a number of international conglomerates performing functions of chief financial officer. Mr. Luk is also the Qualified Accountant of the Company.

Mr. Ho Cho Hang, aged 50, joined the Group in July 2003. Mr. Ho has over 25 years of experience in administration and securities broking with two leading international securities houses situated in Hong Kong.

INDEPENDENT NON-EXECUTIVE DIRECTORS

Mr. Chung Shui Ming, Timpson, *GBS, JP,* aged 52, joined the Group in July 2003. Mr. Chung graduated from the University of Hong Kong with a Bachelor of Science degree and holds a Master of Business Administration degree with the Chinese University of Hong Kong. He is a fellow member of the Hong Kong Society of Accountants. Mr. Chung is also a member of the Supervisory Board of Hong Kong Housing Society and a member of National Committee of the 10th Chinese People's Political Consultative Conference.

Professor Ip Ho Shing, Horace, aged 47, joined the Group in July 2003. Professor Ip graduated from the University of London with a Bachelor of Science degree in Applied Physics and a Doctorate degree in Image Processing. He is the Chair Professor of the Department of Computer Science and a director of the Centre for Innovative Applications of Internet and Multimedia Technologies – AIMtech Centre of the City University of Hong Kong.

SENIOR MANAGEMENT

Company Secretary

Mr. Young Wai Ching, aged 35, joined the Group in July 2003. Mr. Young is a Practising Member of Hong Kong Society of Accountants and a member of Chartered Association of Certified Accountants of the United Kingdom. He has over 14 years working experience in an accounting firm in Hong Kong performing auditing and management functions.

Report of the Directors

The board of directors (the "Directors") of Tai Shing International (Holdings) Limited (formerly known as Systek Information Technology (Holdings) Limited) ("the Company") has the pleasure in presenting their report together with the audited financial statements of the Company and its subsidiaries (collectively the "Group") for the year ended 31 March 2004.

PRINCIPAL ACTIVITIES

The principal activity of the Company is investment holding. The principal activities and other particulars of the subsidiaries are set out in note 12 to the financial statements.

The Group's turnover for the year ended 31 March 2004 is principally attributable to systems development, sales of software and hardware products, provisions of professional services, as well as provision of training services. An analysis of the turnover from the principal activities of the Group during the year is set out in note 2 to the financial statements.

MAJOR CUSTOMERS AND SUPPLIERS

The information in respect of the Group's sales and purchases attributable to the major customers and suppliers respectively during the financial year ended 31 March 2004 is as follows:

	Percentage of the Group's total	
	Sales	**Purchases**
The largest customer	22%	–
Five largest customers in aggregate	36%	–
The largest supplier	–	55%
Five largest suppliers in aggregate	–	58%

At no time during the year have the Directors, chief executive, substantial shareholders or management shareholders of the Company or any of its subsidiaries or their associates (which to the knowledge of the Directors owns more than 5% of the Company's share capital) had any interest in these major customers and suppliers.

FINANCIAL STATEMENTS

The loss of the Group for the year ended 31 March 2004 and the state of the Company's and the Group's affairs as at that date are set out in the financial statements on pages 23 to 55.

DIVIDENDS

The Directors do not recommend the payment of any dividends for the year ended 31 March 2004.

FIXED ASSETS

Details of the movements in fixed assets of the Group during the year ended 31 March 2004 are set out in note 11 to the financial statements.

SUBSIDIARIES

Details of the subsidiaries of the Company as at 31 March 2004 are set out in note 12 to the financial statements.

SHARE CAPITAL

Details of the movements in share capital of the Group and the Company during the year are set out in note 21 to the financial statements.

RETIREMENT BENEFITS SCHEME

Details of the Group's retirement benefits scheme for the year ended 31 March 2004 are set out in note 24 to the financial statements.

DIRECTORS

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

Executive directors

Mr. Luk Yat Hung	(appointed on 25 July 2003)
Mr. Ho Cho Hang	(appointed on 25 July 2003)
Mr. To Cho Kei	(resigned on 25 July 2003)
Mr. Chan Kai Yan	(retired on 25 July 2003)
Dr. Chan Kim Chung	(retired on 25 July 2003)
Mr. Lam Ching Ho, Andy	(resigned on 25 July 2003)
Mr. Wu Man Hong, Francis	(resigned on 25 July 2003)
Mr. Lo Chun Shing (alternate to Mr. Lam Ching Ho, Andy)	(resigned on 25 July 2003)

Non-executive directors

Mr. Wu Yang	(retired on 25 July 2003)

Independent Non-executive directors

Mr. Chung Shui Ming, Timpson	(appointed on 25 July 2003)
Professor Ip Ho Shing, Horace	(appointed on 25 July 2003)
Mr. Ching Tai Ming, David	(resigned on 25 July 2003)
Dr. Wong Albert	(resigned on 25 July 2003)

RETIREMENT OF DIRECTORS

In accordance with article 87 of the Company's articles of association, Mr. Ho Cho Hang would retire from the Board by rotation at the forthcoming annual general meeting and being eligible offered himself for re-election.

BIOGRAPHICAL DETAILS OF DIRECTORS AND SENIOR MANAGEMENT

Biographical details of the Group's Directors and senior management are set out on page 9 of this report.

DIRECTORS' SERVICE CONTRACTS

Each of the Directors has entered into a service contract with the Company including remuneration with effect from 25 July 2003, for a term of one year and shall continue thereafter, subject to termination in certain circumstances and with such payment of compensation as stipulated in the relevant service contract.

Save as disclosed herein, none of the Directors has entered into any service contract with any member of the Group (excluding contracts expiring or determinable by the Group within one year without payment of compensation other than statutory compensation).

DIRECTORS' AND CHIEF EXECUTIVE'S INTERESTS IN SECURITIES

As at 31 March 2004, the relevant interests or short positions of the Directors and chief executive of the Company in the shares, underlying shares and debentures of the Company or any of its associated corporations (within the meaning of Part XV of the Securities and Futures Ordinance (Chapter 571, the Laws of Hong Kong) ("SFO")) which were required 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 have taken or deemed to have under such provisions of the SFO), or which are required, pursuant to Section 352 of the SFO, to be entered in the register maintained by the Company referred to therein, or which are required, pursuant to Rule 5.46 of the GEM Listing Rules relating to securities transactions by the Directors, to be notified to the Company and the Stock Exchange, were as follows:

Long positions in the shares of the Company

	Number of ordinary shares held				Percentage of issued
Name of Director	**Personal**	**Family**	**Corporate**	**Total**	**share capital**
Mr. Luk Yat Hung (Note)	–	–	21,542,476	21,542,476	45.40%

Note: Mr. Luk Yat Hung will be taken to be interested in 21,542,476 shares in the Company as a result of him being beneficially interested in 50% of the issued share capital of Wide Source Group Ltd. which in turn holds 21,542,476 shares in the Company.

LONG POSITIONS IN UNDERLYING SHARES OF EQUITY DERIVATIVES AND DEBENTURES OF THE COMPANY

As at 31 March 2004, no long positions of the Directors and chief executive in the underlying shares of equity derivatives and debentures of the Company and its associated corporations were recorded in the register or as otherwise notified to the Company and the Stock Exchange pursuant to Rule 5.46 of the GEM Listing Rules.

SHORT POSITIONS IN SHARES, UNDERLYING SHARES OF EQUITY DERIVATIVES AND DEBENTURES OF THE COMPANY

During the period under review, no short positions of the Directors and chief executive in the shares, underlying shares of equity derivatives and debentures of the Company and its associated corporations were recorded in the register or as otherwise notified to the Company and the Stock Exchange pursuant to Rule 5.46 of the GEM Listing Rules.

Save as disclosed above, as at 31 March 2004, none of the Directors or chief executive of the Company or their respective associates had any interests or short positions in the shares, underlying shares of equity derivatives and debentures of the Company or any of its 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 under such provisions of the SFO), or which were required to be kept under Section 352 of the SFO, or as otherwise notified to the Company and the Stock Exchange pursuant to the minimum standards of dealing by the Directors of listed issuers as referred to in Rule 5.46 of the GEM Listing Rules.

