TAI SHING

Tai Shing International (Holdings) Limited

(incorporated in the Cayman Islands with limited liability)

(Stock Code: 08103)

2006 Annual Report

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.

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

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.

Contents

BOARD OF DIRECTORS

Executive Directors
Ms. Li Wenli
Mr. Ho Cho Hang

Non-executive Director
Mr. Luk Yat Hung (Chairman)

Independent Non-executive Directors
Mr. Chung Shui Ming, Timpson
Professor Ip Ho Shing, Horace
Mr. Yan Yonghong
Mr. Peng Lijun

COMPANY SECRETARY

Mr. Young Wai Ching, ACCA, AHKSA

QUALIFIED ACCOUNTANT

Mr. Young Wai Ching, ACCA, AHKSA

COMPLIANCE OFFICER

Ms. Li Wenli

AUTHORISED REPRESENTATIVES

Mr. Ho Cho Hang
Mr. Young Wai Ching, ACCA, AHKSA

AUDIT COMMITTEE

Mr. Chung Shui Ming, Timpson (Chairman)
Professor Ip Ho Shing, Horace
Mr. Yan Yonghong
Mr. Peng Lijun

REMUNERATION COMMITTEE

Professor Ip Ho Shing, Horace (Chairman)
Mr. Chung Shui Ming, Timpson

AUDITORS

RSM Nelson Wheeler
Certified Public Accountants
7/F., Allied Kajima Building
138 Gloucester Road
Hong Kong

REGISTERED OFFICE

Century Yard
Cricket Square
Hutchins Drive
P.O. Box 2681GT
George Town
Grand Cayman
British West Indies

PRINCIPAL PLACE OF BUSINESS IN HONG KONG

24th Floor
Prosperous Commercial Building
54-58 Jardine's Bazaar
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

Butterfield Bank (Cayman) Limited
Butterfield House
Fort Street
P.O. Box 705
George Town
Grand Cayman
Cayman Islands
British West Indies

HONG KONG BRANCH SHARE REGISTRAR

Computershare Hong Kong Investor Services Limited
46th Floor
Hopewell Centre
183 Queen's Road East
Hong Kong

STOCK CODE

08103

Chairman's Statement

BUSINESS REVIEW

The year under review represents a significant year to the Company as we increased our exposure to the PRC power industry by acquiring the remaining 60% of Beijing Tongfang Electronic Science & Technology Company Limited ("Beijing Tongfang") not already owned by the Company.

Also, we disposed of Absolute Great Technotogy Limited and Systek Research Limited thereby substantially completed the Company's reorganisation in Hong Kong.

During the year under review, the Group recorded a consolidated turnover of approximately HK$72.6 million which represented an increase of approximately 139% as compared with the comparative figure of the corresponding year in 2005. The increase is attributable to the consolidation for the full year of the results of Beijing Tongfang.

Beijing Tongfang is principally engaged in research, development and provision of integrated management information system for power plants and for banks. During the period under review, contracts completed included management information system provided to Panzhihua Power Plant, Anqing Power Plant, China Power Investment Group, and Tangshan Power Plant.

BUSINESS OUTLOOK

2005/06 was a solid year of achievement. I expect the Company will continue to benefit from the construction of power plants in the PRC in 2006/07. In addition, the Company is preparing for an expansion into management information system for nuclear power plant.

I would like to thank the Board of Directors and all the Company's employees for their contribution and dedication in building the Company as a leading software house for the power industry in the PRC.

Sincerely yours,
Luk Yat Hung
Chairman

Hong Kong, 27 June 2006

FINANCIAL PERFORMANCE

During the year ended 31 March 2006, the Group recorded a turnover of HK$72.6 million (2005: HK$30.3 million) representing an increase of approximately 139% as compared with the comparative figure of the corresponding year. General and administrative expenses were approximately HK$10.1 million as compared to HK$4.7 million of the previous corresponding year, representing an increase of approximately 114%. Profit attributable to the shareholders amounted to approximately HK$11.4 million (2005: loss HK$2 million).

LIQUIDITY AND FINANCIAL RESOURCES

As at 31 March 2006, shareholders' funds of the Group amounted to approximately HK$25 million (2005: HK$10 million). Current assets amounted to approximately HK$66.9 million (2005: HK$87.7 million), of which approximately HK$5.8 million (2005: HK$3.9 million) were cash and cash equivalents. Current liabilities were approximately HK$49.3 million (2004: HK$74.9 million) mainly comprised of trade and other payables, amount due to a substantial shareholder 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 2006 was 196% (2005: 742%).

CAPITAL STRUCTURE

During the year under review, the following corporate action occurred that had resulted in material changes on the capital structure of the Company:

On 11 January 2006, 15,890,000 new shares were allotted and issued as the consideration for the acquisition of 35% of the issued share capital of Tongfang Electronic (Hong Kong) Company Limited. As a result of the issuance and allotment of the new shares, the issued share capital of the Company was increased from HK$3,755,250 divided into 75,105,000 shares of HK$0.05 each to HK$4,549,750 divided into 90,995,000 shares of HK$0.05 each.

FOREIGN CURRENCY EXPOSURE

During the year ended 31 March 2006, the Group experienced only immaterial exchange rate fluctuations, as the Group's operations were mainly denominated in 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

During the year the Group did not launch any new products or services.

SIGNIFICANT INVESTMENTS, MATERIAL ACQUISITIONS AND DISPOSAL OF SUBSIDIARIES

On 15 September 2005, the Group acquired the remaining 38.5% interests in Tongfang Electronic Company Limited ("Tongfang BVI") by transfering to the seller the entire equity interest in Top Gallant International Limited. Tongfang BVI was an indirect beneficial owner of a 65% interests in Beijing Tongfang which was held directly by Tongfang Electronic (Hong Kong) Company Limited ("Tongfang HK"). The details of the acquisition were set out in the Company's circular dated 26 August 2005.

On 11 January 2006, the Group acquired a 35% interest in Tongfang HK by the issue and allotment of 15,890,000 new shares of the Company. The details of the acquisition were set out in the Company's circular dated 26 August 2005.

As a result, the Group owned 100% interests of Beijing Tongfang as at the balance sheet date.

Save as disclosed above, as at 31 March 2006 and up to the date of this announcement, 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 2006, the Group had no known plans for material investments or capital assets.

SEGMENT INFORMATION

The Group is principally engaged in three business segments in the PRC and Hong Kong. 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 three business segments namely:

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

Turnover generated from PRC represented approximately 95% of the total turnover of the Group during the year ended 31 March 2006 as compared to approximately 81% in the previous year under review.

EMPLOYEES AND REMUNERATION POLICIES

As at 31 March 2006, the Group had hired 4 and 175 (2005: a total of 199) employees in Hong Kong and PRC respectively including the executive directors of the Company. Total staff costs including directors' remuneration for the year under review amounting to approximately HK$20.8 million (2005: HK$8.7 million). The increase was mainly resulted from the inclusion of the employees of Beijing Tongfang for the full year. 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 had 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 2006.

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 2006, no option was granted under both the old and new share option schemes.

CHARGES ON GROUP'S ASSETS AND CONTINGENT LIABILITIES

As at 31 March 2006, the Group's bank deposits of approximately HK$3,045,000 were pledged to banks to secure performance bond facilities granted to the Group.

Apart from the above, 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.

Directors and Senior Management Profile

EXECUTIVE DIRECTORS

Ms. Li Wenli, aged 35, chief exeuctive officer and Compliance Officer. Ms. Li graduated from Hebei University of Technology with a bachelor degree in computer science and engineering and holds a master degree in economics with Peking University. Prior to joining the Group, Ms. Li held senior positions with China Textile Machinery Co., Ltd. and Shanghai Guojia Industrial Co., Ltd., companies listed in The Shanghai Stock Exchange. She is a director and vice general manager of Beijing Tongfang Electronic Science & Technology Co., Ltd., a wholly-owned subsidiary of the Company.

Mr. Ho Cho Hang, aged 52, joined the Group in January 2006. He has over 25 years of experience in administration and securities broking with two leading securities houses.

NON-EXECUTIVE DIRECTOR

Mr. Luk Yat Hung, aged 46, non-executive Chairman, joined the Group in July 2003. Mr. Luk is a member of Chartered Association of Certified Accountants of the United Kingdom and a fellow member of Hong Kong Institute of Certified Public Accountants with a master degree in business administration with Oklahoma City University, the United States of America. Mr. Luk has over 20 years of working experience with a number of international conglomerates performing functions of chief financial officer.

INDEPENDENT NON-EXECUTIVE DIRECTORS

Mr. Chung Shui Ming, Timpson, GBS, JP, aged 54, joined the Group in July 2003. Mr. Chung holds a Master of Business Administration degree and is a fellow member of Hong Kong Institute of Certified Public Accountants and the Association of Chartered Certified Accountants. He is a member of the National Committee of the Chinese People's Political Consultative Conference, the Chairman of the Council of the City University of Hong Kong and a member of Hong Kong Housing Authority and Chairman of its Finance Sub-Committee. Mr. Chung is also an independent non-executive director of five other companies listed on the Stock Exchange. Formerly, Mr. Chung was the Chairman of the Hong Kong Housing Society and the Chief Executive of the Hong Kong Special Administrative Region Government Land Fund Trust.

Professor Ip Ho Shing, Horace, aged 49, 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.

Mr. Yan Yonghong, aged 39, joined the Group in September 2004. Mr. Yan graduated from Tsinghua University with a Bachelor of Science degree in Electronic Engineering and holds a Doctorate degree in Computer Science and Engineering with Oregon Graduate Institute of Science and Engineering, the United States of America. Mr. Yan had been a principal engineer of Intel Corporation and an associate professor of Oregon Health and Science University. Currently, he is appointed by the Chinese Academy of Sciences as a professor and an instructor of doctorate students. He is also appointed by the Chinese government as a member of the vetting committee of National Science Foundation of China.

Mr. Peng Lijun, aged 39, joined the Group in December 2004. Mr. Peng graduated from Jianghan Petroleum University major in architectural civil engineering. Mr. Peng has extensive experience in the industries of petroleum and civil engineering. Currently, he is appointed by Xinjiang YouBang Engineering Construction Co. Ltd. and Kelamayi YouBang Real Estate Developing Co. Ltd. as the president.

SENIOR MANAGEMENT

Mr. Young Wai Ching, aged 37, qualified accountant and company secretary, joined the Group in July 2003. Mr. Young is a practising member of Hong Kong Institute of Certified Public Accountants and a member of Chartered Association of Certified Accountants of the United Kingdom. He has over 15 years working experience in an accounting firm in Hong Kong performing auditing and management functions. Mr. Young is also the Qualified Accountant of the Company.

Corporate Governance Report

The Company is committed to high standards of corporate governance in the interest of its shareholders. It has and will continue to identify and adopt the best corporate governance practices appropriate to the Company.

CODE ON CORPORATE GOVERNANCE PRACTICES

The Company has complied with the code provisions set out in the Code on Corporate Governance Practices (the "Code") contained in Appendix 15 of the GEM Listing Rules (the "Listing Rules") throughout the year ended 31 March 2006.

SECURITIES TRANSACTIONS BY DIRECTORS

The Company has adopted a code of conduct regarding securities transactions by directors on terms no less exacting than the required standard of dealings as set out in 5.48 to 5.67 of the Listing Rules. Having made specified enquiry with the Directors, all the Directors confirmed that they have complied with the required standard of dealings for the year ended 31 March 2006.

BOARD OF DIRECTORS

The board of directors of the Company ("Board") is responsible for the formulation of strategies and policies, including an oversight of the management. Management is responsible for the day-to-day operations of the Company under the leadership of the Chief Executive Officer.

As at 31 March 2006, the Board comprised 7 Directors, including the Non-executive Chairman, the Chief Executive Officer, 1 Executive Director, and 4 Independent Non-executive Directors. One of the Independent Non-executive Director has appropriate professional qualifications, or accounting or related financial management expertise. Biographical details of the Directors are set out on page 7.

In determining the independence of directors, the Board follows the requirements set out in the Listing Rules. The Company has received from each of the Independent Non-executive Directors an annual confirmation of independence pursuant to 5.09 of the Listing Rules. The Company is of the view that all the Independent Non-executive Directors meet the independence guidelines set out in 5.09 of the Listing Rules and considers that they are independent.

