T S Telecom Technologies Limited
大誠電訊科技有限公司

Stock Code: 8003

Annual Report ***2007***

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The Stock Exchange of Hong Kong Limited 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 of T S Telecom Technologies Limited collectively and individually accept full responsibility, includes particulars given in compliance with the Rules Governing the Listing of Securities on the Growth Enterprise Market of The Stock Exchange of Hong Kong Limited for the purpose of giving information with regard to T S Telecom Technologies Limited. The directors, 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

Corporate Profile

T S Telecom Technologies Limited (the "Company") is a telecommunications system solution provider. Since 1991, we have been providing product solutions to telephone operators in the Greater China region, including Hong Kong and Macau. Our products range from advanced maintenance and monitoring systems, proprietary monitoring software and digital access equipment for fixed and mobile telecommunications networks, as well as gas turbine generators and biotechnology products.

The Company became a public company with its shares listed on the Growth Enterprise Market of The Stock Exchange of Hong Kong Limited on 2nd December 1999.

Currently, operations of the Company and its subsidiaries (collectively the "Group") are carried out primarily through our Hong Kong headquarters and branch offices in Beijing, Shanghai, Shenzhen and Wuhan. We also have investments in joint venture operations in Shanghai supplying advanced telecommunications equipment to customers.

	2007 **HK$'000**	2006 HK$'000	2005 HK$'000	2004 HK$'000	2003 HK$'000
Turnover	**22,198**	23,187	54,998	49,263	72,807
Gross profit	**12,753**	11,542	14,219	18,680	26,820
Loss before tax	**(11,693)**	(13,592)	(35,683)	(39,253)	(40,801)
Loss attributable to equity holders of the Company	**(11,631)**	(13,620)	(35,763)	(38,889)	(40,739)
Total assets	**34,215**	38,498	62,821	104,352	168,767
Total liabilities	**24,038**	23,263	34,681	39,801	64,865
Minority interests	**–**	–	–	57 519	5,926
Net assets	**10,177**	15,235	28,140	64,494	103,383

Chairman's Statement

Dear Shareholders:

The Group posted a loss for the current fiscal year. We had been encountering enormous pressure from customers for concession in pricing and payment terms, especially towards the end of the year as the competition intensified. Nonetheless, we believe our firm focus in customer services and technology innovation will provide us a pathway to re-ignite our competitive edges.

BUSINESS REVIEW

The Group continued to operate under increasing competition from domestic telecom manufacturing suppliers in the mainland. While the Group had addressed the competition by way of offering customized versions of our base station monitoring systems to suit specific customer needs, the intensified competition and delay in business activity due to continued restructuring of the telecommunication bureau and policies had adversely affected the Group's business momentum in the market place.

The Group has conditionally agreed to dispose of the subsidiaries engaging in the assembly, distribution and integration of telecommunications products which have been operating at a loss for the past few years and are not expected to generate any profit in the near future. To avoid duplication and accumulation of marketing costs by using multiple sales vehicle and further depletion of the Group's resources in telecom manufacturing, the Directors of the Company consider it is best for the Group to dispose of those loss-making subsidiaries and concentrate their effort on telecom trading businesses.

PROSPECT

We anticipate that the competition of telecom monitoring equipment market would continue to intensify. The future of the Group will rest on our ability to maintain market share of monitoring equipment and controlling our running costs. Our ultimate goal is to return the Group to profitability.

APPRECIATION

On behalf of the directors and officers, I would like to thank you for your continuing support of the Group.

Mr. Lau See Hoi
Chairman
Hong Kong, 28th June 2007

RESULTS OF OPERATIONS

For the fiscal year ended 31st March 2007, the Group reported a total turnover of approximately HK$22,198,000 and loss attributable to equity holders of the Company of approximately HK$11,631,000 as compared to a turnover of approximately HK$23,187,000 and a loss of approximately HK$13,620,000 in the previous year.

Our gross margin was 57.5% for the current fiscal year as compared to a gross margin of 49.8% for the last fiscal year.

The Group posted a loss attributable to equity holders of the Company of approximately HK$11,631,000 for the fiscal year, which was 14.6% lower from the net loss attributable to equity holders of the Company incurred for the last fiscal year. The reduction of the net loss was mainly attributable to the increase in share of results of associate, together with the decrease in selling and distribution costs, administrative expenses and other operating expenses.

Other income mainly consisted of gain on disposal of property, plant and equipment and leasehold interests in land of approximately HK$2,252,000 and reversal of engineering services fee over-provided of approximately HK$1,546,000.