SUBSTANTIAL SHAREHOLDERS

So far as is known to the Directors of the Company, as at 31 March 2004, the following persons who had an interest or short position in the shares and underlying shares of the Company as recorded in the register required to be kept under Section 336 of the SFO:–

Name of Shareholders	Note	Number of shares held	Approximate Percentage of shareholding
Wide Source Group Ltd.	1	21,542,476	45.40%
Mr. Luk Yat Hung	2	21,542,476	45.40%
Mr. Ma Bing	3	21,542,476	45.40%
Suez Asia Holdings Pte Ltd.	4	3,412,000	7.19%

Notes:

1. Wide Source Group Ltd. ("Wide Source") is a company incorporated in the British Virgin Islands with limited liability and is ultimately and beneficially owned as to 50% by Mr. Luk Yat Hung and as to 50% by Mr. Ma Bing.

2. Mr. Luk Yat Hung will be taken to be interested in 21,542,476 shares in the Company as a result of him being beneficially interested in 50% of the issued share capital of Wide Source which in turn holds 21,542,476 shares in the Company.

3. Mr. Ma Bing will be taken to be interested in 21,542,476 shares in the Company as a result of him being beneficially interested in 50% of the issued share capital of Wide Source which in turn holds 21,542,476 shares in the Company.

4. Suez Asia Holdings Pte Ltd. is a private equity investor in Asia holding the shares of the Company in trust.

Save as disclosed above, as at 31 March 2004, the Directors were not aware of any other person who has an interest or short position in the shares or underlying shares (including interest in options, if any) of the Company as recorded in the register required to be kept under Section 336 of the SFO.

DIRECTORS' INTERESTS IN CONTRACTS

No contracts of significance in relation to the Group's business to which the Group was a party and in which a director of the Group had a material interest, whether directly or indirectly, subsisted at the year ended 31 March 2004 or at any time during such period.

DIRECTORS' COMPETING INTERESTS

As of 31 March 2004, none of the Directors, the substantial shareholders or the management shareholders of the Company or their respective associates (as defined under the GEM Listing Rules) had any business or interest in a business which competes or may compete with the business of the Group.

SHARE OPTION SCHEME

Pursuant to the written resolutions of the shareholders of the Company dated 26 August 2000, the Company conditionally adopted and approved a share option scheme under which the full-time employees and executive Directors of the Company and its subsidiaries, excluding the non-executive and independent non-executive Directors of the Group, may be granted options to subscribe for shares of the Company (the "Old Share Option Scheme"). The principal terms of the Old Share Option Scheme were set out in the Company's prospectus dated 4 September 2000.

To be in line with the changes of the GEM Listing Rules in relation to share option scheme and in order for the Company to attract, retain and motivate talented employees to strive for the goals of the Group and to provide the Company with a flexible means of giving incentives to, rewarding, remunerating and/or providing benefits to the employees. At the extraordinary general meeting of the Company held on 22 October 2003, a new share option scheme (the "New Share Option Scheme") was adopted and approved in substitution of the Old Share Option Scheme. A summary of the principal terms of the New Share Option Scheme has been set out in Appendix I to the circular of the Company dated 30 September 2003.

The purpose of the New Share Option Scheme is to enable the Company to grant share options to selected participants as incentives or rewards for their contribution and prospective contribution to and stronger business relationship between the selected participants and the Group.

Who may join and basis for determining eligibility

Under the New Share Option Scheme, the Board shall have the absolute discretion to determine who is a participant in order that such person can participate in the scheme ("Participant"). In exercising such discretion, the Board shall take into account the following factors:

(i) whether such person is an eligible employee, being any executive, employee (whether full time or part time), or director in the employ of any member of the Group or any entity in which any member of the Group holds an equity interest ("Invested Entity"), an adviser of, a consultant of, or a contractor to any member of the Group or any Invested Entity, or whether such person has any relationship (whether business or otherwise) with the Group or any Invested Entity and the duration of such relationship;

(ii) any contributions which have been made by such person to the Group or any Invested Entity in the past and the extent of any such contributions;

(iii) any potential contributions to the Group or any Invested Entity which are considered by the Board such persons would make and the extent of such potential contributions;

(iv) the existing terms of legal and business relationship between such persons and the Group or any Invested Entity; and

(v) the views of the independent non-executive Directors of the Company in considering who is a Participant.

Subscription price for shares of the Company

The subscription price shall be a price determined by the Board at its absolute discretion and notified to a Participant provided that it shall be no less than the higher of:

(i) the closing price of the shares as stated in the Stock Exchange's daily quotations sheet on the relevant acceptance date, which must be a business day; and

(ii) the average of the closing prices of the shares as stated in the Stock Exchange's daily quotation sheets for the five business days immediately preceding the relevant acceptance date.

An offer of option shall lapse if not accepted on or before the twenty-eighth day from the date such offer is made to a Participant. A nominal consideration of HK$1 is payable by the grantee on acceptance of the grant of an option.

Maximum numbers of shares of the Company

The total number of shares of the Company which may be issued upon exercise of all options to be granted under the New Share Option Scheme shall not in aggregate exceed 10% of the issued share capital of the Company as at the adoption date ("General Scheme Limit") unless further shareholders' approval is obtained in general meeting, provided that options lapsed in accordance with the terms of the New Share Option Scheme will not be counted for the purpose of calculating the General Scheme Limit.

Notwithstanding the foregoing the total number of shares of the Company which may be issued upon exercise of all outstanding options granted and yet to be exercised under the New Share Option Scheme shall not exceed 30% of the shares of the Company in issue from time to time.

As at 31 March 2004, the total number of shares available for issue under the New Share Option Scheme was 4,145,500 shares representing 10% of the issued share capital of the Company on the basis of 41,455,000 shares issued on the adoption date.

Maximum entitlement of each participant to shares of the Company

For each Participant, the total number of shares issued and to be issued upon exercise of all options granted and further to be granted in any 12-month period (including both exercised and outstanding options) and in the 12-month period up to and including the acceptance date (including exercised, cancelled and outstanding options) shall not in isolation or aggregate exceed 1% of the shares, and any grant of option which would result in such limit being exceeded shall be approved by the Company in general meeting with such Participant and any associate thereof abstaining from voting.

Time of exercise of option

An option may be exercised in whole or in part in accordance with the terms of the New Share Option Scheme at any time during the period commencing on the first business day from the date of grant of option and expiring at the close of business on a date to be determined and notified by the Directors which shall not be more than 10 years from the date of grant of option.

Unless the Directors otherwise determined and stated at the time of granting the option, there is no minimum period for which an option must be held before it can be exercised.

Remaining life of the scheme

The Directors shall be entitled at any time within 10 years commencing on 22 October 2003 to offer the grant of an option to any qualifying participants.

No option has been granted by the Company under both of the Old Share Option Scheme and the New Share Option Scheme during the year under review or outstanding as at 31 March 2004.

Save as disclosed herein, as at 31 March 2004, none of the Directors, chief executive, substantial shareholders or management shareholders or their respective associates (as defined under the GEM Listing Rules) had any right to subscribe for the shares of the Group.

AUDIT COMMITTEE

The Company has established an audit committee on 18 May 2000 with written terms of reference in compliance with the requirements as set out in Rules 5.28 and 5.29 of the GEM Listing Rules. The primary duties of audit committee are to review and to supervise the financial reporting process and internal control system of the Group and to provide advice and comments to the Board. The audit committee comprises two independent non-executive Directors, namely, Mr. Chung Shui Ming, Timpson and Professor Ip Ho Shing, Horace and Mr. Chung Shui Ming, Timpson is the chairperson of the audit committee.

During the year under review, five audit committee meetings were held for reviewing the annual reports, half-yearly report and quarterly reports of the Group and providing advices and comments thereon to the Directors prior to recommending them to the Board for approval and subsequent publication. The audit committee has reviewed the draft of this report and has provided advices and comments thereon.

DIRECTORS' AND CHIEF EXECUTIVE'S RIGHTS TO ACQUIRE SHARES OR DEBT SECURITIES

On 22 October 2003, the Company had conditionally adopted the New Share Option Scheme to replace the Old Share Option Scheme adopted on 26 August 2000, pursuant to which the employees and Directors of the Company and its subsidiaries may be granted options to subscribe for Shares of the Company. During the year, no option was granted under both the Old Share Option Scheme and the New Share Option Scheme.