The positions of the Chairman and the Chief Executive Officer are held by separate individuals. The role of the Chairman is separate from that of the Chief Executive Officer.

The Board meets regularly, and at least 4 times a year. Between scheduled meetings, senior management of the Company from time to time meets with Directors to discuss the businesses of the Company. In addition, Directors have full access to information on the Group and independent professional advice whenever deemed necessary by the Directors.

In the financial year ended 31 March 2006 the Board held 4 regular meetings, and the attendance records of the meetings are set out below:

	Attended
Non-executive Chairman	
Mr. Luk Yat Hung *(Note 1)*	4/4
Executive Directors	
Ms. Li Wenli *(Chief Executive Officer)*	4/4
Mr. Ho Cho Hang *(Note 2)*	1/1
Independent Non-executive Directors	
Mr. Chung Shui Ming, Timpson	4/4
Professor Ip Ho Shing, Horace	4/4
Mr. Yan Yonghong	4/4
Mr. Peng Lijun	4/4

Notes:

1. Re-designated as Chairman and Non-executive Director of the Company from 1 March 2006.

2. Appointed as Executive Director on 5 January 2006.

Each of the Independent Non-executive Directors has entered into a service contract with the Company for a term of 12-month period. The appointment will be automatically renewed for successive 12-month periods unless terminated by either party in writing prior to the expiry of the term.

REMUNERATION OF DIRECTORS

The remuneration committee was established in 2005. Members of the committee comprises Professor Ip Ho Shing, Horace (Chairman) and Mr. Chung Shui Ming, Timpson, both are Independent Non-executive Directors.

The remuneration committee assist the Board to determine the specific remuneration packages of all Executive Directors, and to administrate the share option schemes adopted by the Company. The remuneration committee considers factors such as market conditions, responsibilities and performance of each of the Directors in determining the remuneration package.

During the year, the remuneration committee held 2 meetings. Details of the attendance of the remuneration committee meetings are set out below :

Name of Member	Attendance
Professor Ip Ho Shing, Horace	2/2
Mr. Chung Shui Ming, Timpson	2/2

The remuneration committee of the Company has considered and reviewed the existing terms of employment contracts of the Executive Directors and appointment letters of the Independent Non-executive Directors. The remuneration committee of the Company considers that the existing terms of employment contracts of the Executive Directors and appointment letters of the Independent Non-executive Directors are fair and reasonable.

NOMINATION OF DIRECTORS

The Company has not established a nomination committee. A board meeting was held on 27 June 2006 for nomination of Directors. The attendance records of the meeting are set out below :

	Attendance
Non-executive Chairman	
Mr. Luk Yat Hung	1/1
Executive Directors	
Ms. Li Wenli	1/1
Mr. Ho Cho Hang	1/1
Non-executive Directors	
Mr. Chung Shui Ming, Timpson	1/1
Professor Ip Ho Shing, Horace	1/1
Mr. Yan Yonghong	1/1
Mr. Peng Lijun	1/1

During the meeting, the board of Directors considered and resolved that all the existing Directors shall be recommended to be retained by the Company.

DIRECTORS' RESPONSIBILITY FOR THE FINANCIAL STATEMENTS AND INTERNAL CONTROL

The Directors ensure the financial statements of the Group are prepared in accordance with the statutory requirement and applicable accounting standards.

The Directors' responsibilities in the preparation of the financial statements and the auditors' responsibilities are set out in the Auditors' Report.

The Board has overall responsibility for the establishment, maintenance and review of the Group's system of internal control. The Board has conducted a review of, and is satisfied with the effectiveness of the system of internal control of the Group.

AUDIT COMMITTEE

The Company has established an Audit Committee with written terms of reference in compliance with 5.28 and 5.33 of the Listing Rules. The Audit Committee comprises 4 Independent Non-executive Directors of the Company, one of them has the appropriate professional qualifications, accounting or related financial management expertise. The Audit Committee is chaired by Mr. Chung Shui Ming, Timpson and the other members are Professor Ip Ho Shing, Horace, Mr. Yan Yonghong and Mr. Peng Lijun.

The Audit Committee reviews the internal accounting procedures, considers and reports to the Board with respect to other auditing and accounting matters, including selection of independent auditors, fees to be paid to the independent auditors and the performance of the independent auditors.

The Audit Committee held 5 meetings in the financial year ended 31 March 2006. The attendance records of the Audit Committee meetings are set out below:

Name of Member	Attended
Mr. Chung Shui Ming, Timpson *(Chairman)*	5/5
Professor Ip Ho Shing, Horace	5/5
Mr. Yan Yonghong	5/5
Mr. Peng Lijun	5/5

For 2005/06, the Audit Committee reviewed with senior management and the auditors of the Company their audit findings, the accounting principles and practices adopted by the Company, legal and regulatory compliance, and financial reporting matters (including the unaudited quarterly and interim results and audited financial statements for the year ended 31 March 2006).

The audited consolidated results of the Group for the year ended 31 March 2006 have been reviewed by the Audit Committee.

AUDITORS' REMUNERATION

For the financial year ended 31 March 2006, the Auditors of the Company received approximately HK$680,000 for audit services. The Auditors of the Company did not provide any non-audit services to the Company in the financial year ended 31 March 2006.

Directors' Report

The board of directors (the "Directors") of Tai Shing International (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 2006.

PRINCIPAL ACTIVITIES AND SEGEMENT INFORMATION

The principal activity of the Company is investment holding and the activities of the subsidiaries are set out in note 21 to the financial statements.

An analysis of the Group's performance for the year ended 31 March 2006 by business and geographical segments are set out in note 9 to the financial statements.

RESULTS

The results of the Group for the year ended 31 March 2006 are set out in the consolidated income statement on page 23.

FIXED ASSETS

Details of the movements in fixed assets of the Group during the year ended 31 March 2006 are set out in note 20 to the financial statements.

SHARE CAPITAL

Details of the movements in share capital of the Group during the year ended 31 March 2006 are set out in note 35 to the financial statements.

RESERVES

Details of the movements in reserves of the Group during the year under review are set out in the consolidated statement of changes in equity on page 27. Other details of the reserves of the Company and the Group are set out in note 36 to the financial statements.

DISTRIBUTABLE RESERVES

Under the Companies Law 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 subject to the provisions of the Memorandum and Articles of Association and 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 2006, in the opinion of the Directors of the Company, the Company's reserves available for distribution to shareholders was approximately HK$4,255,000.

MAJOR CUSTOMERS AND SUPPLIERS

For the year, the aggregate percentage of purchases attributable to the Group's five largest suppliers is less than 30% of the total purchases of the Group.

For the year, the aggregate percentage of sales attributable to the Group's five largest customers accounted for 48% of the total sales of the Group and the largest customer included therein amounted to 22%.

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.

DIVIDENDS

The Directors do not recommend the payment of any final dividend for the year ended 31 March 2006.

RETIREMENT BENEFITS SCHEME

Details of the Group's retirement benefits scheme for the year ended 31 March 2006 are set out in note 40 to the financial statements.

RELATED PARTY TRANSACTIONS

Details of the Group's related party transactions are set out in note 41 to the financial statements.

DIRECTORS

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

NON-EXECUTIVE DIRECTORS

Mr. Luk Yat Hung *(re-designated on 1 March 2006)*

EXECUTIVE DIRECTORS

Ms. Li Wenli
Mr. Ho Cho Hang *(appointed on 5 January 2006)*

INDEPENDENT NON-EXECUTIVE DIRECTORS

Mr. Chung Shui Ming, Timpson
Professor Ip Ho Shing, Horace
Mr. Yan Yonghong
Mr. Peng Lijun

The biographical details of the Company's Directors are set out on page 7 of this report.

RETIREMENT OF DIRECTORS

Subject to the retirement by rotation provisions in the articles of association and the requirements of the Code on Corporate Governance Practices as set out in Appendix 15 of the GEM Listing Rules, Mr. Ho Cho Hang (being appointed during the year), Ms. Li Wenli, Mr. Chung Shui Ming, Timpson and Mr. Yan Yonghong will retire by rotation accordingly, and being eligible, offer themselves for re-election.

DIRECTORS' SERVICE CONTRACTS

Each of the Directors has entered into a service contract with the Company for an initial term of one year which shall continue thereafter, subject to the termination provisions thereunder and the rotation and re-election requirements under the articles of associations of the Company.

Save as disclosed herein, none of the Directors has entered into any service contract with any member of the Group which is not determinable by the Group within one year without payment of compensation, other than statutory compensation.

The Company has received from each of Mr. Chung Shui Ming, Timpson, Professor Ip Ho Shing, Horace, Mr. Yan Yonghong and Mr. Peng Lijun an annual confirmation of his independence pursuant to Rule 5.09 of the GEM Listing Rules and the Company still considers the Independent Non-executive Directors to be independent.

DIRECTORS' REMUNERATION

Details of the Directors' remuneration are set out in note 16 to the financial statements.

DIRECTORS' AND CHIEF EXECUTIVE'S INTERESTS IN SECURITIES

As at 31 March 2006, 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 the required standard of dealing by the Directors under 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

Name of Director	Nature of Shares Interested	Number of Shares Interested	Approximate Percentage of issued share capital
Mr. Luk Yat Hung *(Note)*	Corporate	21,542,476	23.67%
Mr. Ho Cho Hang	Personal	1,100,000	1.21%

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 the entire 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 2006, 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 year 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 2006, 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 2006, the following persons who had an interest or short position in the 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	23.67%
Mr. Luk Yat Hung	2	21,542,476	23.67%
Resuccess Investments Limited	3	15,890,000	17.46%
Tsinghua Tongfang Co. Limited	4	15,890,000	17.46%
Tsinghua Holdings Company Ltd.	5	15,890,000	17.46%
Best Jade Ltd.	6	7,190,000	7.90%
Ms. Li Luyuan	7	7,190,000	7.90%

Notes:

1. Wide Source Group Ltd. ("Wide Source") is a company incorporated in the British Virgin Islands with limited liability and is 100% ultimately and beneficially owned by Mr. Luk Yat Hung.

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 100% of the issued share capital of Wide Source which in turn holds 21,542,476 shares in the Company.

3. Resuccess Investments Limited is a company incorporated in the British Virgin Islands with limited liabilities and is owned by Tsinghua Tongfang Co. Limited.

4. Tsinghua Tongfang Co. Limited will be taken to be interested in 15,890,000 shares in the Company as a result of it being benefically interested in 100% of the issued share capital of Resuccess Investments Limited.

5. Tsinghua Holdings Company Ltd. will be taken to be interested in 15,890,000 shares in the Company as a result of it being benefically interested in 33.06% of the issued share capital of Tsinghua Tongfang Co. Limited.

6. Best Jade Ltd. ("Best Jade") is a company incorporated in the British Virgin Islands with limited liability and is 100% ultimately and beneficially owned by Ms. Li Luyuan.

7. Ms. Li Luyuan will be taken to be interested in 7,190,000 shares in the Company as a result of her being beneficially interested in the entire issued share capital of Best Jade which in turn holds 7,190,000 shares in the Company.

LONG POSITIONS IN UNDERLYING SHARES OF THE COMPANY

As at 31 March 2006, no long positions of other persons or substantial shareholders in the underlying shares of equity derivatives of the Company and its associated corporations were recorded in the register.

SHORT POSITIONS IN SHARES OF THE COMPANY

As at 31 March 2006, no short positions of other persons or substantial shareholders in the shares of the Company and its associated corporations were recorded in the register.

SHORT POSITIONS IN UNDERLYING SHARES OF THE COMPANY

As at 31 March 2006, no short positions of other persons or substantial shareholders in the underlying shares of equity derivatives of the Company and its associated corporations were recorded in the register.

Save as disclosed above, as at 31 March 2006, 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 any member of the Group was a party and in which a Director of the Group had a material interest, whether directly or indirectly, subsisted at the end of the year ended 31 March 2006 or at any time during such period.

DIRECTORS' COMPETING INTERESTS

As of 31 March, 2006, 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 22 October 2003, the Company conditionally adopted and approved a share option scheme (the "New Scheme") to replace the share option scheme adopted on 26 August 2000 (the "Old Scheme"). The principal terms of the New Scheme were set out in the Appendix I to the circular of the Company dated 30 September 2003.

(a) PURPOSE OF THE SCHEME

The purpose of the New 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.

(b) PARTICIPANTS OF THE SCHEME

Under the New 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.