During the current fiscal year, the Group continued to control selling and distribution costs and administrative expenses tightly. Selling and distribution costs declined by 20.6% and administrative expenses declined by 2.1%, as compared with the last fiscal year.

SEGMENT INFORMATION

Sales from the telecommunications products, the gas turbine generators and the biotechnology products and others accounted for 97.55%, 0%, 0.14%, and 2.31% respectively of the turnover of the Group for the year ended 31st March 2007.

Mainland China Market

Business from the Mainland China accounted for approximately 98% of the Group's turnover for the year ended 31st March 2007.

Other Asia Pacific Countries and Other Markets

Business from outside of China now accounted for approximately 2% of the total turnover.

TELECOMMUNICATION PRODUCTS

The turnover and the operating loss of telecommunications products for the current year was approximately HK$21,655,000 and approximately HK$7,855,000, respectively, as compared to the turnover and operating loss of approximately HK$22,122,000 and approximately HK$12,062,000 respectively for the preceding year.

During the year, the Group continued to encounter pressure from customers demanding for concession of contract terms including lower pricing and longer payment period, causing the Group to take a longer time required to close and sign contracts. It was quite clear that the business environment of the telecom monitoring equipment industry of China has become unfavorable and competitive. The Company has conditionally agreed to dispose of the subsidiaries engaging in the assembly, distribution and integration of telecommunications products which have been operating at a loss for the past few years and are not expected to generate any profit in the near future. To avoid duplication and accumulation of marketing costs by using multiple sales vehicle and further depletion of the Group's resources in telecom manufacturing, the Directors (including the independent non-executive directors) of the Company consider it is best for the Group to dispose of those loss-making subsidiaries to Mr. Lau See Hoi and concentrate their effort on telecom trading businesses.

GAS TURBINE GENERATORS

During the year, there is no sale of gas turbine generator, even though the Group continued to implement aggressive marketing strategies to promote the sale of gas turbine generators in the telecom, petroleum and other industries. The Company has conditionally agreed to dispose of this business to Mr. Lau See Hoi.

BIOTECHNOLOGY PRODUCTS

During the year, there is tiny sale of biotechnology products, even though the Group has made the great effort to promote the products in the PRC and North American market. The Company has conditionally agreed to dispose of this business to Mr. Lau See Hoi.

LIQUIDITY, FINANCIAL RESOURCES AND CAPITAL STRUCTURE

As at 31st March 2007, the Group's cash balance of approximately HK$2,637,000 has declined when compared with the cash balance of approximately HK$3,420,000 of last year.

As at 31st March 2007, the Group's net current liabilities were approximately HK$3,568,000, the directors have taken active measures to improve the liquidity and financial position of the Group during the year ended 31st March 2007 and subsequently. On 22nd January 2007, the Company (as Vendor) and Mr. Lau See Hoi (as Purchaser) entered into a Sale and Purchase Agreement pursuant to which the Company has conditionally agreed to dispose of and Purchaser has conditionally agreed to acquire the entire issued share capital of (a) T S Telecom (B.V.I.) Ltd. and its subsidiaries comprised T S International Company Limited, TSTT (Canada) Ltd., T S International Ltd., T S Electric and Power Co., Ltd., T S Telecom (Shenzhen) Co., Ltd., Ying Zhi Xun Telecom Equipment (Shenzhen) Co., Ltd., and (b) T S Bio-Medical (B.V.I.) Ltd. and its subsidiaries comprised T S Bio-Technology Ltd. and T S Bio-Technology (Wuhan) Co., Ltd. (as Disposal Group) and the Advances to Disposal Group upon completion of the Corporate Restructuring for a cash consideration of HK$3,000,000. Moreover, on 30th April 2007, an Offeror entered into the Agreement with a substantial shareholder of the Company, T S Telecom Limited ("Vendor"), pursuant to which the Offeror has conditionally agreed to purchase, and the Vendor has conditionally agreed to sell, the Sale Shares at an aggregate consideration of HK$ 5,000,000 and the Offeror has undertaken to settle all actual or contingent liabilities of the Company that exist on the date of Completion. Both of which can substantially reduce the Company's liabilities. Therefore, the directors are of the view that the Group will have sufficient working capital for the foreseeable future.