Save as disclosed above, as at 31 March 2004, none of the Directors, chief executive or their associates had any interests or rights to subscribe for any securities of the Company or any of its associated corporations as defined in the SDI Ordinance.

Save as disclosed above, at no time during the year was the Company or any of its subsidiaries, its holding company, or any of its fellow subsidiaries a party to any arrangement to enable the Company's Directors (including their spouses or children under 18 years of age) or chief executive of the Company to acquire benefits by means of the acquisition of shares in or debentures of, the Company or any other body corporate.

PURCHASE, SALE AND REDEMPTION OF THE COMPANY'S LISTED SECURITIES

From the date of listing since 8 September 2000 up to the year ended 31 March 2004, neither the Company nor any of its subsidiaries had purchased, sold or redeemed any of the Company's listed securities.

FINANCIAL SUMMARY

A summary of results and of the assets and liabilities of the Group for the last five financial years is set out on page 56 of this report.

PRE-EMPTIVE RIGHTS

There is no provision for pre-emptive rights under the Company's Articles of Association or the laws of the Cayman Islands.

BOARD PRACTICES AND PROCEDURES

During the period under review, the Company was in compliance with the board practices and procedures as set out in Rules 5.34 to 5.45 of the GEM Listing Rules.

AUDITORS

The auditors of the Company for the financial years ended 31 March 2003 and 31 March 2002 were KPMG, Certified Public Accountants which had resigned as the auditors of the Company on 9 July 2003. Charles Chan, Ip & Fung CPA Ltd., Certified Public Accountants ("CCIF") was appointed as the auditors of the Company at the extraordinary general meeting held on 25 July 2003 to fill in the vacancy.

The financial statements for the year ended 31 March 2004 were audited by CCIF. CCIF would retire at the conclusion of the forthcoming annual general meeting, and being eligible, offered themselves for re-appointment.

On behalf of the Board

Luk Yat Hung
Chairman

Hong Kong, 28 June 2004

CCIF

TO THE SHAREHOLDERS OF
TAI SHING INTERNATIONAL (HOLDINGS) LIMITED
(INCORPORATED IN THE CAYMAN ISLANDS WITH LIMITED LIABILITY)

We have audited the financial Statements on pages 23 to 55 which have been prepared in accordance with accounting principles generally accepted in Hong Kong.

RESPECTIVE RESPONSIBILITIES OF DIRECTORS AND AUDITORS

The Company's directors are responsible for the preparation of financial statements which give a true and fair view. In preparing financial statements which give a true and fair view it is fundamental that appropriate accounting policies are selected and applied consistently.

It is our responsibility to form an independent opinion, based on our audit, on those financial statements and to report our opinion solely to you, as a body, and for no other purpose. We do not assume responsibility towards or accept liability to any other person for the contents of this report.

BASIS OF OPINION

We conducted our audit in accordance with Statements of Auditing Standards issued by the Hong Kong Society of Accountants. An audit includes examination, on a test basis, of evidence relevant to the amounts and disclosures in the financial statements. It also includes an assessment of the significant estimates and judgements made by the directors in the preparation of the financial statements, and of whether the accounting policies are appropriate to the Company's and the Group's circumstances, consistently applied and adequately disclosed.

We planned and performed our audit so as to obtain all the information and explanations which we considered necessary in order to provide us with sufficient evidence to give reasonable assurance as to whether the financial statements are free from material misstatement. In forming our opinion we also evaluated the overall adequacy of the presentation of information in the financial statements. We believe that our audit provides a reasonable basis for our opinion.

FUNDAMENTAL UNCERTAINTY RELATING TO THE GOING CONCERN BASIS

In forming our opinion, we have considered the adequacy of the disclosures made in note 1(b) to the financial statements concerning uncertainties facing the Group. The financial statements have been prepared on a going concern basis, the validity of which depends upon the generation of sufficient cash flows from the Group's operations, which are dependent on, among other things, successful implementation of the Group's business development plans.

The financial statements do not contain any adjustments that would result from the failure either to generate sufficient cash flows from the Group's operations or to implement the Group's business development plans. These would include any adjustments required to write down the Group's and the Company's assets to their recoverable amounts, to provide any liabilities which may arise and to reclassify non-current assets and non-current liabilities as current assets and current liabilities, respectively. We consider that the fundamental uncertainty has been adequately accounted for and disclosed in the financial statements and our opinion is not qualified in this respect.

OPINION

In our opinion, the financial statements give a true and fair view of the state of affairs of the Company and of the Group at 31 March 2004 and of the loss and cash flows of the Group for the year then ended and have been properly prepared in accordance with the disclosure requirements of the Hong Kong Companies Ordinance.

Charles Chan, Ip & Fung CPA Ltd.
Certified Public Accountants

Hong Kong, 28 June 2004

Kwok Cheuk Yuen, Nickson
Practising Certificate Number: P02412

Consolidated Income Statement *For the year ended 31 March 2004*

	Note	2004 HK$'000	2003 HK$'000
Turnover	2	18,150	37,698
Cost of services and merchandise sold	3(c)	(14,807)	(25,490)
Gross profit		3,343	12,208
Other income		72	27
Research and development costs	3(c)	(623)	(36,343)
Selling expenses		(588)	(3,160)
General and administrative expenses		(8,119)	(25,692)
Provision for impairment on investment securities	3(c)	(379)	–
Other operating expenses		–	(3,894)
Loss from operations		(6,294)	(56,854)
Finance costs	3(a)	(17)	(50)
Loss on disposal of subsidiaries		(294)	–
Loss before taxation	3	(6,605)	(56,904)
Taxation	4(a)	(327)	75
Loss attributable to shareholders	7	(6,932)	(56,829)
Dividends	8	–	–
Loss per share	9		
– Basic (HK cents)		(16.62)	(137.09)
			(restated)
– Diluted (HK cents)		N/A	N/A

The notes on pages 29 to 55 form an integral part of these financial statements.

Consolidated Balance Sheet *At 31 March 2004*

	Note	2004 HK$'000	2003 HK$'000
Non-current assets			
Fixed assets	11	125	4,452
Investment securities	14	1,421	–
		1,546	4,452
Current assets			
Gross amount due from customers for contracts	15	–	1,601
Inventories	16	–	240
Accounts receivable	17	2,799	6,059
Prepayments, deposits and other receivables		240	792
Pledged deposits	18	–	526
Cash and bank balances		907	2,107
		3,946	11,325
Current liabilities			
Receipts in advance	19	279	1,971
Other payables and accruals		2,076	8,369
Tax payable		327	–
		2,682	10,340
Net current assets		1,264	985
Total assets less current liabilities		2,810	5,437
Non-current liabilities			
Promissory note, unsecured	20	1,800	–
Minority interests		–	–
NET ASSETS		1,010	5,437
CAPITAL AND RESERVES			
Share capital	21	2,373	103,638
Reserves		(1,363)	(98,201)
		1,010	5,437

Approved and authorised for issue by the board of directors on 28 June 2004.

On behalf of the board

Luk Yat Hung
Director

Ho Cho Hang
Director

The notes on pages 29 to 55 form an integral part of these financial statements.

Balance Sheet *At 31 March 2004*

	Note	2004 HK$'000	2003 HK$'000
Non-current assets			
Interests in subsidiaries	12	1,507	6,900
Current assets			
Amounts due from subsidiaries	13	12	1,741
Prepayments, deposits and other receivables		160	–
Cash and bank balances		363	–
		535	1,741
Current liabilities			
Amounts due to subsidiaries	13	132	–
Other payables and accruals		1,287	2,635
		1,419	2,635
Net current liabilities		(884)	(894)
Total assets less current liabilities		623	6,006
Non-current liabilities			
Promissory note, unsecured	20	1,800	–
NET (LIABILITIES)/ASSETS		(1,177)	6,006
CAPITAL AND RESERVES			
Share capital	21	2,373	103,638
Reserves		(3,550)	(97,632)
		(1,177)	6,006

Approved and authorised for issue by the board of directors on 28 June 2004.