(c) BASIS FOR DETERMINING THE SUBSCRIPTION PRICE

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;

(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; and

(iii) the norminal value of the share of the Company.

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.

(d) MAXIMUM NUMBERS AVAILABLE FOR ISSUE

The total number of shares of the Company which may be issued upon exercise of all options to be granted under the New 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 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 Scheme shall not exceed 30% of the shares of the Company in issue from time to time.

As at 31 March 2006, the total number of shares available for issue under the New Scheme was 9,099,500 shares representing 10% of the issued share capital of the Company.

(e) MAXIMUM ENTITLEMENT OF EACH PARTICIPANT

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.

(f) TIME OF EXERCISE OF OPTION

An option may be exercised in whole or in part in accordance with the terms of the New 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.

(g) 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 Scheme and the New Scheme during the year under review or outstanding as at 31 March 2006.

Save as disclosed herein, as at 31 March 2006, 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.

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

On 22 October 2003, the Company had conditionally adopted the New Scheme to replace the Old Scheme, 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 Scheme and the New Scheme.

Save as disclosed above, as at 31 March 2006, 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 associate 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 2006, neither the Company nor any of its subsidiaries had purchased, sold or redeemed any of the Company's listed securities.

FIVE-YEAR 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 73 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.

EVENTS AFTER THE BALANCE SHEET DATE

Details of significant events which have been taken place subsequent to the balance sheet date are set out in note 42 to the financial statements.

AUDITORS

The financial statements for the financial year ended 31 March 2003 were audited by KPMG. The financial statements for the two financial years ended 31 March 2004 and 2005 were audited by CCIF CPA Limited ("CCIF").

On 9 February 2006, CCIF tendered their resignation as the Company's auditors. Subsequently RSM Nelson Wheeler were appointed as auditors of the Company in March 2006 to fill the vacancy left by the resignation of CCIF.

A resolution to re-appoint the retiring auditors, RSM Nelson Wheeler, will be put at the forthcoming annual general meeting.

On behalf of the Board
Li Wenli
Chief Executive Officer

Hong Kong, 27 June 2006

RSM! Nelson Wheeler
羅 申 美 會 計 師 行
Certified Public Accountants

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 72 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 Hong Kong Standards on Auditing issued by the Hong Kong Institute of Certified Public 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 circumstances of the Company and of the Group, 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.

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 as at 31 March 2006 and of the Group's results and cash flows for the year then ended and have been properly prepared in accordance with the disclosure requirements of the Hong Kong Companies Ordinance.

RSM Nelson Wheeler
Certified Public Accountants

Hong Kong
27 June 2006

Consolidated Income Statement

For the year ended 31 March 2006

	Notes	2006 HK$'000	2005 HK$'000 (Restated)
Continuing operations:			
Revenue	8	72,556	30,347
Cost of services and merchandise sold		(55,233)	(22,183)
Gross profit		17,323	8,164
Other income	10	18,574	1,566
Research and development costs		(101)	(1,855)
Selling expenses		(7,261)	(2,709)
General and administrative expenses		(10,070)	(4,702)
Impairment loss on goodwill		—	(1,229)
Other expenses	11	(3,642)	—
Operating profit/(loss)		14,823	(765)
Finance costs	12	(64)	(496)
Share of profits of associates		—	1,286
Profit before tax		14,759	25
Income tax	13	(333)	(614)
Profit/(Loss) for the year from continuing operations		14,426	(589)
Discontinued operation:			
Profit for the year from discontinued operation	14	129	128
Profit/(Loss) for the year	15	14,555	(461)
Attributable to:			
Equity holders of the Company	17	11,441	(1,999)
Minority interests		3,114	1,538
		14,555	(461)

	Notes	2006 HK$'000	2005 HK$'000 (Restated)
Earnings/(Loss) per share	19		
From continuing and discontinued operations:			
Basic		**14.6 HK cents**	(3.5) HK cents
Diluted		**N/A**	N/A
From continuing operations:			
Basic		**14.4 HK cents**	(3.7) HK cents
Diluted		**N/A**	N/A

Consolidated Balance Sheet

At 31 March 2006

	Notes	2006 HK$'000	2005 HK$'000 (Restated)
Non-current assets			
Fixed assets	20	7,489	9,485
Investment securities	23	—	2,724
		7,489	12,209
Current assets			
Inventories	24	140	—
Financial assets at fair value through profit or loss	25	1,727	—
Gross amounts due from customers for contract work	26	14,255	25,197
Trade and other receivables	27	42,845	58,554
Tax recoverable		115	—
Pledged bank deposits	28	3,045	—
Bank and cash balances	28	4,796	3,917
		66,923	87,668
Current liabilities			
Gross amounts due to customers for contract work	26	153	800
Trade and other payables	29	33,677	24,932
Receipts in advance	30	3,767	5,605
Warranty provision	31	283	—
Amount due to a substantial shareholder	32	11,428	—
Amount due to a minority shareholder	32	—	24,450
Short term bank loans	33	—	16,981
Promissory note	34	—	1,800
Tax payable		1	327
		49,309	74,895
Net current assets		17,614	12,773
NET ASSETS		25,103	24,982
Capital and reserves			
Share capital	35	4,550	3,755
Reserves	36	20,553	6,335
Equity attributable to equity holders of the Company		25,103	10,090
Minority interests		—	14,892
TOTAL EQUITY		25,103	24,982

Approved and authorised for issue by the Board of Directors on 27 June 2006

Li Wenli	Ho Cho Hang
Director	*Director*

Balance sheet

At 31 March 2006

	Notes	2006 HK$'000	2005 HK$'000 (Restated)
Non-current assets			
Fixed assets	20	44	69
Investments in subsidiaries	21	8	10,279
		52	10,348
Current assets			
Amount due from a subsidiary	22	14,047	—
Prepayments	27	120	119
Bank and cash balances		61	219
		14,228	338
Current liabilities			
Amounts due to subsidiaries	22	1,574	33
Other payables	29	3,901	1,444
Promissory note	34	—	1,800
		5,475	3,277
Net current assets/(liabilities)		8,753	(2,939)
NET ASSETS		8,805	7,409
Capital and reserves			
Share capital	35	4,550	3,755
Reserves	36	4,255	3,654
TOTAL EQUITY		8,805	7,409

Approved and authorised for issue by the Board of Directors on 27 June 2006

Li Wenli
Director

Ho Cho Hang
Director

Consolidated Statement of Changes in Equity

For the year ended 31 March 2006

	Attributable to equity holders of the Company								
	Share capital HK$'000	Share premium HK$'000	General reserve HK$'000 (Note)	Capital reserve HK$'000	Foreign currency translation reserve HK$'000	Accumulated profits/ (losses) HK$'000	Sub-total HK$'000	Minority interests HK$'000	Total HK$'000
At 1 April 2004	2,373	2,580	—	1,200	(770)	(4,373)	1,010	—	1,010
Exchange differences on translation of foreign operations and net income recognised directly in equity	—	—	—	—	7	—	7	—	7
Loss for the year	—	—	—	—	—	(1,999)	(1,999)	1,538	(461)
Total recognised income and expense for the year	—	—	—	—	7	(1,999)	(1,992)	1,538	(454)
Issue of shares	908	8,172	—	—	—	—	9,080	—	9,080
Placing of shares	474	1,518	—	—	—	—	1,992	—	1,992
Acquisition of interests in subsidiaries	—	—	—	—	—	—	—	13,354	13,354
At 31 March 2005	3,755	12,270	—	1,200	(763)	(6,372)	10,090	14,892	24,982
Exchange differences on translation of foreign operations and net income recognised directly in equity	—	—	—	—	228	—	228	306	534
Profit for the year	—	—	—	—	—	11,441	11,441	3,114	14,555
Total recognised income and expense for the year	—	—	—	—	228	11,441	11,669	3,420	15,089
Transfer to reserves	—	—	466	—	—	(466)	—	—	—
Reserve realised upon disposal of subsidiaries	—	—	—	—	770	—	770	—	770
Acquisition of minority interests in subsidiaries	—	—	—	—	—	—	—	(18,312)	(18,312)
Issue of shares	795	1,779	—	—	—	—	2,574	—	2,574
At 31 March 2006	4,550	14,049	466	1,200	235	4,603	25,103	—	25,103

Note: According to the relevant rules and regulations of the People's Republic of China (the "PRC"), the Group's subsidiary in the PRC should allocate part of its profit after tax to general reserve, which can be used for make good losses and to convert into paid-up capital.

Consolidated Cash Flow Statement

For the year ended 31 March 2006

	2006 HK$'000	2005 HK$'000 (Restated)
CASH FLOWS FROM OPERATING ACTIVITIES		
Profit/(Loss) for the year	14,555	(461)
Adjustments for:		
Income tax expenses	333	614
Gain on disposal of subsidiaries	(3,252)	—
Gain on acquisition of minority interests in subsidiaries	(9,168)	—
Gain on disposal of investment securities	—	(845)
Waiver of debt	(239)	—
Interest income	(72)	—
Fair value losses on financial assets at fair value through profit or loss	53	—
Provision for warranty	283	—
Depreciation	2,073	630
Loss/(Gain) on disposal of fixed assets	740	(56)
Allowance for trade receivables	1,723	—
Allowance for other receivables	1,866	—
Impairment loss on goodwill	—	1,229
Interest expense	64	496
	8,959	1,607
Increase in inventories	(140)	*—
Increase in financial assets at fair value through profit or loss	(1,780)	—
Decrease/(Increase) in gross amounts due from customers for contract work, net of gross amounts due to customers for contract work	10,295	*(10,989)
Increase in trade and other receivables	(1,425)	(9,832)
Increase/(Decrease) in trade and other payables	8,969	(22,024)
(Decrease)/Increase in receipts in advance	(1,101)	210
(Decrease)/Increase in amount due to a substantial shareholder/a minority shareholder	(778)	24,450
Cash generated from/(used in) operations	22,999	(16,578)
Income tax paid		
– Hong Kong profits tax paid	(327)	—
– PRC enterprise income tax paid	(263)	(857)
Net cash from/(used in) operating activities	22,409	(17,435)

Consolidated Cash Flow Statement

For the year ended 31 March 2006

	Notes	2006 HK$'000	2005 HK$'000 (Restated)
CASH FLOWS FROM INVESTING ACTIVITIES			
Purchases of fixed assets		(914)	(744)
Increase in pledged bank deposits		(2,062)	—
Proceeds from disposal of fixed assets		95	1,202
Disposal of subsidiaries	37(a)	(1,155)	—
Acquisition of subsidiaries	37(b)	—	**17,390
Proceeds from disposal of investment securities		—	6,505
Interest received		72	—
Net cash (used in)/from investing activities		(3,964)	24,353
CASH FLOWS FROM FINANCING ACTIVITIES			
New shares issued		—	**1,992
Repayment of short term bank loans		(16,906)	(5,411)
Interest paid		(64)	(496)
Net cash used in financing activities		(16,970)	(3,915)
NET INCREASE IN CASH AND CASH EQUIVALENTS		1,475	3,003
CASH AND CASH EQUIVALENTS AT BEGINNING OF THE YEAR		3,917	907
Effect on foreign exchange rate changes		387	7
CASH AND CASH EQUIVALENTS AT END OF THE YEAR		5,779	3,917
ANALYSIS OF THE BALANCES OF CASH AND CASH EQUIVALENTS			
Bank and cash balances		4,796	3,917
Bank deposits with a short maturity of less than three months when acquired, pledged as security for banking facilities		983	—
		5,779	3,917

* *As a result of the restatement of prior year's comparative figures on the consolidated balance sheet, details of which are disclosed in note 4, certain comparative figures of the consolidated cash flow statement have also been reclassified in order to conform with the current year's presentation.*

** *In prior year, the issue of shares of HK$9,080,000 upon acquisition of subsidiaries was set off against the cash inflow arising from the aforesaid acquisition. In current year, the directors consider that it is more appropriate to treat the above-mentioned issue of shares of HK$9,080,000 as a non-cash transaction to reflect its underlying nature. Consequently, the comparative figures have been restated.*

1. GENERAL INFORMATION

Tai Shing International (Holdings) Limited (the "Company") was incorporated in the Cayman Islands as an exempted company with limited liability under the Companies Law of the Cayman Islands. The address of its registered office is Century Yard, Cricket Square, Hutchins Drive, P.O. Box 2681GT, George Town, Grand Cayman, British West Indies. The address of its principal place of business is 24th Floor, Prosperous Commercial Building, 54-58 Jardine's Bazaar, Causeway Bay, Hong Kong. The Company's shares are listed on the Growth Enterprise Market ("GEM") of The Stock Exchange of Hong Kong Limited (the "Stock Exchange").