Most of the trading transactions, assets and liabilities of the Group were denominated in Hong Kong dollars and Renminbi. The Group adopted a conservative treasury policy with almost all bank deposits being kept in Hong Kong dollars, or in the local currencies of the operating subsidiaries to minimize exposure to foreign exchange risks. As at 31st March 2007, the Group had no foreign exchange contracts, interest or currency swaps or other financial derivatives for hedging purposes.

During the year, the Company has allotted and issued 56,400,000 new Placing shares on 12th June 2006 to not fewer than six independent investors to raise additional capital and received a net proceeds of approximately HK$5,300,000.

GEARING RATIO

The Group's gearing ratio, which was defined as the ratio of total borrowings to shareholders' equity, increased to 62.24% from 48.3% of the previous year.

FUTURE PLANS FOR MATERIAL INVESTMENTS

As at 31st March 2007, the Group had not authorized or contracted for any capital expenditure commitments and had no future plans for material investments in capital assets.

MATERIAL ACQUISITION AND DISPOSALS

The Group did not have any material acquisitions or disposals of major subsidiaries and affiliated companies for the year ended 31st March 2007.

CONTINGENT LIABILITIES

As at 31st March 2007, the Group did not have any material contingent liabilities.

SUBSEQUENT EVENTS

On 30th April 2007, an Offeror entered into the Agreement with a substantial shareholder of the Company, T S Telecom Limited ("Vendor"), pursuant to which the Offeror has conditionally agreed to purchase, and the Vendor has conditionally agreed to sell, the Sale Shares at an aggregate consideration of HK$5,000,000 and the Offeror has undertaken to settle all actual or contingent liabilities of the Company that exist on the date of Completion.

FOREIGN EXCHANGE EXPOSURE

Since most of the transactions of the Group were denominated in Renminbi or HK dollars, the Group did not experience any material difficulties or effects on its operations or liquidity as a result of fluctuations in currency exchange rates during the year under review.

EMPLOYEES AND REMUNERATION POLICY

As at 31st March 2007, the Group employed 130 staff in the PRC and Hong Kong, representing a decrease of 24 staff from 31st March 2006. Accordingly, the Group's remuneration to employees, including directors' emoluments, decreased by approximately HK$279,000 to approximately HK$12,987,000 for the current fiscal year.

The Group reviewed employee's remuneration from time to time and salary adjustment was normally made on an annual basis. Special adjustment based on length of service and good performance could be made at any time when warranted. In addition to salaries, the Group provided employee's benefits such as medical insurance and provident fund. Share options and bonuses were also available to employees of the Group at the discretion of the directors and depending upon the financial performance of the Group.

PURCHASE, SALE OR REDEMPTION OF SHARES

The Company has not redeemed any of its shares during the period. Neither the Company nor any of its subsidiaries has purchased or sold any of the Company's shares during the period, except for 56,400,000 new Placing Shares which were allotted and issued on 12th June 2006 and disclosed under Note 26 to the Financial Statements of our Annual Report 2007.

DIRECTORS

Executive Directors

Mr. LAU See Hoi, aged 58, is the chairman, chief executive officer and founder of the Group and T S Telecom Ltd. Mr. Lau is responsible for the overall strategic direction of the Group. He is a member of the Shandong Provincial Committee of the Chinese People's Political Consultative Conference, a standing committee member of the Chinese People's Political Congress Committee, Yantai, Shandong and the vice chairman of the Shandong Overseas Friendship Association.

Mr. WONG Kai Tat, aged 54, has been the chief financial officer and qualified accountant of the Group since July 2004. He is also the director and chief financial officer of T S Telecom Ltd. Mr. Wong is primarily responsible for development and implementation of the Group's financial strategies. Mr. Wong joined the Group as an independent non-executive director of the Company in November 1999 and was re-designated as an executive director of the Company in July 2000.

Mr. Wong is an associate member of the Hong Kong Institute of Certified Public Accountants. Mr. Wong holds an LLB (Honours) degree from the University of Hong Kong, a bachelor's degree of business administration from the University of Iowa, U.S.A., a master of business administration degree from the University of Strathclyde, Scotland, a master of applied finance degree from Macquarie University, Australia, a master of corporate finance degree from Hong Kong Polytechnic University and an honorary doctor of law degree from Armstrong University in the U.S.A.