On behalf of the board

Luk Yat Hung
Director

Ho Cho Hang
Director

The notes on pages 29 to 55 form an integral part of these financial statements.

The Group

	Share capital HK$'000	Share premium HK$'000	Capital reserve HK$'000	Exchange reserve HK$'000	Accumulated losses HK$'000	Total HK$'000
At 1 April 2002	103,638	33,144	–	(358)	(75,321)	61,103
Waiver of amount due to a shareholder	–	–	1,200	–	–	1,200
Exchange differences on translation of financial statements of subsidiaries outside Hong Kong	–	–	–	(37)	–	(37)
Loss for the year	–	–	–	–	(56,829)	(56,829)
At 31 March 2003 and at 1 April 2003	103,638	33,144	1,200	(395)	(132,150)	5,437
Loss for the year	–	–	–	–	(6,932)	(6,932)
Capital reduction (note 21(a))	(101,565)	(33,144)	–	–	134,709	–
Issue of new ordinary shares upon placement (note 21(d))	300	2,580	–	–	–	2,880
Realised on disposal of subsidiaries	–	–	–	(375)	–	(375)
At 31 March 2004	**2,373**	**2,580**	**1,200**	**(770)**	**(4,373)**	**1,010**

According to the relevant PRC accounting rules and regulations, the PRC subsidiaries may appropriate part of its profits after tax to general reserve, at the discretion of the board of directors of the PRC subsidiaries. The general reserve can be used to make good losses and to convert into paid-up capital.

The Company

	Share capital HK$'000	Share premium HK$'000	Capital reserve HK$'000	Accumulated losses HK$'000	Total HK$'000
At 1 April 2002	103,638	33,144	–	(6,841)	129,941
Waiver of amount due to a shareholder	–	–	1,200	–	1,200
Loss for the year	–	–	–	(125,135)	(125,135)
At 31 March 2003 and at 1 April 2003	103,638	33,144	1,200	(131,976)	6,006
Loss for the year	–	–	–	(10,063)	(10,063)
Capital reduction (note 21(a))	(101,565)	(33,144)	–	134,709	–
Issue of new ordinary shares upon placements (note 21(d))	300	2,580	–	–	2,880
At 31 March 2004	**2,373**	**2,580**	**1,200**	**(7,330)**	**(1,177)**

Under the Companies Law (revised) of the Cayman Islands, the funds in the share premium account and capital reserve of the Company are distributable to the shareholders of the Company provided that immediately following the date on which the dividend is proposed to be distributed, the Company will be in a position to pay off its debts as they fall due in the ordinary course of business.

As at 31 March 2004, in the opinion of the Directors of the Company, no reserves of the Company are available for distribution to shareholders.

The notes on pages 29 to 55 form an integral part of these financial statements.

Consolidated Cash Flow Statement *For the year ended 31 March 2004*

	Note	2004 HK$'000	2003 HK$'000
Operating activities			
Loss from ordinary activities before taxation		(6,605)	(56,904)
Interest income from bank deposits		(1)	(19)
Depreciation		775	2,527
Amortisation of intangible assets		–	8,439
Impairment loss on intangible assets		–	25,542
Impairment loss on fixed assets		–	391
Finance costs		17	50
Loss on disposal of fixed assets		5	1,293
Loss on disposal of subsidiaries		294	–
Provision for impairment/diminution in value on investment securities		379	700
Waiver of amounts due to fellow subsidiaries		2,765	–
Provision for bad and doubtful debts		–	242
Settlement to a labour dispute paid by a shareholder		–	1,200
Operating loss before changes in working capital		(2,371)	(16,539)
(Increase)/decrease in gross amount due from customers for contracts		(2,564)	780
Increase in inventories		(116)	(87)
Decrease in accounts receivable		723	2,152
(Increase)/decrease in prepayments, deposits and other receivables		(613)	1,011
(Decrease)/increase in receipts in advance		(1,270)	626
Increase/(decrease) in other payables and accruals		2,560	(167)
Cash used in operations		(3,651)	(12,224)
Tax paid			
– Hong Kong Profits Tax refunded		–	1,302
– Overseas tax paid		–	(191)
Net cash used in operating activities		(3,651)	(11,113)
Investing activities			
Payment for purchase of fixed assets		(288)	(424)
Proceeds from disposal of fixed assets		–	168
Disposal of subsidiaries	22(a)	(125)	–
Pledged deposits		–	3,816
Payment for acquisition of intangible assets		–	(3,872)
Interest received		1	19
Net cash used in investing activities		(412)	(293)
Financing activities			
New share issued		2,880	–
Interest paid		(17)	(50)
Net cash generated from/(used in) financing activities		2,863	(50)
Net decrease in cash and cash equivalents		(1,200)	(11,456)
Cash and cash equivalents at 1 April		2,107	13,600
Effect of foreign exchange rates changes		–	(37)
Cash and cash equivalents at 31 March		907	2,107

The notes on pages 29 to 55 form an integral part of these financial statements.

1. SIGNIFICANT ACCOUNTING POLICIES

a) Statement of compliance

These financial statements have been prepared in accordance with all applicable Statements of Standard Accounting Practice ("SSAP") and Interpretations issued by the Hong Kong Society of Accountants ("HKSA"), accounting principles generally accepted in Hong Kong and the disclosure requirements of the Hong Kong Companies Ordinance. The financial statements have been prepared under the historical cost convention as modified by provision for impairment loss on the investment securities.

These financial statements also comply with the applicable disclosure provisions of the Rules Governing the Listing of Securities on The Stock Exchange of Hong Kong Limited (the "Stock Exchange"). A summary of the significant accounting policies adopted by the Group is set out below.

In the current year, the Group has adopted, for the first time, the following SSAP issued by the HKSA:

SSAP 12 (revised) : Income taxes

The adoption of this standard had no material effect on the results for the current or prior accounting period. Accordingly, no prior period adjustment has been required.

b) Basis of preparation of the financial statements

The Group continued to make losses of HK$6,932,000 for the year ended 31 March 2004 and its cash position was reduced to approximately HK$907,000 as at 31 March 2004. The sustainability of the Group is dependent on its ability to generate sufficient cash flows from its operations, which are dependent on, among other things, its ability to successfully implement its business development plans. The Directors have evaluated all the relevant facts available to them and are of the opinion that there do not exist any material adverse conditions precluding the Group from generating sufficient cash flows from its operations or implementing its business development plans. Accordingly, the financial statements have been prepared on a going concern basis.

Should the Group be unable to continue its business as a going concern, adjustments would have been made to restate the value of assets to their recoverable amounts, to provide for any further liabilities which might arise, and to reclassify non-current assets and non-current liabilities as current assets and current liabilities, respectively. The effects of these potential adjustments have not been reflected in these financial statements.

1. SIGNIFICANT ACCOUNTING POLICIES (continued)

c) Subsidiaries

A subsidiary is an enterprise in which the Company, directly or indirectly, holds more than half of the issued share capital or controls more than half of the voting power, or where the Company controls the composition of its board of directors or equivalent governing body.

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 gain, but only to the extent that there is no evidence of impairment.

In the Company's balance sheet, an investment in a subsidiary is stated at cost less any impairment losses. The results of subsidiaries are accounted for by the Company on the basis of dividends received and receivable.

d) Fixed assets

i) Fixed assets are stated in the balance sheet at cost less accumulated depreciation and impairment losses.

ii) Subsequent expenditure relating to a fixed asset that has already been recognised is added to the carrying amount of the asset when it is probable that future economic benefits, in excess of the originally assessed standard of performance of the existing asset, will flow to the Group. All other subsequent expenditure is recognised as an expense in the period in which it is incurred.

iii) Gains or losses arising from the retirement or disposal of a fixed asset are determined as the difference between the estimated net disposal proceeds and the carrying amount of the asset and are recognised in the income statement on the date of retirement or disposal.

1. SIGNIFICANT ACCOUNTING POLICIES (continued)

e) Investment securities

Investment securities are stated at cost less any provision for impairment losses.