The Company acts as an investment holding company and the principal activities of its subsidiaries (the "Group") are described in note 21.

2. BASIS OF PREPARATION OF FINANCIAL STATEMENTS

These financial statements have been prepared in accordance with Hong Kong Financial Reporting Standards ("HKFRSs") issued by the Hong Kong Institute of Certified Public Accountants ("HKICPA"), accounting principles generally accepted in Hong Kong and the applicable disclosures required by the Rules Governing the Listing of Securities on the GEM of the Stock Exchange and by the Hong Kong Companies Ordinance.

These financial statements have been prepared under the historical cost convention, except that financial assets at fair value through profit or loss are carried at their fair values.

3. ADOPTION OF NEW AND REVISED HKFRSS

In the current year, the Group has adopted all the new and revised HKFRSs issued by the HKICPA that are relevant to its operations and effective for accounting periods beginning on or after 1 January 2005. The adoption of these new and revised HKFRSs did not result in substantial changes to the Group's accounting polices and amounts reported for the current year and prior years except as stated below.

(a) Discontinued operation (HKFRS 5 Non-current Assets Held for Sale and Discontinued Operations)

In order to comply with HKFRS 5, the Group is required to classify operation as discontinued when the classification criteria as held for sale have been met or the Group has disposed of the operation.

The presentation of the comparative information has been reclassified as set out in note 2(b)(ii).

3. ADOPTION OF NEW AND REVISED HKFRSS (Continued)

(b) Changes in presentation (HKAS 1 Presentation of Financial Statements)

(i) Minority interests (HKAS 1 and HKAS 27 Consolidated and Separate Financial Statements)

In prior year, minority interests at the balance sheet date were presented in the consolidated balance sheet separately from liabilities and as deduction from net assets. Minority interests in the results of the Group for prior year were also separately presented in the income statement as a deduction before arriving at the loss attributable to shareholders (the equity holders of the Company).

In order to comply with HKAS 1 and HKAS 27, the Group has changed its accounting policy relating to presentation of minority interests. Under the new policy, minority interests are presented as part of equity, separately from interests attributable to the equity holders of the Company. These changes in presentation have been applied retrospectively with comparatives restated as shown in note 4.

(ii) Presentation of discontinued operations (HKAS 1 and HKFRS 5)

In prior year, the profit or loss of discontinued operation was included as part of the Group's income statement. Any pre-tax gain or loss recognised on the disposal of assets or settlement of liabilities attributable to the discontinued operation and the related income tax were presented in the income statement separately.

In order to comply with HKAS 1 and HKFRS 5, the Group has changed its accounting policy relating to presentation of discontinued operation. Under the new policy, a single amount is presented on the face of the income statement as profit or loss for the year from discontinued operation with an analysis disclosed in the notes to the financial statements. These changes in presentation have been applied retrospectively with comparatives restated as shown in note 4.

(c) Financial instruments (HKAS 32 Financial Instruments: Disclosure and Presentation and HKAS 39 Financial Instruments: Recognition and Measurement)

The adoption of HKAS 32 and HKAS 39 has resulted in a change in the accounting policy relating to the classification of a financial instrument.

HKAS 39 does not permit to recognise, derecognise and measure financial assets and liabilities in accordance with this standard on a retrospective basis. The Group applied the previous Statement of Standard Accounting Practice ("SSAP") 24 Accounting for Investments in Securities to investments in securities for the 2005 comparative information. Investment securities are carried at cost less impairment losses. The Group has applied the transitional rules in HKAS 39. At 1 April 2005, the Group reclassified its investment securities with a carrying amount of approximately HK$2,724,000 which also approximates their fair values at that date, to available-for-sale financial assets. The adoption of the requirements of HKAS 39 in respect of equity investments has had no impact to the Group at 1 April 2005 nor has it had an impact on the current period.

The Group has not applied the new HKFRSs that have been issued but are not yet effective. The application of these new HKFRSs will not have material impact on the consolidated financial statements of the Group.

4. RESTATEMENT OF PRIOR YEAR AND OPENING BALANCES

Effect on the consolidated income statement for the year ended 31 March 2005

	2005 (as previously reported) HK$'000	Increase/(Decrease) Effect of HKAS 1 (note 3(b)) HK$'000	2005 (as restated) HK$'000
Continuing operations:			
Revenue	30,538	(191)	30,347
Cost of services and merchandise sold	(22,246)	63	(22,183)
Gross profit	8,292	(128)	8,164
Other income	1,566	—	1,566
Research and development costs	(1,855)	—	(1,855)
Selling expenses	(2,709)	—	(2,709)
General and administrative expenses	(4,702)	—	(4,702)
Impairment loss on goodwill	(1,229)	—	(1,229)
Operating loss	(637)	(128)	(765)
Finance costs	(496)	—	(496)
Share of profits of associates	1,286	—	1,286
Profit before tax	153	(128)	25
Income tax	(614)	—	(614)
Loss for the year from continuing operations	(461)	(128)	(589)
Discontinued operation:			
Profit for the year from discontinued operation	—	128	128
Minority interests	(1,538)	1,538	—
Loss for the year	(1,999)	1,538	(461)
Attributable to:			
Equity holders of the Company	(1,999)	—	(1,999)
Minority interests	—	1,538	1,538
	(1,999)	1,538	(461)

4. RESTATEMENT OF PRIOR YEAR AND OPENING BALANCES (Continued)

Effect on the consolidated balance sheet at 31 March 2005

		Increase/(Decrease)				
	2005 (as previously reported) HK$'000	Effect of HKAS 1 (note 3(b)(i)) HK$'000	Reclassification (note 4(a)) HK$'000	Reclassification (note 4(b)) HK$'000	Reclassification (note 4(c)) HK$'000	2005 (as restated) HK$'000
Non-current assets	12,209	—	—	—	—	12,209
Current assets						
Inventories	26,412	—	—	—	(26,412)	—
Gross amounts due from customers for contract work	711	—	—	—	24,486	25,197
Trade and other receivables	58,554	—	—	—	—	58,554
Bank and cash balances	3,917	—	—	—	—	3,917
	89,594	—	—	—	(1,926)	87,668
Current liabilities						
Gross amounts due to customers for contract work	2,726	—	—	—	(1,926)	800
Trade and other payables	24,932	—	—	—	—	24,932
Receipts in advance	5,605	—	—	—	—	5,605
Amount due to a minority shareholder	—	—	24,450	—	—	24,450
Amount due to a related company	24,450	—	(24,450)	—	—	—
Short term bank loans	16,981	—	—	—	—	16,981
Promissory note	—	—	—	1,800	—	1,800
Tax payable	327	—	—	—	—	327
	75,021	—	—	1,800	(1,926)	74,895
Net current assets	14,573	—	—	(1,800)	—	12,773
Total assets less current liabilities	26,782	—	—	(1,800)	—	24,982
Non-current liabilities						
Promissory note	1,800	—	—	(1,800)	—	—
Minority interests	14,892	(14,892)	—	—	—	—
NET ASSETS	10,090	14,892	—	—	—	24,982
Capital and reserves						
Share capital	3,755	—	—	—	—	3,755
Reserves	6,335	—	—	—	—	6,335
Equity attributable to equity holders of the Company	10,090	—	—	—	—	10,090
Minority interests	—	14,892	—	—	—	14,892
TOTAL EQUITY	10,090	14,892	—	—	—	24,982

4. RESTATEMENT OF PRIOR YEAR AND OPENING BALANCES (Continued)

Effect on the consolidated balance sheet at 31 March 2005 (Continued)

Notes:

(a) In prior year, Tsinghua Tongfang Co., Ltd. ("Tsinghua Tongfang") was classified as a related company on the basis that Tsinghua Tongfang was a significant shareholder of Tongfang Electronic (Hong Kong) Company Limited ("Tongfang HK"), the then subsidiary of the Company. However, based on the latest information available and advice obtained, Tsinghua Tongfang was not a related company for both years ended 31 March 2005 and 2006 due to the following:

(i) The Company and Tsinghua Tongfang were not subject to common control or common significant influence.

(ii) Both the Company and Tsinghua Tongfang have declared that neither the Company nor Tsinghua Tongfang had the ability to control the other party or exercise significant influence over the other party in making financial and operating decisions.

(iii) At 31 March 2005, Tsinghua Tongfang was only a minority shareholder.

In view of the above, the directors re-classified the opening balance with Tsinghua Tongfang as amount due to a minority shareholder.

(b) Promissory note of HK$1,800,000 was previously included in non-current liabilities. The promissory note, which was redeemable in September 2005 pursuant to the underlying agreement and was actually redeemed during the year ended 31 March 2006, has been reclassified from non-current liabilities to current liabilities, as in the opinion of the directors, it more fairly reflects the underlying nature of the opening balance.

(c) In prior year, contract costs related to future activities on the contracts of approximately HK$26,412,000 were classified as inventories. Such contract costs actually represented amounts due from customers. In current year, the directors considered it is more appropriate to reclassify the contract costs related to future activities on the contracts to amounts with customers for contract work to more fairly reflect the underlying nature of the transactions. The comparative amount of inventories has been reclassified to conform with the current year's presentation.

5. PRINCIPAL ACCOUNTING POLICIES

The principal accounting policies applied in the preparation of these financial statements are set out below.

(a) Consolidation

The consolidated financial statements include the financial statements of the Company and its subsidiaries made up to 31 March. Subsidiaries are entities over which the Group has control. Control is the power to govern the financial and operating policies of an entity so as to obtain benefits from its activities. The existence and effect of potential voting rights that are currently exercisable or convertible are considered when assessing whether the Group has control.

Subsidiaries are fully consolidated from the date on which control is transferred to the Group. They are de-consolidated from the date the control ceases.

The gain or loss on the disposal of a subsidiary represents the difference between the proceeds of the sale and the Group's share of its net assets together with any goodwill or capital reserve relating to the subsidiary which was not previously charged or recognised in the consolidated income statement and also any related accumulated foreign currency translation reserve.

Inter-company transactions, balances and unrealised profits on transactions between Group companies are eliminated. Unrealised losses are also eliminated unless the transaction provides evidence of an impairment of the asset transferred. Accounting policies of subsidiaries have been changed where necessary to ensure consistency with the policies adopted by the Group.

Minority interests represent the interests of minority shareholders in the operating results and net assets of subsidiaries. Minority interests are presented in the consolidated balance sheet and consolidated statement of changes in equity within equity. Minority interests are presented in the consolidated income statement as an allocation of profit or loss for the year between minority and shareholders of the Company. Losses applicable to the minority in excess of the minority's interests in the subsidiary's equity are allocated against the interests of the Group except to the extent that the minority has a binding obligation and is able to make an additional investment to cover the losses.

In the Company's balance sheet the investments in subsidiaries are stated at cost less allowance for impairment losses. The results of subsidiaries are accounted for by the Company on the basis of dividends received and receivable.

5. PRINCIPAL ACCOUNTING POLICIES (Continued)

(b) Foreign currency translation

(i) Functional and presentation currency

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

(ii) Transactions and balances in each entity's financial statements

Transactions in foreign currencies are translated into the functional currency using the exchange rates prevailing on the transaction dates. Monetary assets and liabilities in foreign currencies are translated at the rates ruling on the balance sheet date. Profits and losses resulting from this translation policy are included in the income statement.

Translation differences on non-monetary items, such as equity instruments classified as financial assets at fair value through profit or loss, are reported as part of the fair value gain or loss. Translation difference on non-monetary items, such as equity instruments classified as available-for-sale financial assets, are included in the investment revaluation reserve in equity.

(iii) Translation on consolidation

The results and financial position of all the Group entities that have a functional currency different from the Company's presentation currency are translated into the Company's presentation currency as follows:

— assets and liabilities for each balance sheet presented are translated at the closing rate at the date of that balance sheet;

— income and expenses for each income statement are translated at average exchange rates (unless this average is not a reasonable approximation of the cumulative effect of the rates prevailing on the transaction dates, in which case income and expenses are translated at the exchange rates on the transaction dates); and

— all resulting exchange differences are recognised in the foreign currency translation reserve.