Independent Non-executive Directors

Mr. SZE Tsai Ping, Michael, aged 62, has been serving as an independent non-executive director since 24th July 2000. Mr. Sze has over 30 years of experience in the financial and securities field. He graduated with a Master of Laws (LLM) Degree from the University of Hong Kong. He is currently a Member of the Disciplinary Appeals Committee of the Stock Exchange of Hong Kong Limited ("the Stock Exchange"). He was a former Council Member, Member of the Main Board Listing Committee of the Stock Exchange, Member of the Cash Market Consultative Panel of Hong Kong Exchanges and Clearing Limited and Member of the Securities and Futures Appeals Panel. Mr. Sze is also a non-executive director of Burwill Holdings Limited and an independent non-executive director of GOME Electrical Appliances Holdings Limited, Greentown China Holdings Limited, Harbour Centre Development Limited, C Y Foundation Group Limited and Walker Group Holdings Limited all of which are listed on the Stock Exchange.

Mr. Sze is a Fellow of the Institute of Chartered Accountants in England and Wales, the Hong Kong Institute of Certified Public Accountants and the Association of Chartered Certified Accountants. He is also a Fellow of the Hong Kong Institute of Directors.

Ms. HUI Sin Man, Alice, aged 45, was appointed as an independent non-executive director of the Company since 30th September 2004. Ms. Hui has many years of experience in handling administration and company secretarial matters.

Mr. KWAN Kai Cheong, aged 57, has been serving as an independent non-executive director of the Company since 30th March 2005. Mr. Kwan holds a Bachelor of Accountancy (Honours) degree from the University of Singapore and is a member of the Institute of Chartered Accountants in Australia. He completed the Stanford Executive Program in 1992. Mr. Kwan had worked in Merrill Lynch & Co. Inc. as President for its Asia Pacific region and he had been the Joint Managing Director of Pacific Concord Holding Limited. Currently, Mr. Kwan is the President of Morrison & Company Limited, which is a business consultancy firm, and a non-executive director of China Properties Group Limited and China Medical Science Limited, both companies are listed on The Stock Exchange of Hong Kong Limited.

Mr. Kwan is also an independent non-executive director of the following companies listed on The Stock Exchange of Hong Kong Limited: Hutchison Telecommunications International Limited, Hutchison Harbour Ring Limited, J F Household Furnishings Limited, Soundwill Holdings Limited, Win Hanverky Holdings Limited, SPG Land (Holdings) Limited and Sunlight Real Estate Investment Trust.

SENIOR MANAGEMENT

Mr. LI Tao, aged 38, is the director of the Group's research and development department. Mr. Li graduated from Tsinghua University with a bachelor's degree in automotive engineering.

Corporate Information

BOARD OF DIRECTORS

Executive Directors

Mr. Lau See Hoi,
Chairman and Chief Executive Officer
Mr. Wong Kai Tat,
Chief Financial Officer

Independent Non-Executive Directors

Mr. Sze Tsai Ping, Michael
Ms. Hui Sin Man, Alice
Mr. Kwan Kai Cheong

COMPANY SECRETARY

Ms. Hong Lai Ping

AUTHORISED REPRESENTATIVES

Mr. Lau See Hoi
Ms. Hong Lai Ping

COMPLIANCE OFFICER

Mr. Wong Kai Tat

QUALIFIED ACCOUNTANT

Ms. Hong Lai Ping

AUDIT COMMITTEE

Mr. Sze Tsai Ping, Michael
Ms. Hui Sin Man, Alice
Mr. Kwan Kai Cheong

REMUNERATION COMMITTEE

Mr. Kwan Kai Cheong
Mr. Sze Tsai Ping, Michael
Mr. Lau See Hoi (Mr. Wong Kai Tat as his alternate)

REGISTERED OFFICE

Ugland House
P.O. Box 309
South Church Street
George Town, Grand Cayman
Cayman Islands, British West Indies

HEAD OFFICE AND PRINCIPAL PLACE OF BUSINESS

Suite 2802, Two Exchange Square
8 Connaught Place
Central, Hong Kong

PRINCIPAL BANKERS

Shanghai Commercial Bank, Hong Kong

PRINCIPAL SHARE REGISTRAR AND TRANSFER OFFICE

Butterfield Fund Services (Cayman) Limited
P.O. Box 705, Butterfield House
68 Fort Street, George Town
Grand Cayman, Cayman Islands

HONG KONG BRANCH SHARE REGISTRARS AND TRANSFER OFFICE

Hong Kong Registrars Limited
46th Floor, Hopewell Centre
183 Queen's Road East, Hong Kong.