The carrying amounts of individual investments are reviewed at each balance sheet date to assess whether the fair values have declined below the carrying amounts. When a decline other than temporary has occurred, the carrying amount of such securities will be reduced to its fair value. The impairment loss is recognised as an expense in the income statement. This impairment loss is written back to income statement when the circumstances and events that led to the write-downs or write-offs cease to exist and there is persuasive evidence that the new circumstances and events will persist for the foreseeable future.

f) Research and development costs

Expenditure on research activities, undertaken with the prospect of gaining new scientific or technical knowledge and understanding, is recognised as an expense in the period in which it is incurred.

Expenditure on development activities is capitalised if the product or process is technically and commercially feasible and the Group has sufficient resources and the intention to complete development. The expenditure capitalised includes the cost of materials, direct labour and an appropriate proportion of overheads. Capitalised development costs are stated at cost less accumulated amortisation and impairment losses. Other development expenditure is recognised as an expense in the period in which it is incurred.

g) Leased assets

Leases of assets under which the lessor has not transferred all the risks and benefits of ownership are classified as operating leases.

Where the Group has the use of assets under operating leases, payments made under the leases are charged to the income statement 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 the income statement as an integral part of the aggregate net lease payments made. Contingent rentals are charged to the income statement in the accounting period in which they are incurred.

1. SIGNIFICANT ACCOUNTING POLICIES (continued)

h) Amortisation and depreciation

Depreciation is calculated to write off the cost of fixed assets over their estimated useful lives on a straight-line basis, after taking into account their estimated residual values, as follows:

Leasehold improvements	Over the shorter of remaining lease term and 5 years
Computer and office equipment	5 years
Furniture and fixtures	5 years

i) Impairment of assets

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

– fixed assets; and

– investments in subsidiaries.

If any such indication exists, the asset's recoverable amount is estimated. For intangible assets that are not yet available for use, the recoverable amount is estimated at each balance sheet date. An impairment loss is recognised whenever the carrying amount of an asset exceeds its recoverable amount.

a) *Calculation of recoverable amount*

The recoverable amount of an asset is the greater of its net selling price 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 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).

1. SIGNIFICANT ACCOUNTING POLICIES (continued)

i) Impairment of assets (continued)

b) Reversals of impairment losses

An impairment loss is reversed if there has been a favourable change in the estimates used to determine the recoverable amount.

A reversal of impairment losses 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 the income statement in the year in which the reversals are recognised.

j) Inventories

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

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

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

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

k) Cash equivalents

Cash and cash equivalents comprise cash at bank and in 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.

1. SIGNIFICANT ACCOUNTING POLICIES (continued)

l) Employee benefits

(i) Salaries, annual bonuses, paid annual leave, 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 stated at their present values.

(ii) Contributions to Mandatory Provident Funds as required under the Hong Kong Mandatory Provident Fund Schemes Ordinance or other retirement benefit schemes, are recognised as an expense in the income statement as incurred, except to the extent that they are included in the cost of inventories not yet recognised as an expense.

(iii) When the Group grants employees options to acquire shares of the Company at nil consideration, no employee benefit cost or obligations is recognised at the date of grant. When the options are exercised, equity is increased by the amount of the proceeds received.

(iv) 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.

m) Deferred taxation

Deferred taxation is provided in full, using the liability method, on temporary differences arising between the tax bases of assets and liabilities and their carrying amounts in the accounts. Taxation rates enacted or substantively enacted by the balance sheet date are used to determine deferred taxation.

Deferred tax assets are recognised to the extent that it is probable that future taxable profit will be available against which the temporary differences can be utilised.

Deferred taxation is provided on temporary differences arising on investments in subsidiaries except where the timing of the reversal of the temporary difference can be controlled and it is probable that the temporary difference will not reverse in the foreseeable future.

1. SIGNIFICANT ACCOUNTING POLICIES (continued)

n) Provision and contingent liabilities

Provisions are recognised for liabilities of uncertain timing or amount when the Company or 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 stated at the present value of the expenditures expected to settle the obligation.

Where it is not probable that an outflow of economic benefits will be required, or the amount cannot be estimated reliably, the obligation is disclosed as a contingent liability, unless the probability of outflow of economic benefits is remote. Possible obligations, whose existence will only be confirmed by the occurrence or non-occurrence of one or more future events are also disclosed as contingent liabilities unless the probability of outflow of economic benefits is remote.

o) Service contracts

The accounting policy for the revenue derived from systems development and consultancy services is set out in note 1 (p)(i). When the outcome of a service contract can be estimated reliably, contract costs are recognised as expense by reference to the stage of completion of the contract activity at the balance sheet date. When it is probable that total contract costs will exceed total contract revenue, the expected loss is recognised as an expense immediately. When the outcome of a service contract cannot be estimated reliably, contract costs are recognised as an expense in the period in which they are incurred.

Service contracts in progress at the balance sheet date are recorded in the balance sheet at the net amount of incurred plus recognised profit less recognised losses and progress billings, and are presented in the balance sheet as the "Gross amount due from customers for contracts" (as an asset) or the "Gross amount due to customers for contracts" (as a liability), as applicable. Progress billings not yet paid by the customer are included in the balance sheet under "Accounts receivable". Amounts received before the related work is performed are included in the balance sheet, as a liability, as "Receipts in advance".

1. SIGNIFICANT ACCOUNTING POLICIES (continued)

p) Revenue recognition

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 the income statement as follows:

(i) Systems development and consultancy services

Revenue arising from the provision of systems development, maintenance and installation as well as consultancy services is recognised when the underlying services are rendered which is estimated by apportionment over the expected duration of each engagement; and the outcome of the contract can be estimated with reasonable certainty.

(ii) Sale of software and hardware products

Revenue arising from the sale of software and hardware products is recognised when the customer has accepted the goods and the related risks and rewards of ownership. Revenue is stated after deduction of any trade discounts.

(iii) Professional service fees

Professional service fees represent fees for the provision of IT engineering services and are recognised when the underlying professional services are rendered.

(iv) Training fees

Training fees represent income earned from the provision of training courses, which is recognised when the related courses are held.

(v) Interest income

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

(vi) Dividend income

Dividend income on investment securities is recognised when the right to receive payment is established.

1. SIGNIFICANT ACCOUNTING POLICIES (continued)

q) Translation of foreign currencies

Foreign currency transactions during the year are translated into Hong Kong dollars at the exchange rates ruling at the transaction dates. Monetary assets and liabilities denominated in foreign currencies are translated into Hong Kong dollars at the exchange rates ruling at the balance sheet date. Exchange gains and losses are dealt with in the income statement.

The results of foreign subsidiaries are translated into Hong Kong dollars at the average exchange rates for the year; balance sheet items are translated into Hong Kong dollars at the rates of exchange ruling at the balance sheet date. The resulting exchange differences are dealt with as a movement in reserves.

On disposal of a foreign subsidiary, the cumulative amount of the exchange differences which relate to that foreign enterprise is included in the calculation of the profit or loss on disposal.

r) Warranty costs

Warranty costs are charged to the income statement as and when they are incurred.

s) Related parties

Parties are considered to be related to the Group if the Group has the ability, directly or indirectly, to control the party or exercise significant influence over the party in making financial and operating decisions, or vice versa, or where the Group and the party are subject to common control or common significant influence. Related parties may be individuals or other entities.

t) Segment reporting

A segment is a distinguishable component of the Group that is engaged either in providing products or services (business segment), or in providing products or services within a particular economic environment (geographical segment), which is subject to risks and rewards that are different from those of other segments.

In accordance with the Group's internal financial reporting system, the Group has chosen business segment information as the primary reporting format and geographical segment information as the secondary reporting format for the purposes of these financial statements.

1. SIGNIFICANT ACCOUNTING POLICIES (continued)

t) Segment reporting (continued)

Segment revenue, expenses, results, assets and liabilities include items directly attributable to a segment as well as those that can be allocated on a reasonable basis to that segment. For example, segment assets may include inventories, accounts receivable and fixed assets. Segment revenue, expenses, assets, and liabilities are determined before intra-group balances and intra-group transactions are eliminated as part of the consolidation process, except to the extent that such intra-group balances and transactions are between group enterprises within a single segment. Inter-segment pricing is based on similar terms as those available to other external parties.