On consolidation, exchange differences arising from the translation of the net investment in foreign entities and of borrowings are recognised in the foreign currency translation reserve. When a foreign operation is sold, such exchange differences are recognised in the consolidated income statement as part of the profit or loss on disposal.

5. PRINCIPAL ACCOUNTING POLICIES (Continued)

(c) Fixed assets

Fixed assets are stated at historical cost less accumulated depreciation and impairment losses. Subsequent costs are included in the asset's carrying amount or recognised as a separate asset, as appropriate, only when it is probable that future economic benefits associated with the item will flow to the Group and the cost of the item can be measured reliably. All other repairs and maintenance are expensed in the income statement during the financial period in which they are incurred.

Depreciation of fixed assets is calculated at rates sufficient to write off their cost less their residual values over the estimated useful lives on a straight-line basis, as follows:

Leasehold improvements	Over the shorter of lease terms and 5 years
Furniture and fixtures	5 years
Computer and office equipment	5 years
Motor vehicles	8 years

The assets' residual values and useful lives are reviewed and adjusted, if appropriate, at each balance sheet date.

The gain or loss on disposal of fixed assets is the difference between the net sales proceeds and the carrying amount of the relevant asset, and is recognised in the income statement.

(d) Operating leases

Leases in which a significant portion of the risks and rewards of ownership are retained by the lessor are classified as operating leases. Payments made under operating leases (net of any incentives received from the lessor) are expensed in the income statement on a straight-line basis over the period of the lease.

(e) Internally-generated intangible assets – research and development expenditure

Expenditure on research activities is recognised as an expense in the period in which it is incurred. An internally-generated intangible asset is recognised only if all of the following conditions are met:

(i) an asset is created that can be identified (such as software and new processes);

(ii) it is probable that the asset created will generate future economic benefits; and

(iii) the development cost of the asset can be measured reliably.

Internally-generated intangible assets are amortised on a straight-line basis over their estimated useful lives. Where no internally-generated intangible asset can be recognised, development expenditure is charged to the profit or loss in the period in which it is incurred.

5. PRINCIPAL ACCOUNTING POLICIES (Continued)

(f) Discontinued operation

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

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

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

(i) the post-tax profit or loss of the discontinued operation; and

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

(g) Inventories

Inventories are stated at the lower of cost and net realisable value. Cost is determined using the first-in, first-out basis. 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.

(h) Systems development contracts

The accounting policy for the revenue derived from systems development services is set out in note 5(p)(i). When the outcome of a systems development contract can be estimated reliably, contract costs are recognised as expenses 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 system development contract cannot be estimated reliably, contract costs are recognised as an expense in the period in which they are incurred.

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

5. PRINCIPAL ACCOUNTING POLICIES (Continued)

(i) Financial assets at fair value through profit or loss

Investments are recognised and derecognised on a trade date basis where the purchase or sale of an investment is under a contract whose terms require delivery of the investments within the timeframe established by the market concerned, and are initially measured at fair value, plus directly attributable transaction costs except in the case of financial assets at fair value through profit or loss.

Financial assets at fair value through profit of loss are either investment held for trading or designated as at fair value through profit or loss upon initial recognition. These investments are subsequently measured at fair value. Gains or losses arising from changes in fair value of these investments are included in profit or loss for the period.

(j) Trade and other receivables

Trade and other receivables are recognised initially at fair value and subsequently measured at amortised cost using the effective interest method, less allowance for impairment. An allowance for impairment of trade and other receivables is established when there is objective evidence that the Group will not be able to collect all amounts due according to the original terms of receivables. The amount of the allowance is the difference between the asset's carrying amount and the present value of estimated future cash flows, discounted at the effective interest rate. The amount of the allowance is recognised in the income statement.

(k) Cash and cash equivalents

Cash and cash equivalents represent cash at bank and on hand, demand deposits with banks and other financial institutions, and short term highly liquid investments which are readily convertible into known amounts of cash and subject to an insignificant risk of change in value. For the purpose of the cash flow statement, bank overdrafts which are repayable on demand and form an integral part of the Group's cash management are also included as a component of cash and cash equivalents.

(l) Financial liabilities and equity instruments

Financial liabilities and equity instruments are classified according to the substance of the contractual arrangements entered into and the definitions of a financial liability and an equity instrument. An equity instrument is any contract that evidences a residual interest in the assets of the Group after deducting all of its liabilities. The accounting policies adopted for specific financial liabilities and equity instruments are set out below.

(m) Borrowings

Borrowings are recognised initially at fair value, net of transaction costs incurred, and subsequently measured at amortised cost using the effective interest method.

Borrowings are classified as current liabilities unless the Group has an unconditional right to defer settlement of the liability for at least 12 months after the balance sheet date.

5. PRINCIPAL ACCOUNTING POLICIES (Continued)

(n) Trade and other payables

Trade and other payables are stated initially at their fair value and subsequently measured at amortised cost using the effective interest method unless the effect of discounting would be immaterial, in which case they are stated at cost.

(o) Equity instruments

Equity instruments issued by the Company are recorded at the proceeds received, net of direct issue costs.

(p) Revenue recognition

(i) Systems development

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. When the outcome of a systems development contract cannot be estimated reliably, revenue is recognised only to the extent of contract costs incurred that is probable to be recoverable.

(ii) Sale of software and hardware products

Revenue arising from the sale of computer software and hardware products is recognised when the customer has accepted the goods and the related risks and rewards of ownership.

(iii) Professional service fees

Professional service fees represent fees for the provision of information technology engineering and technical support 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 is recognised on a time-proportion basis using the effective interest method.

(vi) Dividend income

Dividend income is recognised when the shareholders' right to receive payment is established.

5. PRINCIPAL ACCOUNTING POLICIES (Continued)

(q) Employee benefits

(i) Employee leave entitlements

Employee entitlements to annual leave and long service leave are recognised when they accrue to employees. A provision is made for the estimated liability for annual leave and long service leave as a result of services rendered by employees up to the balance sheet date.

Employee entitlements to sick leave and maternity leave are not recognised until the time of leave.

(ii) Pension obligations

The Group contributes to defined contribution retirement schemes which are available to all employees. Contributions to the schemes by the Group and employees are calculated as a percentage of employees' basic salaries. The retirement benefits scheme cost charged to the income statement represents contributions payable by the Group to the funds.

(iii) Termination benefits

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

(r) Borrowing costs

Borrowing costs directly attributable to the acquisition, construction or production of qualifying assets, which are assets that necessarily take a substantial period of time to get ready for their intended use or sale, are added to the cost of those assets, until such time as the assets are substantially ready for their intended use or sale. Investment income earned on the temporary investment of specific borrowings pending their expenditure on qualifying assets is deducted from the borrowing costs eligible for capitalisation.

All other borrowing costs are recognised in profit or loss in the period in which they are incurred.

5. PRINCIPAL ACCOUNTING POLICIES (Continued)

(s) Taxation

Income tax expense represents the sum of the tax currently payable and deferred tax.

The tax currently payable is based on taxable profit for the year. Taxable profit differs from profit as reported in the income statement because it excludes items of income or expense that are taxable or deductible in other years and it further excludes items that are never taxable or deductible. The Group's liability for current tax is calculated using tax rates that have been enacted or substantively enacted by the balance sheet date.

Deferred tax is recognised on differences between the carrying amounts of assets and liabilities in the financial statements and the corresponding tax bases used in the computation of taxable profit, and is accounted for using the balance sheet liability method. Deferred tax liabilities are generally recognised for all taxable temporary differences and deferred tax assets are recognised to the extent that it is probable that taxable profits will be available against which deductible temporary differences can be utilised. Such assets and liabilities are not recognised if the temporary difference arises from goodwill or from the initial recognition (other than in a business combination) of other assets and liabilities in a transaction that affect neither the taxable profit nor the accounting profit.

Deferred tax liabilities are recognised for taxable temporary differences arising on investment in subsidiaries, except where the Group is able to control the reversal of the temporary difference and it is probable that the temporary difference will not reverse in the foreseeable future.

The carrying amount of deferred tax assets is reviewed at each balance sheet date and reduced to the extent that it is no longer probable that sufficient taxable profits will be available to allow all or part of the asset to be recovered.

Deferred tax is calculated at the tax rates that are expected to apply in the period when the liability is settled or the asset realised, based on tax rates that have been enacted or substantively enacted by the balance sheet date. Deferred tax is charged or credited to profit or loss, except when it relates to items charged or credited directly to equity, in which case the deferred tax is also dealth with in equity.

Deferred tax assets and liabilities are offset when there is a legally enforceable right to set off current tax assets against current tax liabilities and when they relate to income taxes levied by the same taxation authority and the Group intends to settle its current tax assets and liabilities on a net basis.

5. PRINCIPAL ACCOUNTING POLICIES (Continued)

(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 returns that are different from those of other segments.

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.

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 the segment. Unallocated costs represent corporate expenses. Segment assets consist primarily of fixed assets, inventories, gross amounts due from customers for contract work and trade and other receivables. Segment liabilities comprise operating liabilities. They exclude items such as taxation and corporate borrowings.

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 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.

In respect of geographical segment reporting, sales are based on the countries in which customers are located. Total assets and capital expenditure are based on where the assets are located.

(u) Related parties

Two parties are considered to be related if one party has the ability, directly or indirectly, to control the other party or exercise significant influence over the other party in making financial and operating decisions. Parties are also considered to be related if they are subject to common control or common significant influence. Related parties may be individuals (being members of key management personnel, significant shareholders and/or their close family members) or other entities and include entities which are under the significant influence of related parties of the Group where those parties are individuals, and post-employment benefit plans for the benefit of employees of the Group or of any entity that is a related party of the Group.

5. PRINCIPAL ACCOUNTING POLICIES (Continued)

(v) Impairment of assets

At each balance sheet date, the Group reviews the carrying amounts of its tangible assets to determine whether there is any indication that those assets have suffered an impairment loss. If any such indication exists, the recoverable amount of the asset is estimated in order to determine the extent of the impairment loss (if any). Where it is not possible to estimate the recoverable amount of an individual asset, the Group estimates the recoverable amount of the cash generating unit to which the asset belongs.

Recoverable amount is the higher of fair value less costs to sell and value in use. In assessing value in use, the estimated future cash flows are discounted to their present value using a pre-tax discount rate that reflects current market assessments of the time value of money and the risks specific to the asset.

If the recoverable amount of an asset or cash-generating unit is estimated to be less than its carrying amount, the carrying amount of the asset or cash-generating unit is reduced to its recoverable amount. An impairment loss is recognised immediately in profit or loss, unless the relevant asset is carried at a revalued amount, in which case the impairment loss is treated as a revaluation decrease.

Where an impairment loss subsequently reverses, the carrying amount of the asset or cash-generating unit is increased to the revised estimate of its recoverable amount, but so that the increased carrying amount does not exceed the carrying amount that would have been determined had no impairment loss been recognised for the asset or cash-generating unit in prior years. A reversal of an impairment loss is recognised immediately in profit or loss, unless the relevant asset is carried at a revalued amount, in which case the reversal of the impairment loss is treated as a revaluation increase.

(w) Provisions and contingent liabilities

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

5. PRINCIPAL ACCOUNTING POLICIES (Continued)

(x) Events after the balance sheet date

Events after the balance sheet date that provide additional information about the Group's position at the balance sheet date or those that indicate the going concern assumption is not appropriate are adjusting events and are reflected in the financial statements. Events after the balance sheet date that are not adjusting events are disclosed in the notes when material.

6. CRITICAL JUDGEMENTS AND KEY ESTIMATES

(a) Critical judgements in applying accounting policies

In the process of applying the accounting policies, management has made the following judgements that has the most significant effect on the amounts recognised in the financial statements (apart from those involving estimations, which are dealt with below).

(i) Acquired assets and liabilities in relation to the simulation business

On 7 September 2004 (prior to Beijing Tongfang Electronic Science & Technology Company Limited ("Beijing Tongfang") was acquired by the Group), Beijing Tongfang completed the acquisition of certain assets and liabilities in relation to the simulation business of 北京市清華能源仿真公司 (the "acquired business"). Although, the acquired business remained in the books and records of 北京市清華能源仿真公司, the terms of the agreement enable Beijing Tongfang to maintain effective control over the acquired assets and liabilities. In the opinion of the directors, the acquired assets and liabilities are under the Group's control and therefore they were consolidated in these financial statements. At 31 March 2006, the net asset value in relation to the simulation business was approximately HK$826,000 (2005: HK$1,573,000) and the simulation business accounted for a loss of approximately HK$769,000 to the Group's profit for the year (2005: a loss of approximately HK$1,097,000 to the Group's loss for the year).