AUDITORS

Partick Ng & Company
Certified Public Accountants
20/F, Hong Kong Trade Centre
161-167 Des Voeux Road
Central, Hong Kong

LEGAL ADVISER

As to Cayman Islands Law:

Maples and Calder Asia
Suite 1504
One International Finance Centre
1 Harbour View Street
Hong Kong

As to Hong Kong Law:

Richards Butler
20th Floor
Alexandra House
16-20 Chater Road
Hong Kong

STOCK CODE

8003

WEB SITE OF THE COMPANY

http://www.tstelecom.com

CORPORATE GOVERNANCE PRACTICES

For protecting and maximizing the interests of the shareholders of the Company, the Company applied the principles and complied with the code provisions of the Code on Corporate Governance Practices set out in Appendix 15 of the GEM Listing Rules during the period of under review, except for the following deviation:

Under the code provision A.2.1, the roles of chairman and chief executive officer should be separate and should not be performed by the same individual. There is no division of roles of chairman and chief executive officer of the Company that both offices are held by Mr. Lau See Hoi. The Company considers that the combination of the roles of chairman and chief executive officer can effectively formulate and implement the Company's strategies. The Company considers that under the supervision of its Board and its Independent Non-executive Directors, a balancing mechanism exists so that the interests of the shareholders are adequately and fairly represented.

DIRECTORS' SECURITIES TRANSACTIONS

The Company has adopted a code of conduct regarding directors' securities transactions on terms no less exacting than the required standard of dealings as set out in Rules 5.48 to 5.67 of the GEM Listing Rules. Having made specific enquiry of all directors, the Company's directors have complied with such code of conduct and the required standard of dealings and its code of conduct regarding securities transactions by the Directors throughout the year ended 31 March 2007.

BOARD OF DIRECTORS

The board of Directors comprises of two executive Directors, namely, Mr. Lau See Hoi acting as chairman of the board and Mr. Wong Kai Tat, three independent non-executive Directors, namely, Mr. Sze Tsai Ping, Michael, Ms. Hui Sin Man, Alice and Mr. Kwan Kai Cheong.

Details of backgrounds and qualifications of the chairman of the Company and the other Directors are set out in the Annual Report. All Directors have given sufficient time and attention to the affairs of the Group. Each executive Director has sufficient experience to hold the position so as to carry out his duties effectively and efficiently. There is no relationship among the members of the board of Directors.

The board of Directors is responsible for corporate strategy, annual and interim results, succession planning, risk management, major acquisitions, disposals and capital transactions, and other significant operational and financial matters. Major corporate matters that are specially delegated by the board of Directors to the management include the preparation of annual and interim accounts for board approval before public reporting, execution of business strategies and initiatives adopted by the board of Directors, implementation of adequate systems of internal controls and risk management procedures, and compliance with relevant statutory requirement and rules and regulations.

BOARD MEETING

The board of Directors held a board meeting for each quarter in every year. Apart from the regular board meeting of the year, the board of Directors will meet on other occasions when a board-level decision on a particular matter is required. The Directors receive minutes of committee meetings in advance of each board meeting.

Details of the attendance of the board of Directors are as follows:

Directors	Attendance
Executive Directors	
Mr. Lau See Hoi *(Chairman and Chief Executive Officer)*	15/15
Mr. Wong Kai Tat	15/15
Independent non-executive Directors	
Mr. Sze Tsai Ping, Michael	14/15
Ms. Hui Sin Man, Alice	15/15
Mr. Kwan Kai Cheong	15/15

CHAIRMAN AND CHIEF EXECUTIVE OFFICER

Under A.2.1 of the Code, "the roles of chairman and chief executive officer should be separate and should not be performed by the same individual". Mr. Lau See Hoi concurrently takes up the posts of chairman and chief executive officer of the Company.

NON-EXECUTIVE DIRECTORS

Mr. Sze Tsai Ping, Michael has been appointed for a term of one year commencing from 3 August 2006. Ms Hui Sin Man, Alice has been appointed for a term of one year commencing from 30 September 2006. Mr. Kwan Kai Cheong has been appointed for a term of one year commencing from 10 March 2007. Their terms of service have been renewed for another year upon expiring of the current term and all of them are subject to retirement and re-election in accordance with the articles of association of the Company.

REMUNERATION COMMITTEE

A remuneration committee was established on 11 November 2005 with written terms of reference in accordance with the code provision B.1.1 of the Code of Corporate Governance Practices. The remuneration committee comprises one executive director, namely, Mr. Lau See Hoi (Mr. Wong Kai Tat as his alternate) and the two independent non-executive directors, namely Mr. Sze Tsai Ping, Michael and Mr. Kwan Kai Cheong (chairman of the remuneration committee).