Segment capital expenditure is the total cost incurred during the period to acquire segment assets (both tangible and intangible) that are expected to be used for more than one period.

Unallocated items mainly comprise financial and corporate assets, interest-bearing loans, borrowings, corporate and financing expenses and minority interests.

2. TURNOVER

The principal activities of the Group are the provision of systems development and consulting services, sale of software and hardware, training and technical support services. Turnover represents income arising from the provision of systems development and consulting services, provision of IT engineering and technical support services, provision of training courses and the sale of software and hardware products.

The amount of each significant category of revenue recognised in turnover during the year is as follows:

	2004 HK$'000	2003 HK$'000
Systems development	10,452	20,039
Software and hardware products	1,142	3,984
Professional service fees	5,704	11,351
Training fees	852	2,324
	18,150	37,698

3. LOSS BEFORE TAXATION

Loss before taxation is arrived at after charging:

	2004 HK$'000	2003 HK$'000
(a) Finance costs:		
Interest on bank overdrafts and other borrowings repayable within five years	17	50
(b) Staff costs:#		
Salaries, wages and other benefits	15,350	38,945
Less: Amount capitalised as intangible assets	–	(3,537)
	15,350	35,408
Retirement costs	–	1,389
	15,350	36,797
(c) Other items		
Costs of services and merchandise sold#	14,807	25,490
Research and development costs#	623	6,282
Less: Amount capitalised as intangible assets	–	(3,872)
Add: Amortisation of research and development costs	–	8,391
Add: Amount impaired	–	25,542
	623	36,343
Operating lease rentals – properties	1,737	5,008
Less: Amount capitalised as intangible assets	–	(335)
	1,737	4,673
Amortisation of deferred assets#	–	48
Auditors' remuneration	325	600
Impairment loss on fixed assets	–	391
Depreciation	775	2,527
Loss on disposal of fixed assets	–	1,293
Loss on disposal of subsidiaries	294	–
Provision for bad and doubtful debts	–	242
Provision for impairment/diminution in value on investment securities	379	700
Settlement to a labour dispute	–	1,850

Cost of services and merchandise sold, research and development costs, and amortisation of deferred assets include HK$12,833,000 (2003: HK$23,311,000) staff costs.

4. TAXATION

a) Taxation in the consolidated income statement represents:

	2004 HK$'000	2003 HK$'000
Hong Kong profits tax	327	–
Overprovision for overseas in respect of prior years	–	(75)
	327	(75)

Hong Kong profits tax has been provided at the rate of 17.5% (2003 : 16%) on the estimated assessable profits for the year.

Subsidiaries operating in the PRC are exempted from PRC income tax for two years commencing from the first profit making year and are entitled to a 50% relief from PRC income tax for the following three years, after which the profits are subject to PRC income tax at the standard rate of 33%. These subsidiaries sustained losses since establishment and the two-year tax exemption period has not commenced.

b) The charge for the year can be reconciled to the loss as per the income statement as follows:

	2004 HK$'000	2003 HK$'000
Loss before taxation	(6,605)	(56,904)
Effect of tax at Hong Kong profits tax rate of 17.5% (2003: 16%)	(1,156)	(9,105)
Over provision in prior years	–	75
Income that are not taxable	(274)	(55)
Expenses that are not deductible	1,411	19,284
Unused tax losses not recognised	(291)	(9,994)
Tax effect on accelerated depreciation allowance	(17)	(130)
	(327)	75

4. TAXATION (continued)

c) At the balance sheet date, potential deferred taxation assets not recognised and provided for are as follows:

	2004 HK$'000	2003 HK$'000
Tax losses carried forward	15,484	7,887
Temporary timing differences	–	–
	15,484	7,887

5. DIRECTORS' REMUNERATION

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

	2004 HK$'000	2003 HK$'000
Executive Directors:		
Salaries and other emoluments	845	2,712
Retirement scheme contributions	13	53
Other allowances	–	–
	858	2,765
Non-executive Directors:		
Fees	178	179

The remuneration of the Directors is within the following bands:

	Number of directors	
	2004	2003
Nil – HK$1,000,000	13	14
HK$1,000,001 – HK$2,000,000	–	–

The executive Directors and non-executive Directors received individual emoluments of approximately HK$6,000 (2003: HK$50,000), HK$6,000 (2003: HK$50,000), HK$80,000 (2003: Nil), HK$160,000 (2003: Nil), HK$214,000 (2003: HK$870,000), HK$137,000 (2003: HK$579,000), HK$21,000 (2003: HK$306,000), HK$136,000 (2003: HK$469,000), HK$96,000 (2003: HK541,000) and Nil (2003: Nil) respectively.

5. DIRECTORS' REMUNERATION (continued)

The independent non-executive Directors received individual emoluments of approximately HK$80,000 (2003: Nil), HK$80,000 (2003: Nil) and HK$6,000 (2003: HK$17,000) respectively.

6. INDIVIDUALS WITH HIGHEST EMOLUMENTS

Of the five individuals with the highest emoluments, two (2003: three) are Directors whose emoluments are disclosed in note 5 above. The aggregate of the emoluments in respect of the other three (2003: two) individuals are as follows:

	2004 HK$'000	2003 HK$'000
Salaries and other emoluments	1,142	1,169
Retirement scheme contributions	24	24
	1,166	1,193

The emoluments of the three (2003: two) individuals with the highest emoluments are within the following bands:

	Number of individuals	
	2004	2003
Nil – HK$1,000,000	3	2
HK$1,000,001 – HK$2,000,000	–	–

7. LOSS ATTRIBUTABLE TO SHAREHOLDERS

The loss attributable to shareholders includes a loss of HK$10,063,000 (2003: HK$125,135,000) which has been dealt with in the financial statements of the Company.

8. DIVIDENDS

The directors do not recommend the payment of any dividends for the year ended 31 March 2004 (2003: Nil).

9. LOSS PER SHARE

(a) Basic loss per share

The calculation of basic loss per share is based on the loss attributable to shareholders of HK$6,932,000 (2003: loss of HK$56,829,000) divided by the weighted average number of 41,717,800 (2003: 41,455,000 as restated) shares in issue during the year.

9. LOSS PER SHARE (continued)

(b) Diluted earnings per share

There were no potential dilutive ordinary shares in issue as at 31 March 2004 and 2003.

10. SEGMENT REPORTING

Segment information is presented in respect of the Group's business and geographical segments. Business segment information is chosen as the primary reporting format because this is more relevant to the Group's internal financial reporting.

Business segments

The Group comprises the following main business segments:

Systems development:	Provision of systems development, maintenance and installation as well as consulting services.
Software and hardware products:	Sales of computer software and hardware products.
Professional services:	Provision of IT engineering and technical support services.
Training:	Provision of training courses.

10. SEGMENT REPORTING (continued)

Business segments (continued)

	Systems development		Software and hardware products		Professional services		Training		Consolidated	
	2004	2003	2004	2003	2004	2003	2004	2003	2004	2003
	HK$'000	HK$'000	HK$'000	HK$'000	HK$'000	HK$'000	HK$'000	HK$'000	HK$'000	HK$'000
Revenue from external customers	10,452	20,039	1,142	3,984	5,704	11,351	852	2,324	18,150	37,698
Contribution from operations	1,421	5,467	517	1,778	934	4,432	471	531	3,343	12,208
Unallocated operating income and expenses									(9,637)	(69,062)
Loss from operations									(6,294)	(56,854)
Finance costs									(17)	(50)
Loss on disposal of subsidiaries									(294)	–
Taxation									(327)	75
Loss attributable to shareholders									(6,932)	(56,829)
Depreciation and amortisation for the year	656	10,840	–	–	–	–	119	126	775	10,966
Impairment loss for the year	–	25,933	–	–	–	–	–	–	–	25,933
Significant non-cash expenses (other than depreciation and amortisation)	–	1,536	–	–	–	–	–	–	–	1,536
Unallocated significant non-cash expenses (other than depreciation and amortisation)									5	1,900
									5	3,436

10. SEGMENT REPORTING (continued)

Business segments (continued)

	Systems development		Software and hardware products		Professional services		Training		Consolidated	
	2004 HK$'000	2003 HK$'000	2004 HK$'000	2003 HK$'000	2004 HK$'000	2003 HK$'000	2004 HK$'000	2003 HK$'000	2004 HK$'000	2003 HK$'000
Segment assets	2,836	10,112	–	1,000	118	1,394	50	638	3,004	13,144
Unallocated assets									2,488	2,633
Total assets									5,492	15,777
Segment liabilities	743	4,156	14	196	301	2,316	–	585	1,058	7,253
Unallocated liabilities									3,424	3,087
Total liabilities									4,482	10,340
Capital expenditure incurred during the year	132	4,296	–	–	–	–	–	–	132	4,296
Unallocated capital expenditure incurred during the year									–	–
									132	4,296

The Group does not have any inter-segment sales.