(ii) Trade and other receivables

In determining whether allowance for doubtful receivables is required, the directors take into consideration the aged status and the likelihood of collection. Following the identification of doubtful debts, the responsible personnel discuss with the relevant debtors and report on the recoverability. Specific allowance is only made for trade and other receivables that are unlikely to be collected. In this regard, the directors are satisfied that adequate allowance for doubtful receivables has been made in light of the current creditworthiness and the past collection history of each debtor and the current economic environment.

6. CRITICAL JUDGEMENTS AND KEY ESTIMATES (Continued)

(b) Key sources of estimation uncertainty

The key assumptions concerning the future, and other key sources of estimation uncertainty at the balance sheet date, that have a significant risk of causing a material adjustment to the carrying amounts of assets and liabilities within the next financial year, are discussed below.

(i) Revenue and profit recognition

The Group estimated the percentage of completion of the systems development and consultancy services contracts by reference to the estimated total outcome of the systems development and consultancy services contracts as well as the work performed to date. The actual outcomes in terms of total cost or revenue may be different from the estimates at the balance sheet date, such differences will impact the revenue and the profit or loss recognised in the period in which such determination is made. Budget cost or revenue of each project will be reviewed periodically and revised accordingly where significant variances are noted during the revision.

(ii) Income taxes

The Group is subject to income taxes in numerous jurisdictions. Significant estimates are required in determining the worldwide provision for income taxes. There are many transactions and calculations for which the ultimate tax determination is uncertain during the ordinary course of business. Where the final tax outcome of these matters is different from the amounts that were initially recorded, such differences will impact the income tax and deferred tax provisions in the period in which such determination is made.

7. FINANCIAL RISK MANAGEMENT

The Group's activities expose it to a variety of financial risks: foreign currency risk, price risk, credit risk, liquidity risk and interest rate risk. The Group's overall risk management programme focuses on the unpredictability of financial markets and seeks to minimise potential adverse effects on the Group's financial performance.

(a) Foreign currency risk

The Group has minimal exposure to foreign currency risk as most of its business transactions, assets and liabilities are principally denominated in Hong Kong dollars and Renminbi ("RMB"). Nevertheless, the exchange rate of RMB to foreign currencies is subject to rules and regulations of foreign exchange control promulgated by the PRC government. The Group currently does not have a foreign currency hedging policy in respect of foreign currency debt. The Group will monitor its foreign currency exposure closely and will consider hedging significant foreign currency exposure should the need arise.

(b) Price risk

The Group's financial assets at fair value through profit or loss are measured at fair value at each balance sheet date. Therefore, the Group is exposed to equity security price risk. The directors manage this exposure by maintaining a portfolio of investments with difference risk profiles.

7. FINANCIAL RISK MANAGEMENT (Continued)

(c) Credit risk

The Group's maximum exposure to credit risk in the event that counterparties fail to perform their obligations at 31 March 2006 in relation to each class of recognised financial assets is the carrying amounts of those assets as stated in the consolidated balance sheet. The Group's credit risk is primarily attributable to its trade and other receivables. At 31 March 2006, the two largest trade and other receivables represent approximately 33% of the total trade and other receivables. The Group was exposed to the concentration of credit risk. The amounts presented in the consolidated balance sheet are net of allowances for doubtful receivables, estimated by the directors based on prior experience and their assessment of the current economic environment.

The credit risk on liquid funds is limited because majority of the counterparties are banks with high credit-ratings assigned by international credit-rating agencies.

(d) Liquidity risk

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

(e) Interest rate risk

The Group's bank balances have exposure to cash flow interest rate risk due to the fluctuation of the prevailing market interest rate on bank balances.

(f) Fair values

The carrying amounts of the Group's financial assets and financial liabilities as reflected in the consolidated balance sheet approximate their respective fair values.

8. REVENUE

An analysis of the Group's revenue, which is also the Group's turnover, for the year is as follows:

	2006 HK$'000	2005 HK$'000
Continuing operations		
Systems development	61,220	20,567
Software and hardware products	258	1,754
Professional service fees	11,078	8,026
	72,556	30,347
Discontinued operation		
Training fees	191	191
	72,747	30,538

9. 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 information technology engineering and technical support services
Training:	Provision of training courses

9. SEGMENT REPORTING (Continued)

Business segments (Continued)

	Continuing operations						Discontinued operation			
	Systems development		Software and hardware products		Professional services		Training		Consolidated	
	2006	2005	**2006**	2005	**2006**	2005	**2006**	2005	**2006**	2005
	HK$'000	HK$'000	**HK$'000**	HK$'000	**HK$'000**	HK$'000	**HK$'000**	HK$'000	**HK$'000**	HK$'000
Results										
Revenue from external customers	**61,220**	*20,567	**258**	*1,754	**11,078**	8,026	**191**	*191	**72,747**	30,538
Segment results	**2,270**	*(678)	**252**	*1,731	**3,951**	*4,402	**129**	*128	**6,602**	*5,583
Interest income									**72**	—
Impairment loss on goodwill									**—**	(1,229)
Unallocated income and expenses									**8,278**	*(4,991)
									14,952	(637)
Finance costs									**(64)**	(496)
Share of profits of associates									**—**	1,286
Income tax									**(333)**	(614)
Profit/(Loss) for the year									**14,555**	(461)
Assets										
Segment assets	**58,511**	**96,501	**—**	—	**9,099**	71	**—**	—	**67,610**	**96,572
Unallocated assets									**6,802**	3,305
Total assets									**74,412**	99,877
Liabilities										
Segment liabilities	**27,722**	**71,760	**—**	—	**218**	87	**—**	—	**27,940**	**71,847
Unallocated liabilities									**21,369**	3,048
Total liabilities									**49,309**	74,895
Other information										
Capital expenditure	**749**	670	**—**	—	**132**	—	**—**	—	**881**	670
Unallocated capital expenditure									**33**	74
									914	744
Depreciation and amortisation	**852**	1,422	**—**	—	**130**	—	**—**	—	**982**	1,422
Unallocated depreciation and amortisation									**1,091**	—
									2,073	1,422
Loss on disposal of fixed assets	**200**	—	**—**	—	**35**	—	**—**	—	**235**	—
Unallocated loss on disposal of fixed assets									**505**	—
									740	—
Allowance for trade and other receivables	**3,064**	—	**—**	—	**525**	—	**—**	—	**3,589**	—

* *The comparative figures of segment revenue, segment results and certain expenses relating to sales to external customers included in unallocated expenses have been restated to conform with the current year's presentation.*

** *As a result of the restatement of prior year's comparative figures on the consolidated balance sheet, details of which are disclosed in note 4, certain comparative figures of the business segments have also been reclassified in order to conform with the current year's presentation.*

9. SEGMENT REPORTING (Continued)

Geographical segments

The Group's operations are carried out in Hong Kong and in the PRC. Provision of systems development, sale of software and hardware products and professional services are carried out in Hong Kong and in the PRC. Provision of training courses is carried out in Hong Kong.

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 assets.

	Continuing operations	
	Revenue from external customers by geographical area	
	2006	2005
	HK$'000	HK$'000
Hong Kong	**3,749**	5,701
The PRC	**68,807**	24,646
	72,556	30,347

The revenue from the Group's discontinued training operation amounted to approximately HK$191,000 (2005: HK$191,000) in respect of the year, which was derived in Hong Kong.

	Carrying amount of segment assets		Capital expenditure	
	2006	2005	**2006**	2005
	HK$'000	HK$'000	**HK$'000**	HK$'000
Hong Kong	**302**	6,090	**33**	126
The PRC	**74,110**	*93,787	**881**	618
	74,412	99,877	**914**	744

* *As a result of the restatement of prior year's comparative figures on the consolidated balance sheet, details of which are disclosed in note 4, the comparative figure of the carrying amount of segment assets in the PRC has also been reclassified in order to conform with the current year's presentation.*

10. OTHER INCOME

	2006 HK$'000	2005 HK$'000
Gain on disposal of subsidiaries *(note 37(a))*	3,252	—
Gain on acquisition of minority interests in subsidiaries *(note a)*	9,168	—
Gain on disposal of financial assets at fair value through profit or loss	1,294	—
Gain on disposal of investment securities	—	845
Value added tax refund (note b)	4,499	665
Gain on disposal of fixed assets	—	56
Waiver of debt	239	—
Interest income	72	—
Sundry income	50	—
	18,574	1,566

Notes:

(a) On 11 January 2006, the Group purchased the remaining 35% equity interest in Tongfang HK from Tsinghua Tongfang by the issue and allotment of 15,890,000 ordinary shares of HK$0.05 each of the Company, the fair value at the date of exchange was HK$0.162 per share. The excess of the share of net assets over the consideration of approximately HK$9,168,000 was dealt with in the income statement.

(b) A tax concession has been granted by the PRC tax authorities to the Company's subsidiary, Beijing Tongfang Electronic Science & Technology Company Limited ("Beijing Tongfang") for the sales of certain self-developed computer software products. Under this concession, Beijing Tongfang is entitled to refund of value added tax paid in excess of an effective rate of 3%. The amount of VAT refund is recognised as other income.

11. OTHER EXPENSES

	2006 HK$'000	2005 HK$'000
Allowance for trade receivables	1,723	—
Allowance for other receivables	1,866	—
Fair value losses on financial assets at fair value through profit or loss	53	—
	3,642	—

12. FINANCE COSTS

Finance costs represented interest on bank loans.

13. INCOME TAX

(a) Income tax in the income statement represents:

	2006 HK$'000	2005 HK$'000
Current tax:		
Hong Kong profits tax	—	—
PRC enterprise income tax	441	614
	441	614
Under/(Over)-provided tax in respect of previous years:		
Hong Kong profits tax	183	—
PRC enterprise income tax	(291)	—
	(108)	—
Income tax	333	614

No provision of Hong Kong profits tax has been made as the Group has sufficient tax losses brought forward to set off against current year's assessable profit.

Pursuant to the relevant laws and regulations in the PRC, Beijing Tongfang is subject to PRC enterprise income tax at a rate of 15% on its taxable income and is granted a 50% relief, which is effective from 1 January 2004 to 31 December 2006 ("Tax Holidays").

13. INCOME TAX (Continued)

(b) Reconciliation between income tax and profit before tax is as follows:

	2006 HK$'000	2005 HK$'000
Profit before tax		
Continuing operations	14,759	25
Discontinued operation	129	128
	14,888	153
Tax at the applicable tax rate of 15% (2005: 17.5%)	2,233	27
Tax effect of income subject to Tax Holidays	(434)	—
Tax effect of non-taxable income	(2,716)	(499)
Tax effect of non-deductible expenses	912	510
Over-provision in respect of previous years	(108)	—
Tax effect of tax losses not recognised	481	299
Tax effect of utilisation of tax losses not previously recognised	(19)	—
Tax effect of unrecognised temporary differences	(16)	(13)
Tax effect of different tax rates in other jurisdictions	—	290
Income tax	333	614

Following the disposal of the Group's certain subsidiaries during the year, the Group's activities are substantially carried out in the PRC. In preparation of the above reconciliation, the PRC enterprise income tax rate of 15% has been taken as the applicable tax rate for the current year. The applicable tax rate adopted in the prior year's reconciliation represents Hong Kong profits tax rate.

(c) Deferred taxation:

At 31 March 2006, the Group had unused tax losses of approximately HK$20,960,000 (2005: HK$15,783,000) available for offset against future profits. No deferred tax asset has been recognised in respect of the above unused tax losses due to the unpredictability of future profit streams. Included in the above unused tax losses are losses of approximately HK$1,715,000 (2005: HK$13,000) that will expire after five years from the year of assessment they relate to. Other unused tax losses may be carried forward indefinitely.

At 31 March 2006, the Group also had deductible temporary differences of approximately HK$13,011,000 (2005: HK$13,115,000). No deferred tax asset has been recognised in relation to the above deductible temporary differences as it is not probably that taxable profit will be available against which the deductible temporary differences can be utilised.