The principal responsibilities of Remuneration Committee include formulation of the remuneration policy, review and recommending to the Board the annual remuneration policy, and determination of the remuneration of the Executive Director and members of the Senior Management.

The remuneration committee held meetings during the year under review. Details of the attendance of the remuneration committee meetings are as follows:

Members	Attendance
Mr. Kwan Kai Cheong (Chairman)	3/3
Mr. Sze Tsai Ping, Michael	3/3
Mr. Lau See Hoi	3/3

AUDITORS' REMUNERATION

During the year, the remuneration payable to the Company's auditors, Messrs. Patick Ng & Company, is set out as follows:

Services rendered	HK$'000
Audit services	300

AUDIT COMMITTEE

The audit committee comprises three independent non-executive directors, namely Mr. Sze Tsai Ping, Michael (chairman of the audit committee), Ms. Hui Sin Man, Alice, and Mr. Kwan Kai Cheong. On 11th November 2005, the Company adopted new terms of reference for the audit committee to include such duties as are stipulated in code provision C.3.3 of the CG Code.

The audit committee held 4 meetings during the year under review. Details of the attendance of the audit committee meetings are as follows:

Members	Attendance
Mr. Sze Tsai Ping, Michael *(Chairman)*	3/4
Ms. Hui Sin Man, Alice	4/4
Mr. Kwan Kai Cheong	4/4

The primary duties of the audit committee are to review and supervise the financial report process and internal control system of the Group and to review the Company's annual reports and financial statements, and interim and quarterly reports and the connected transactions. The audit committee has reviewed the draft of this report and has provided advice and comments thereon.

NOMINATION OF DIRECTORS

The Board is responsible for considering the suitability of a candidate to act as a director, and approving and terminating the appointment of a director. The company has not set up any nomination committee during the year.

The Chairman is mainly responsible for identifying suitable candidates for members of the Board when there is a vacancy or an additional director is considered necessary. The Chairman will propose the appointment of such candidates to each member of the Board for consideration and each member of the Board will review the qualifications of the relevant candidates for determining the suitability to the Group on the basis of his qualifications, experience and background. The decision of appointing a director must be approved unanimously by the members of the Board and make recommendation to the shareholders' meeting for approval.

DIRECTORS' RESPONSIBILITY FOR THE FINANCIAL STATEMENTS

The directors acknowledge their responsibilities for the preparation of the financial statements of the Group and ensure that the financial statements are in accordance with statutory requirements and applicable accounting standards. The Directors also ensure the timely publication of the financial statements of the Group.

The statements of the external auditors of the Company, Patrick Ng & Company, about their reporting responsibilities on the financial statements of the Group is set out in the Report of the Auditors on page 24 of this report.

INTERNAL CONTROL

The Board is responsible for the Group's internal control system and for reviewing its effectiveness. During the year ended 31st March 2007, the Board has not identified any material deficiencies and considered the Group's internal control system is effective and adequate.

INVESTOR RELATIONS

The Company has disclosed all necessary information to the shareholders in compliance with GEM listing Rules. The directors host the annual general meeting each year to meet the shareholders and answer their enquiries.

The directors submit their report together with the audited accounts of T S Telecom Technologies Limited (the "Company") and its subsidiaries (collectively the "Group") for the year ended 31st March 2007.

PRINCIPAL ACTIVITIES AND GEOGRAPHICAL ANALYSIS OF OPERATIONS

The principal activity of the Company is investment holding. The activities of the subsidiaries are set out in note 32 to the financial statements.

An analysis of the Group's performance for the year by business and geographical segment is set out in note 12 to the financial statements.

RESULTS AND APPROPRIATIONS

The results of the Group for the year are set out in the consolidated income statement on page 26.

The directors do not recommend the payment of a dividend.

RESERVES

Movements in the reserves of the Group and of the Company during the year are set out in note 27 to the financial statements.

DONATIONS

There were no charitable and other donations made by the Group during the year.

PROPERTY, PLANT AND EQUIPMENT

Details of the movements in property, plant and equipment of the Group are set out in note 13 to the financial statements.

PRINCIPAL PROPERTIES

During the year, the Group had no principal properties held for development and/or sale and for investment purposes.

BORROWINGS

Details of the Group's borrowings are set out in note 23 to the financial statements.