Geographical segments

The Group's four business segments are conducted mainly in Hong Kong and elsewhere in 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.

10. SEGMENT REPORTING (continued)

Geographical segments (continued)

	Hong Kong		The PRC		Other countries	
	2004	2003	**2004**	2003	**2004**	2003
	HK$'000	HK$'000	**HK$'000**	HK$'000	**HK$'000**	HK$'000
Revenue from external customers	**16,898**	32,428	**639**	3,598	**613**	1,672
Segment assets	**5,492**	11,897	**-**	3,512	**-**	368
Capital expenditure incurred during the year	**132**	3,883	**-**	323	**-**	90

11. FIXED ASSETS

The Group

	Leasehold improvements	Computer and office equipment	Furniture and fixtures	Total
	HK$'000	HK$'000	HK$'000	HK$'000
Cost				
At 1 April 2003	1,202	11,191	1,175	13,568
Additions	94	176	18	288
Disposals	(1,276)	(11,219)	(1,175)	(13,670)
At 31 March 2004	**20**	**148**	**18**	**186**
Accumulated depreciation				
At 1 April 2003	613	7,574	929	9,116
Charge for the year	102	633	40	775
Written back on disposal	(715)	(8,147)	(968)	(9,830)
At 31 March 2004	**–**	**60**	**1**	**61**
Net book value				
At 31 March 2004	**20**	**88**	**17**	**125**
At 31 March 2003	589	3,617	246	4,452

12. INTERESTS IN SUBSIDIARIES

	2004 HK$'000	2003 HK$'000
Unlisted investments, at cost	5,953	124,656
Less: Impairment loss	(5,867)	(117,756)
	86	6,900
Advance to a subsidiary	1,800	–
Less: Impairment loss	(379)	–
	1,421	–
	1,507	6,900

Details of the subsidiaries at 31 March 2004 are as follows:

Name of company	Place of incorporation/ establishment and operation	Percentage of ownership interest: Group's effective holding	held by the company	held by subsidiary	Issued/ registered capital	Principal activities
Productive Finance Limited ("PFL")	British Virgin Islands ("BVI")	100%	100%	–	US$5,200	Investment holding
Absolute Great Technology Limited	BVI	100%	–	100%	US$1	Dormant
Systek Information System (Shanghai) Limited (Note)	PRC	100%	–	100%	US$200,000	Dormant
Systek Information Technology Inc.	United States of America	100%	–	100%	US$10	Dormant
Systek Information Technology (Pte) Limited	Singapore	100%	–	100%	Singapore $2	Dormant
Top Gallant International Limited ("Top Gallant")	BVI	100%	100%	–	US$10,000	Investment holding
Acon Enterprises Limited	BVI	100%	100%	–	US$1,000	Dormant
Loyaltek Limited	Hong Kong	100%	–	100%	HK$10,000	Dormant
Tai Shing (Hong Kong) Limited	Hong Kong	100%	–	100%	HK$2	Dormant

12. INTERESTS IN SUBSIDIARIES (continued)

Name of company	Place of incorporation/ establishment and operation	Percentage of ownership interest: Group's effective holding	held by the company	held by subsidiary	Issued/ registered capital	Principal activities
Systek International Trading Company (Shanghai) Limited (Note)	PRC	100%	–	100%	US$200,000	Dormant
Systek Solutions (China) Limited	Hong Kong	100%	–	100%	HK$2	Development and trading of software products and provision of training services
Systek Research Limited	BVI	100%	–	100%	US$1	Dormant
Transaction Technologies Limited	Hong Kong	100%	–	100%	HK$2	Development and trading of software products
Wingreat Investments Limited	BVI	100%	–	100%	US$1	Investment holding

Note: The companies were established as wholly-foreign owned enterprises in the PRC.

13. AMOUNTS DUE FROM/(TO) SUBSIDIARIES

Amounts due from/(to) subsidiaries were unsecured, interest free and without fixed terms of repayment.

14. INVESTMENT SECURITIES

	The Group 2004 HK$'000	The Group 2003 HK$'000
Other investment:		
Unlisted investment, at cost	1,800	–
Less: Impairment loss	(379)	–
	1,421	–

14. INVESTMENT SECURITIES

At 31 March 2004, the carrying value of the other investment exceed 10% of the total assets of the Company and the Group, respectively.

Name	Business structure	Place of incorporation	Principal activities	Registered capital	Percentage of interest held
北京中廣鴻聯網絡技術有限公司 ("Hung Luen")	Corporate	The People's Republic of China	Research, development and provision of information-on-demand system solutions, telecommunication and broadcasting media, network solutions and provision of related products and services	RMB4.5 million	40%

The equity interest of 40% in Hung Luen is held by Top Gallant, a direct wholly-owned subsidiary incorporated in British Virgin Islands.

Neither the Company nor Top Gallant has no representative on the board of directors of Hung Luen. In the opinion of the directors of the Company, neither the Company nor Top Gallant has any significant influence over Hung Luen. Therefore, the interest in Hung Luen is regarded as "other investment" and dealt with in accordance with the accounting policies detailed in note 1(e) and note 1(p)(vi) to the financial statements.

15. GROSS AMOUNT DUE FROM CUSTOMERS FOR CONTRACTS

	The Group	
	2004 HK$'000	2003 HK$'000
Costs incurred	–	15,182
Recognised profits less (losses), net	–	(1,728)
	–	13,454
Less: Progress billings	–	(11,853)
	–	1,601

16. INVENTORIES

	The Group	
	2004 HK$'000	2003 HK$'000
Finished goods	–	240

None of the inventories at 31 March 2003 was carried at net realisable value.

17. ACCOUNTS RECEIVABLE

An ageing analysis of accounts receivable is as follows:

	The Group	
	2004 HK$'000	2003 HK$'000
Within 1 month	264	4,511
More than 1 month but within 3 months	502	1,013
More than 3 months but less than 12 months	2,033	497
Beyond 1 year	–	38
	2,799	6,059

All of the accounts receivable are expected to be recovered within one year. General credit term is 30 to 45 days from the date of billing. Debtors with balances that are more than 9 months overdue are requested to settle all outstanding balances before any further credit is granted.

18. PLEDGED DEPOSITS

	The Group		The Company	
	2004 HK$'000	2003 HK$'000	2004 HK$'000	2003 HK$'000
Pledged deposits	–	526	–	–
Banking facilities granted	–	526	–	–
Banking facilities utilised	–	526	–	–

19. RECEIPTS IN ADVANCE

Receipts in advance represented advance payments of systems development service fees from customers pursuant to the respective service contracts.

20. PROMISSORY NOTE, UNSECURED

On 8 September 2003, the Company entered into a sale and purchase agreement with an independent third party to purchase 40% equity interest in Hung Luen in PRC at a consideration of HK$1,800,000, which is satisfied by the issuance of a Promissory Note by the Company in the nominal value of HK$1,800,000. The Promissory Note bears interest at 1% per annum and is redeemable on 7 September 2005.