14. DISCONTINUED OPERATION

On 24 January 2006, the Group entered into a sale and purchase agreement to dispose of its entire 100% equity interest in Absolute Great Technology Limited ("Absolute Great") at a consideration of HK$10,000. Absolute Great together with its subsidiaries was engaged in the provision of systems development, technical support and training services. The disposal was completed on 26 January 2006. As Absolute Great carried out all of the Group's training service, upon completion of the disposal of Absolute Great, the Group discontinued its business of training service.

The results of the discontinued operation for the period from 1 April 2005 to 26 January 2006 are as follows:

	Period ended 26 January 2006 HK$'000	Year ended 31 March 2005 HK$'000
Revenue	**191**	191
Cost of services	**(62)**	(63)
Profit before tax	**129**	128
Income Tax	**—**	—
Profit for the year	**129**	128

The discontinued operation did not have a significant impact on the Group's cash flows for the years ended 31 March 2006 and 2005.

No tax charge or credit arose in respect of the discontinued operation.

15. PROFIT/(LOSS) FOR THE YEAR

Profit/(Loss) for the year has been arrived at after charging:

	2006 HK$'000	2005 HK$'000
Depreciation	2,073	630
Loss on disposal of fixed assets	740	—
Auditors' remuneration		
Current year	680	247
Overprovision for prior year	(50)	—
	630	247
Minimum lease payments under operating leases on land and buildings	2,043	178
Employee benefit expenses (excluding directors' emoluments *(note 16)*)		
Wages and salaries	18,867	7,667
Retirement benefits scheme contributions	1,219	488
	20,086	8,155

16. DIRECTORS' AND FIVE HIGHEST PAID INDIVIDUALS' EMOLUMENTS

Directors' emoluments

The emoluments paid or payable to each of the seven (2005: seven) directors are as follows:

(a) Year ended 31 March 2006

Name of directors	Fees	Salaries and other benefits	Retirement benefits scheme contributions	Total
	HK$'000	HK$'000	HK$'000	HK$'000
Li Wenli	30	157	13	200
Ho Cho Hang	30	—	—	30
Luk Yat Hung	220	—	—	220
Chung Shui Ming Timpson	120	—	—	120
Ip Ho Shing Horace	120	—	—	120
Peng Lijun	30	—	—	30
Yan Yonghong	30	—	—	30
	580	157	13	750

(b) Year ended 31 March 2005

Name of directors	Fees	Salaries and other benefits	Retirement benefits scheme contributions	Total
	HK$'000	HK$'000	HK$'000	HK$'000
Li Wenli	12	—	—	12
Ho Cho Hang	70	—	—	70
Luk Yat Hung	240	—	—	240
Chung Shui Ming Timpson	120	—	—	120
Ip Ho Shing Horace	120	—	—	120
Peng Lijun	9	—	—	9
Yan Yonghong	15	—	—	15
	586	—	—	586

16. DIRECTORS' AND FIVE HIGHEST PAID INDIVIDUALS' EMOLUMENTS (Continued)

Five highest paid individuals' emoluments

Of the five individuals with the highest emoluments, none (2005: none) are directors. The aggregate of the five highest paid individuals' emoluments are as follows:

	2006 HK$'000	2005 HK$'000
Salaries and other benefits	1,369	1,893
Retirement benefits scheme contributions	45	58
	1,414	1,951

Emoluments of the five (2005: five) highest paid individuals are within the following band:

	Number of individuals	
	2006	2005
Nil - HK$1,000,000	5	5

17. LOSS FOR THE YEAR ATTRIBUTABLE TO EQUITY HOLDERS OF THE COMPANY

The loss for the year attributable to equity holders of the Company for the year ended 31 March 2006 dealt with in the financial statements of the Company was approximately HK$1,178,000 (2005: 2,486,000) (note 36).

18. DIVIDENDS

No dividend has been paid or declared by the Company for the year ended 31 March 2006 (2005: Nil).

19. EARNINGS/(LOSS) PER SHARE

(a) Basic earnings/(loss) per share

From continuing and discontinued operations

The calculation of basic earnings/(loss) per share attributable to equity holders of the Company is based on the profit attributable to equity holders of the Company of approximately HK$11,441,000 (2005: loss of approximately HK$1,999,000) and the weighted average number of 78,587,740 (2005: 57,565,874) ordinary shares in issue during the year.

From continuing operations

The calculation of basic earnings/(loss) per share from continuing operations attributable to equity holders of the Company is based on the profit attributable to equity holders of the Company of approximately HK$11,312,000 (2005: loss of approximately HK$2,127,000) and the weighted average number of 78,587,740 (2005: 57,565,874) ordinary shares in issue during the year.

From discontinued operation

Basic earnings per share for the discontinued operation is 0.2 HK cents per share (2005: 0.2 HK cents per share) based on the profit for the year from discontinued operation of approximately HK$129,000 (2005: HK$128,000) and the weighted average number of 78,587,740 (2005: 57,565,874) ordinary shares in issue during the year.

(b) Diluted earnings/(loss) per share

There were no dilutive potential shares in issue during the years ended 31 March 2006 and 2005, accordingly, no diluted earnings/(loss) per share has been presented.

20. FIXED ASSETS

The Group

	Leasehold improvements HK$'000	Furniture and fixtures HK$'000	Computer and office equipment HK$'000	Motor vehicles HK$'000	Total HK$'000
Cost					
At 1 April 2004	20	18	148	—	186
Acquisition of subsidiaries	1,960	—	2,931	5,501	10,392
Additions	2	43	184	515	744
Disposals	—	—	(19)	(1,329)	(1,348)
At 31 March 2005	1,982	61	3,244	4,687	9,974
Additions	—	—	914	—	914
Disposals	(637)	—	(481)	(179)	(1,297)
Disposal of subsidiaries	(22)	(19)	(230)	—	(271)
Exchange differences	31	—	52	85	168
At 31 March 2006	**1,354**	**42**	**3,499**	**4,593**	**9,488**
Accumulated depreciation					
At 1 April 2004	—	1	60	—	61
Charge for the year	86	8	313	223	630
Disposals	—	—	(16)	(186)	(202)
At 31 March 2005	86	9	357	37	489
Charge for the year	411	21	936	705	2,073
Disposals	(132)	—	(298)	(32)	(462)
Disposal of subsidiaries	(8)	(8)	(106)	—	(122)
Exchange differences	5	—	10	6	21
At 31 March 2006	**362**	**22**	**899**	**716**	**1,999**
Net book value					
At 31 March 2006	**992**	**20**	**2,600**	**3,877**	**7,489**
At 31 March 2005	1,896	52	2,887	4,650	9,485

20. FIXED ASSETS (Continued)

The Company

	Furniture and fixtures HK$'000	Computer and office equipment HK$'000	Total HK$'000
Cost			
At 1 April 2004	—	—	—
Additions	43	32	75
At 31 March 2005 and at 31 March 2006	**43**	**32**	**75**
Accumulated depreciation			
At 1 April 2004	—	—	—
Charge for the year	4	2	6
At 31 March 2005	4	2	6
Charge for the year	19	6	25
At 31 March 2006	**23**	**8**	**31**
Net book value			
At 31 March 2006	**20**	**24**	**44**
At 31 March 2005	39	30	69

21. INVESTMENTS IN SUBSIDIARIES

	The Company	
	2006	2005
	HK$'000	HK$'000
Unlisted investments, at cost	**8**	14,725
Less: Impairment loss	**—**	(5,867)
	8	8,858
Advance to a subsidiary	**—**	1,800
Less: Impairment loss	**—**	(379)
	—	1,421
	8	10,279

Details of the Company's subsidiaries at 31 March 2006 are as follows:

Name of subsidiary	Place of incorporation/ establishment and operation	Kind of legal entity	Percentage of ownership interest Direct	Percentage of ownership interest Indirect	Issued share capital/ registered capital	Principal activities
Acon Enterprises Limited	British Virgin Islands	Limited liability company	100%	—	US$1,000	Investment holding
Tongfang Electronic Company Limited ("Tongfang BVI")	British Virgin Islands	Limited liability company	—	100%	US$65	Investment holding
Tongfang HK	Hong Kong	Limited liability company	—	100%	HK$100,000	Investment holding
Beijing Tongfang	PRC	Wholly foreign-owned enterprise	—	100%	US$4,300,000	Research, development and provision of integrated management information system

The above table lists the subsidiaries of the Company which, in the opinion of the directors, principally affected the results for the year or formed a substantial portion of the net assets of the Group. To give details of other subsidiaries would, in the opinion of the directors, result in particulars of excessive length.

21. INVESTMENTS IN SUBSIDIARIES *(Continued)*

In prior year, the Company indirectly held 61.5% equity interest in Tongfang BVI, which in turn had 65% shareholding in Tongfang HK. Tongfang HK is an investment holding company which held the entire equity interest in Beijing Tongfang. Consequently, the Company indirectly had 40% effective interest in Beijing Tongfang.

On 15 September 2005, the Group acquired the remaining 38.5% equity interest in Tongfang BVI from a minority shareholder, Mr. Pyong Sig Cho, by transferring the 100% equity interest in Top Gallant International Limited ("Top Gallant") to the minority shareholder. Consequently, the Company's effective interest in Beijing Tongfang was increased from 40% to 65%.

On 11 January 2006, the Group purchased the remaining 35% equity interest in Tongfang HK from a minority shareholder, Tsinghua Tongfang, by the issue and allotment of 15,890,000 ordinary shares of HK$0.05 each of the Company, the fair value at the date of exchange was HK$0.162 per share. As a result, the Company's effective interest in Beijing Tongfang was increased from 65% to 100%.

22. AMOUNT DUE FROM A SUBSIDIARY/AMOUNTS DUE TO SUBSIDIARIES

The balances with subsidiaries are unsecured, interest free and have no fixed terms of repayment.

23. INVESTMENT SECURITIES

As detailed in note 3(c), by applying the transitional rules in HKAS 39, at 1 April 2005, the Group reclassified its investment securities with a carrying amount of approximately HK$2,724,000 to available-for-sale financial assets, which comprise the Group's investments in 甘肅同興智能科技發展有限責任公司 ("甘肅同興") and 北京中廣鴻聯網絡技術有限公司 ("北京中廣鴻聯").

On 30 August 2004, an agreement was entered between Beijing Tongfang (prior to its acquisition by the Group) and Tsinghua Tongfang, pursuant to which Beijing Tongfang agreed to acquire 12.11% interest of the registered capital of 甘肅同興 at a consideration of approximately HK$1,303,000. The purchase consideration was settled by Beijing Tongfang by setting off against the current accounts with Tsinghua Tongfang. At 31 March 2005, the transfer of legal title of 甘肅同興 was yet to be completed. Notwithstanding the above, in the opinion of the directors, the Group had acquired the beneficial title of 甘肅同興 and such transfer of legal title will be completed in due course. Accordingly, 甘肅同興 was accounted for as investment securities at 31 March 2005. During the year ended 31 March 2006, the transaction was cancelled and the purchase consideration was settled by setting off against the amount due to Tsinghua Tongfang.

On 15 September 2005, the Group disposed of its investment in 北京中廣鴻聯 upon the disposal of a wholly-owned subsidiary, Top Gallant.

24. INVENTORIES

	The Group	
	2006	2005
	HK$'000	HK$'000
Raw materials	140	—

25. FINANCIAL ASSETS AT FAIR VALUE THROUGH PROFIT OR LOSS

	The Group	
	2006	2005
	HK$'000	HK$'000
At fair value:		
Equity securities listed in the PRC	1,727	—

The above financial assets are classified as held for trading. The fair values of these financial assets are based on quoted market prices.

26. GROSS AMOUNTS DUE FROM/TO CUSTOMERS FOR CONTRACT WORK

	The Group	
	2006	2005
	HK$'000	HK$'000
Contract costs incurred plus recognised profits less recognised losses to date	79,287	74,409
Less: Progress billings	(65,185)	(50,012)
	14,102	24,397
Gross amounts due from customers for contract work	14,255	25,197
Gross amounts due to customers for contract work	(153)	(800)
	14,102	24,397

27. TRADE AND OTHER RECEIVABLES

	The Group		The Company	
	2006	2005	**2006**	2005
	HK$'000	HK$'000	**HK$'000**	HK$'000
Trade receivables	**23,239**	25,742	**—**	—
Retention receivables	**2,590**	*1,000	**—**	—
Prepayments, deposits and other receivables	**17,016**	31,812	**120**	119
	42,845	58,554	**120**	119

* In the prior year, retention receivables were included in trade receivables. In the current year, the directors consider that it is more appropriate to separate retention receivables from trade receivables to reflect more fairly its underlying nature. The comparative figures have been restated to conform with the current year's presentation.