FIVE YEAR FINANCIAL SUMMARY

A summary of the results and of the assets and liabilities of the Group for each of the last five financial years is set out on page 3.

SHARE CAPITAL

Details of the share capital of the Company are set out in note 26 to the financial statements.

PURCHASE, SALE OR REDEMPTION OF SHARES

The Company did not redeem any of its shares during the year. Neither the Company nor any of its subsidiaries has purchased or sold any of the its shares during the year.

DISTRIBUTABLE RESERVES

At 31st March 2007, the Company did not have any reserves available for distribution to shareholders of the Company.

PRE-EMPTIVE RIGHTS

There is no provision for pre-emptive rights under the Company's memorandum and articles of association and there is no restriction against such rights under the laws of Cayman Islands which would oblige the Company to offer new shares on a pro-rata basis to existing shareholders.

SHARE OPTIONS

(i) The Company

In view of the amendments in September, 2001 for Chapter 23 of the Rules Governing the Listing of Securities on GEM of the Stock Exchange ("GEM Listing Rules") regarding the share option schemes of the listed issuers, the old share option scheme of the Group which was approved on 18th November 1999 was terminated and a new share option scheme ("Share Option Scheme") was approved on 2nd August 2002 at the annual general meeting of the Company as an incentive to eligible persons under which the Board may, at its discretion, invite (i) any director (whether executive or non-executive, including any independent non-executive director), employee (whether full time or part time) of, or any individual for the time being seconded to work for the Company and/or any of its subsidiaries and/or any entity ("Invested Entity") in which the Company and/or any of its subsidiaries holds any equity interest either directly or indirectly; (ii) any holder of legal and/or beneficial title of any securities issued by the Company and/or any subsidiary and/or any Invested Entity; (iii) any business or joint venture partner, contractor, subcontractor, agent, sub-agent of, any person or entity providing research, development and/or other technological support and/or advisory, consultancy, professional services to, any supplier of goods and/or services, customer or distributor of, the Company and/or any subsidiary and/or any Invested Entity either directly or indirectly, to take up options to subscribe for shares in the Company at a price to be determined by the Board which will be at least the higher of (a) the closing price of the shares on the GEM in the Stock Exchange daily quotations sheet on the grant date, or (b) the average of the closing prices of the shares on GEM as stated in the Stock Exchange's daily quotations sheets for the five business days immediately preceding the grant date, provided that the subscription price shall not be lower than the par or nominal value of the shares.

The maximum number of shares in respect of which options may be granted (together with shares issued pursuant to options exercised and shares in respect of which any options remain outstanding) under the Share Option Scheme of the Company may not exceed 10% of the issued share capital of the Company from time to time, excluding for this purpose shares issued on exercise of options granted pursuant to the Share Option Scheme.

No option may be granted under the Share Option Scheme which would result in the aggregate number of shares which may be issued upon exercise of all outstanding options granted and yet to be exercised under the Share Option Scheme and any other share option schemes of the Company exceeding 30% of the shares in issue from time to time.

No option may be granted to any eligible person which would cause the aggregate number of shares already issued and to be issued upon exercise of options granted to such eligible person under the Share Option Scheme and any other share option schemes of the Company (including cancelled, exercised and outstanding options) in any 12-month period up to the date on which the option is granted exceeding 1% of the shares in issue for the time being. Any further grant of options in excess of the individual limit may be made only with the separate approval of the shareholders in general meeting with the eligible person and his associates abstaining from voting. The number and terms of the options to be granted (including the option price) shall be fixed before shareholders' approval and the Company shall send a circular to the Shareholders which shall contain the information required by the GEM Listing Rules.

The offer of a grant of share options may be accepted within 28 days from the date of the offer with payment of consideration of HK$10.00 by the grantee. Each option gives the holder the right to subscribe for one share at the relevant exercise price.

Share options may be exercised during the ten-year period commencing on the date on which the options is granted, and shall expire at the end of the ten-year period or 2nd August 2012, whichever is earlier. The share options granted are not recognised in the accounts until they are exercised.

As at 31st March 2007, no option had been granted under the Share Option Scheme.