21. SHARE CAPITAL

	Note	Number of shares '000	Amounts HK$'000
Authorised:			
At 1 April 2002 and 31 March 2003 ordinary shares of HK$0.10 each		2,000,000	200,000
Unissued shares cancelled		(963,625)	(96,362)
		1,036,375	103,638
Capital reduction of par value from HK$0.10 to HK$0.002 each	(a)	–	(101,565)
		1,036,375	2,073
Consolidation of every 25 shares to 1 share at HK$0.002 each	(a)	(994,920)	–
		41,455	2,073
Increase during the year	(b)	3,958,545	197,927
At 31 March 2004 ordinary shares of HK$0.05 each	(c)	4,000,000	200,000
Issued and fully paid:			
At 1 April 2002 and 31 March 2003 ordinary shares of HK$0.10 each		1,036,375	103,638
Capital reduction of par value from HK$0.10 to HK$0.002 each	(a)	–	(101,565)
		1,036,375	2,073
Consolidation of every 25 shares to 1 share at HK$0.002 each	(a)	(994,920)	–
		41,455	2,073
Issue upon share placements	(d)	6,000	300
At 31 March 2004 ordinary shares of HK$0.05 each		47,455	2,373

21. SHARE CAPITAL (continued)

(a) A special resolution was passed on 22 October 2003, which subsequently was approved by the Grand Court of the Cayman Islands for the reduction in the par value of the 1,036,375,000 shares in issue by cancelling the issued and paid up share capital to the extent of HK$0.098 from HK$0.10 to HK$0.002 whereby the Company's issued share capital of HK$103,637,500 was reduced by the amount of HK$101,564,750 to HK$2,072,750;

(b) On 22 October 2003, the Company passed an ordinary resolution for the consolidation of the issued and unissued share capital of the Company for every 25 shares of HK$0.002 each into one share of HK$0.05 each following the capital reduction as mentioned in note (a) above;

(c) With effect from 2 February 2004, the authorised share capital of the Company was HK$200,000,000 divided into 4,000,000,000 shares of HK$0.05 each ranking pari passu in all respects with the existing ordinary shares of the Company;

(d) On 16 March 2004, 6,000,000 new ordinary shares of HK$0.05 each were issued at HK$0.48 each per placing share upon the completion of share placements. These shares rank pari passu in all respects with the existing ordinary shares of the Company. The reason for the increase in issued share capital was to provide working capital for the Group. The premium on issue of shares of approximately HK$2,580,000 was credited to the share premium account.

22. NOTES TO THE CONSOLIDATED CASH FLOW STATEMENT

(a) Disposal of subsidiaries

	2004 HK$'000	2003 HK$'000
Net assets disposed of:		
Property, plant and equipment	3,835	–
Gross amount due from customers	4,165	–
Accounts receivable	2,537	–
Inventories	356	–
Prepayment, deposits and other receivables	1,165	–
Due to fellow subsidiaries	(2,765)	–
Pledged deposits	526	
Cash and bank balances	125	–
Other payables and accruals	(8,853)	–
Receipts in advance	(422)	–
	669	–
Exchange reserve realised on disposal	(375)	–
Loss on disposal of subsidiaries	(294)	–
	–	–

Net cash outflow arising on disposal:

	2004 HK$'000	2003 HK$'000
Cash and bank balances disposed of	(125)	–

(b) Major non-cash item

During the year, the Company acquired 40% equity interest in Hung Luen at a consideration of HK$1,800,000, which is satisfied by the issuance of a Promissory Note in the nominal value of HK$1,800,000.

23. COMMITMENTS UNDER OPERATING LEASES

At 31 March 2004, the total future minimum lease payment under non-cancellable operating leases payable are as follows:

	The Group	
	2004	2003
	HK$'000	HK$'000
Within 1 year	150	2,046
After 1 year but within 5 years	128	1,914
	278	3,960

The Group leases a number of properties under operating leases. The leases typically run for an initial period of one year to two years, with an option to renew the lease when all terms are renegotiated. None of the leases includes contingent rentals.

24. RETIREMENT BENEFITS SCHEMES

Hong Kong

Since 1 December 2000, the Hong Kong subsidiaries are required to join the Mandatory Provident Fund (the "MPF"), managed by an independent approved MPF trustee, under the requirements of the Mandatory Provident Fund Schemes Ordinance.

The Group operates a Mandatory Provident Fund Scheme ("the MPF scheme") under the Hong Kong Mandatory Provident Fund Schemes Ordinance for employees employed under the jurisdiction of the Hong Kong Employment Ordinance. The MPF scheme is a defined contribution retirement scheme administered by independent trustees. Under the MPF scheme, the employer and its employees are each required to make contributions to the scheme at 5% of the employees' relevant income, subject to a cap of monthly relevant income of HK$20,000. Contributions to the scheme vest immediately.

Total retirement benefits costs under the MPF charged to the income statement amounted to HK$376,000 (2003: HK$944,000), net of forfeited contributions of nil (2003: HK$79,000). Minimum contribution to the MPF is 5% of the employees' basic salaries.

PRC, other than Hong Kong

The PRC subsidiaries of the Group participate in pension schemes organised by the respective municipal governments whereby they are required to pay annual contributions at the rates ranging from 19% to 25.5% of the standard wages determined by the relevant authorises in the PRC.

24. RETIREMENT BENEFITS SCHEMES (continued)

PRC, other than Hong Kong (continued)

Under the above schemes, retirement benefits of existing and retired employees are payable by the relevant PRC scheme administrators and the Group has no further obligations beyond the annual contributions.

The aggregate employers' contributions by the Group under the PRC pension schemes amounted to HK$122,000 (2003: HK$445,000) during the year.

25. SHARE OPTION SCHEME

The Company has a share option scheme which was adopted on 22 October 2003 whereby the Directors of the Company are authorised, at their discretion, to invite full time employees of the Group, including executive Directors of any Company in the Group excluding non-executive Directors and independent non-executive Directors, to take up options to subscribe for shares of the Company. The exercise price of options was determined by the board and was the higher of (i) the closing price of the shares as stated on the Stock Exchange of Hong Kong Limited's ("Exchange's") daily quotations sheet on the date of grant; (ii) the average closing price of the shares as stated on the Exchange's daily quotations sheets for the five trading days immediately preceding the date of grant; (iii) the nominal value of the shares. Each option gives the holder the right to subscribe for one share.

No option was granted since the inception of the share option scheme.

26. POST BALANCE SHEET EVENT

On 23 March 2004, the Company has entered into a conditional sale and purchase deed with an independent third party to purchase for a consideration of HK$9,080,000 the entire issued share capital of Treasure Wise Enterprises Limited, a private limited company incorporated in the British Virgin Islands which, upon completion, is to become the indirect beneficial owner of 40% equity interest in Beijing Tongfang Electronic Science & Technology Company Limited, a company incorporated in the PRC, which is owned as to 100% by two intermediate holding companies namely Tongfang Electric Company Limited, a company incorporated in the British Virgin Islands, and Tongfang Electric (Hong Kong) Company Limited, another limited company incorporated in Hong Kong. The consideration will be satisfied by the Company by the issuance of 18,160,000 new shares of the Company at a price of HK$0.50 per share upon completion.

27. ULTIMATE HOLDING COMPANY

The Directors consider the ultimate holding company at 31 March 2004 to be Wide Source Group Ltd., which is incorporated in the BVI.

Financial Summary

COMPARATIVE TABLES OF RESULTS, ASSETS AND LIABILITIES

The following table summaries the results, assets and liabilities of the Group for each of the last five financial years:

	2004 HK$'000	2003 HK$'000	2002 HK$'000	2001 HK$'000	2000 HK$'000
Turnover	18,150	37,698	35,292	35,628	40,013
(Loss)/profit from ordinary activities before taxation	(6,605)	(56,904)	(54,153)	(29,233)	8,539
Taxation	(327)	75	–	(295)	(1,870)
(Loss)/profit from ordinary activities after taxation	(6,932)	(56,829)	(54,153)	(29,528)	6,669
Minority interests	–	–	–	987	–
(Loss)/profit attributable to shareholders	(6,932)	(56,829)	(54,153)	(28,541)	6,669
Total assets	5,492	15,777	71,250	127,131	28,845
Total liabilities	(4,482)	(10,340)	(10,147)	(11,549)	(20,931)
Net assets	1,010	5,437	61,103	115,582	7,914