Trade debts are payable in accordance with the terms of the underlying agreements with the customers. Trade receivables with balances that are more than 9 months overdue are requested to settle all outstanding balances before any further credit is granted.

An aged analysis of trade receivables, net of allowances is as follows:

	The Group	
	2006	2005
	HK$'000	HK$'000
0 - 30 days	**125**	1,431
31 - 90 days	**1,216**	3,607
Over 90 days	**21,898**	20,704
	23,239	25,742

At 31 March 2006, amounts of approximately HK$523,000 (2005: HK$252,000) included in retention receivables are due for settlement after more than 12 months.

28. PLEDGED BANK DEPOSITS AND BANK AND CASH BALANCES

The Group's bank deposits were pledged to banks to secure performance bond facilities granted to the Group.

At 31 March 2006, the Group's pledged bank deposits and bank and cash balances denominated in Renminbi amounted to approximately HK$7,704,000 (2005: HK$3,174,000). The remittance of these funds out of the PRC is subject to the exchange restriction imposed by the PRC government.

29. TRADE AND OTHER PAYABLES

	The Group		The Company	
	2006	2005	**2006**	2005
	HK$'000	HK$'000	**HK$'000**	HK$'000
Trade payables	**9,881**	8,821	**—**	—
Bills payables	**—**	2,337	**—**	—
Other payables	**23,796**	13,774	**3,901**	1,444
	33,677	24,932	**3,901**	1,444

An aged analysis of trade and bills payables is as follows:

	The Group	
	2006	2005
	HK$'000	HK$'000
0 - 30 days	**276**	2,152
31 - 90 days	**624**	1,328
Over 90 days	**8,981**	7,678
	9,881	11,158

Included in other payables are amounts of approximately HK$366,000 (2005: HK$126,000) representing accrued directors' fee due to the Company's directors.

30. RECEIPTS IN ADVANCE

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

31. WARRANTY PROVISION

	The Group
	HK$'000
At 1 April 2005	—
Provision for the year	283
At 31 March 2006	**283**

The Group provides warranties to its customers on systems development in accordance with terms and conditions as stipulated in contracts, under which defective works are rectified. The amount of warranty provision is estimated based on the past experience of the level of defective works.

32. AMOUNT DUE TO A SUBSTANTIAL SHAREHOLDER/AMOUNT DUE TO A MINORITY SHAREHOLDER

In prior year, Tsinghua Tongfang was a minority shareholder. On 11 January 2006, the Company allotted and issued 15,890,000 ordinary shares to Resuccess Investments Limited, a wholly-owned subsidiary of Tsinghua Tongfang. As a result, Tsinghua Tongfang became a substantial shareholder of the Company.

The amount due to a substantial shareholder/minority shareholder is unsecured, interest-free and repayable on demand.

33. SHORT TERM BANK LOANS

The Group's short term bank loans were fully repaid during the year ended 31 March 2006.

34. PROMISSORY NOTE

The promissory note issued by the Company in the nominal value of HK$1,800,000 was fully settled during the year ended 31 March 2006.

35. SHARE CAPITAL

	Number of shares	HK$'000
Authorised:		
At 31 March 2005 and 2006:		
Ordinary shares of HK$0.05 each	4,000,000,000	200,000
Issued and fully paid:		
At 1 April 2004	47,455,000	2,373
Issue of shares	18,160,000	908
Placing of shares	9,490,000	474
At 31 March 2005	75,105,000	3,755
Issue of shares	15,890,000	795
At 31 March 2006	90,995,000	4,550

On 11 January 2006, 15,890,000 ordinary shares of HK$0.05 each of the Company were issued and allotted, at the fair value of HK$0.162 per share at the date of exchange, as the consideration for the acquisition of minority interests in subsidiaries. The premium arose from the issue of shares of approximately HK$1,779,000 was credited to the share premium account. These shares rank pari passu in all respects with the then existing ordinary shares of the Company.

36. RESERVES

(a) The Group

The Group's reserves and the movements therein for the current and prior year are presented in the consolidated statement of changes in equity.

(b) The Company

	Share premium HK$'000	Capital reserve HK$'000	Accumulated losses HK$'000	Total HK$'000
At 1 April 2004	2,580	1,200	(7,330)	(3,550)
Loss for the year	—	—	(2,486)	(2,486)
Issue of shares	8,172	—	—	8,172
Placing of shares	1,518	—	—	1,518
At 31 March 2005	12,270	1,200	(9,816)	3,654
Loss for the year	—	—	(1,178)	(1,178)
Issue of shares	1,779	—	—	1,779
At 31 March 2006	**14,049**	**1,200**	**(10,994)**	**4,255**

The capital reserve represents waiver of amount due to a shareholder of the Company during the year ended 31 March 2003. As the waived amount is in substance equivalent to a capital contribution to the Company, hence, it was accounted for as capital reserve.

37. DISPOSAL AND ACQUISITION OF SUBSIDIARIES

(a) Disposal of subsidiaries

	2006 HK$'000	2005 HK$'000
Net assets disposed of:		
Fixed assets	149	—
Available-for-sale financial asset	1,421	—
Trade and other receivables	2,604	—
Amounts due from group companies	51	—
Bank and cash balances	366	—
Other payables	(224)	—
Receipts in advance	(737)	—
Short term bank loan	(75)	—
Amounts due to group companies	(1,612)	—
Tax payable	(184)	—
	1,759	—
Exchange reserve released	770	—
Direct costs incurred	949	—
Gain on disposal of subsidiaries	3,252	—
Total consideration	6,730	—
Satisfied by:		
Cash	160	—
Acquisition of minority interests in subsidiaries	6,570	—
	6,730	—
Net cash outflow arising on disposal of subsidiaries:		
Cash consideration received	160	—
Direct costs incurred	(949)	—
Cash and cash equivalents disposed of	(366)	—
	(1,155)	—

37. DISPOSAL AND ACQUISITION OF SUBSIDIARIES (Continued)

(b) Acquisition of subsidiaries

	2006 HK$'000	2005 HK$'000
Net assets acquired:		
Fixed assets	—	10,392
Inventories	—	14,567
Trade receivables	—	8,136
Investment securities	—	6,963
Prepayment, deposits and other receivables	—	37,547
Bank and cash balances	—	17,390
Gross amounts due to customers for contract work	—	(1,160)
Trade payables	—	(20,076)
Bills payables	—	(3,200)
Other payables	—	(21,603)
Receipts in advance	—	(5,116)
Bank loans	—	(22,392)
Tax payable	—	(243)
	—	21,205
Minority interests	—	(13,354)
Goodwill on acquisition	—	1,229
Consideration	—	9,080
Satisfied by:		
Issue of shares	—	9,080
Net cash inflow arising on acquisition of subsidiaries:		
Cash and cash equivalent acquired	—	17,390

38. MAJOR NON-CASH TRANSACTONS

(a) As detailed in note 23, during the year ended 31 March 2006, the acquisition of 甘肅同興 was cancelled and the purchase consideration was settled by setting off against the amount due to Tsinghua Tongfang.

(b) As detailed in note 21, during the year ended 31 March 2006, the Group disposed of Top Gallant which was satisfied by the acquisition of minority interests in subsidiaries.

(c) During the year ended 31 March 2006, the Company allotted and issued 15,890,000 ordinary shares of HK$0.05 each of the Company at HK$0.162 per share, amounted to approximately HK$2,574,000, as the consideration for the acquisition of minority interests in subsidiaries.

(d) During the year ended 31 March 2006, the repayment of promissory note approximately HK$1,800,000 was satisfied by setting off against the amount due from a former subsidiary of approximately HK$1,561,000 and the remaining balance of approximately of HK$239,000 was waived.

(e) During the year ended 31 March 2006, repayment of amount due to a substantial shareholder of approximately HK$10,941,000 was satisfied by the same amount of trade and other receivables.

39. COMMITMENTS UNDER OPERATING LEASES

At 31 March 2006, the Group has outstanding commitments under non-cancellable operating leases, which fall due as follows:

	The Group	
	2006	2005
	HK$'000	HK$'000
Within one year	**1,636**	923
In the second to fifth year inclusive	**—**	64
	1,636	987

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

40. RETIREMENT BENEFITS SCHEMES

Hong Kong

The Group operates a Mandatory Provident Fund Scheme ("the MPF scheme") for all qualifying employees in Hong Kong. The MPF scheme is a defined contribution retirement plan administered by independent trustees. Contributions are made based on a percentage of the employee's relevant income and are charged to the income statement as they become payable in accordance with the rules of the MPF Scheme. The Group's employer contributions vest fully with the employees when contributed into the MPF Scheme.

PRC, Other than Hong Kong

The Group also participates in pension schemes which are essentially defined contribution schemes, organised by the government in the PRC. The Group is required to contribute a certain percentage of the payroll of its employees to the pension schemes in the PRC. Contributions are charged to the income statement as they become payable in accordance with the rules of the pension schemes. No forfeited contributions may be used by the employers to reduce the existing level of contributions.

41. RELATED PARTY TRANSACTIONS

The key management personnel of the Group comprises all directors, details of their remuneration are disclosed in note 16.

Saved as disclosed in note 29 and the above key management personnel remuneration, the Group did not have any significant related party transactions during the year.

42. EVENTS AFTER THE BALANCE SHEET DATE

On 19 April 2006, a High Court Action No.858 of 2006 was commenced by Chan Kar Kui, Wong Calvin Ting Chi, Chan Wai Phan, Chan Man Wan and Kwok King Chuen (the "Plaintiffs") against the Company for specific performance of the agreement entered between the Plaintiffs and the Company's former director, To Cho Kei, on behalf of the Company, in around May/June 2000 to purchase from the Plaintiffs all their shareholdings in Epplication.Net Limited ("Epplication.Net") at a consideration of HK$6,800,000 being the double of the actual amount that the Plaintiffs expended on Epplication.Net by way of transfer or allotment of the shares of the Company of the equivalent value, or alternatively, damages with interests and costs. The Company has filed a defence denying the allegation as the Company has no record of any agreement for the purchase of the Plaintiffs' shareholdings in Epplication.Net and the Plaintiffs have not produced any documentary evidence to support their claim. The directors strongly believe that the Company has reasonable good defence in this action and therefore, no provision for liabilities were made.

43. COMPARATIVE FIGURES

Certain comparative figures have been adjusted or reclassified as a result of the changes in accounting policies and the conformity to current year's presentation.

Five Year Summary

	For the year ended 31 March				
	2006	2005	2004	2003	2002
	HK$'000	HK$'000	HK$'000	HK$'000	HK$'000
		(Restated)			
Turnover	**72,556**	30,347	18,150	37,698	35,292
Profit/(Loss) before tax	**14,759**	25	(6,605)	(56,904)	(54,153)
Income tax	**(333)**	(614)	(327)	75	—
Profit/(Loss) for the year from continuing operations	**14,426**	(589)	(6,932)	(56,829)	(54,153)
Profit for the year from discontinued operation	**129**	128	—	—	—
Profit/(Loss) for the year	**14,555**	(461)	(6,932)	(56,829)	(54,153)
Attributable to:					
Equity holders of the Company	**11,441**	(1,999)	(6,932)	(56,829)	(54,153)
Minority interests	**3,114**	1,538	—	—	—
	14,555	(461)	(6,932)	(56,829)	(54,153)

	At 31 March				
	2006	2005	2004	2003	2002
	HK$'000	HK$'000	HK$'000	HK$'000	HK$'000
		(Restated)			
Total assets	**74,412**	99,877	5,492	15,777	71,250
Total liabilities	**(49,309)**	(74,895)	(4,482)	(10,340)	(10,147)
	25,103	24,982	1,010	5,437	61,103
Equity attributable to equity holders of the Company	**25,103**	10,090	1,010	5,437	61,103
Minority interests	**—**	14,892	—	—	—
Net assets	**25,103**	24,982	1,010	5,437	61,103

Comparative figures for 2005 have been restated, details of which are disclosed in notes 3 and 4 to the financial statements. Comparative figures for 2004 and prior years have not been restated to reflect the change as the directors are of the opinion that the benefit derive from fully restating figures would not justify the cost of such restatement.