(ii) T S Telecom Limited "T S Telecom"

On 17th January 2003, the old share option plan which was approved on 26th September 1997 was terminated and a new share option plan ("Share Option Plan") was approved at an extraordinary general meeting of T S Telecom, which was then ulimate holding company and is now a substantial shareholder of the Company, as an incentive to the directors, officers, managements, consultants and employees of T S Telecom and its subsidiaries to take up options to subscribe for shares in T S Telecom at a price to be determined by the board of directors of T S Telecom. The minimum exercise price of the Share Option Plan cannot be lower than 25% of the last daily closing price of the shares of T S Telecom on the TSX Venture Exchange and subject to a minimum of CAD0.1.

The maximum number of shares in respect of which options may be granted (together with shares issued pursuant to options exercised and shares in respect of which any options remain outstanding) under the Share Option Plan of T S Telecom, may not exceed 4,398,000 common shares (20% of the issued share capital, as at the date of approval of the Share Option Plan) of T S Telecom from time to time. If any option granted hereunder may expire or terminate for any reason in accordance with the term of the Share Option Plan without being exercised, the un-purchased shares subject thereto may again be available for the purpose of the Share Option Plan.

Share options may be exercised during the ten-year period commencing on the date on which the option is granted, and shall expire at the end of the ten-year period. The share options granted are not recognised in the accounts until they are exercised.

No option had been granted or exercised during the year. As at 31st March 2007, there were no outstanding options under the Share Option Plan.

DIRECTORS

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

Executive directors

Mr. Lau See Hoi
Mr. Wong Kai Tat

Independent non-executive directors

Mr. Sze, Tsai Ping Michael
Ms. Hui, Sin Man, Alice
Mr. Kwan, Kai Cheong

The Company has received written confirmations from all independent non-executive directors pursuant to GEM Listing Rule 5.09 and therefore considers all independent non-executive directors to be independent.

BIOGRAPHICAL DETAILS OF DIRECTORS AND SENIOR MANAGEMENT

Biographical details of directors and senior management are set out on pages 8 and 9.

DIRECTORS' SERVICE CONTRACTS

Mr. Lau See Hoi has entered into a service agreement with the Company for a fixed term of two years and six months commencing from 1 July 2004, which shall be renewable for another two years and six months at the discretion of the Company and shall continue thereafter until the service agreement is terminated by either party giving to the other not less than six months' written notice. On 28 September 2006, Mr. Lau's term of service is renewed for one year and seven months to 31 July 2008.

Mr. Wong Kai Tat has entered into a service agreement with the Company for a term of two years and eleven months commencing from 1 September 2005, which shall continue thereafter until the agreement is terminated by either party giving the other not less than six months' written notice.

Each of the three independent non-executive directors have entered into appointment letters with the Company. Mr. Sze Tsai Ping, Michael has been appointed for a term of one year commencing from 3 August 2006. Ms Hui Sin Man, Alice has been appointed for a term of one year commencing from 30 September 2006. Mr. Kwan Kai Cheong has been appointed for a term of one year commencing from 10 March 2007. Their terms of service have been renewed for another year upon expiring of the current term and all of them are subject to retirement and re-election in accordance with the articles of association of the Company.

Save as disclosed, none of the directors has a service contract with the Company which is not determinable within one year without payment of compensation, other than statutory compensation.

DIRECTORS' INTERESTS IN CONTRACTS

T. S. (Holdings) Company Limited ("T S Holdings"), a related company in which a director, Mr. Lau See Hoi, of the Company has a beneficial interest, entered into an operating lease with a third party in respect of office premises. Rental expense of the premises is borne and paid by the Group through T S Holdings. In July 2005, the Company entered into a licence agreement, which expired on 29th February 2008, with T S Holdings under which the Group is granted a right to use the above office premises at a monthly licence fee of approximately HK$70,000. For the year ended 31st March 2007, a licence fee of approximately HK$841,000 was paid to T S Holdings.

T S Bio-Technology Limited ("T S Bio-Technology") entered into a Service Agreement on 29th November 2005 for a term of three years commencing from 1st December 2005, which will expire on 30th November 2008, with T S Telecom Ltd. ("T S Telecom"), a substantial shareholder of the Company of which the directors were, among others, Mr. Lau See Hoi and Mr. Wong Kai Tat. Mr. Wong has resigned as director of T S Telecom on 31st March, 2007. Under the agreement, T S Telecom shall be appointed as its Management' Marketing and Research agents to look after the North America market. T S Telecom shall assist it to set up a sales office in Canada, manage the operation of the sales office and report to it from time to time and provide it the marketing research information relating to its biotechnology products at an annual service fee not exceeding HK$1,600,000 payable monthly in arrear and the set up fee not exceeding CAD100,000 (equivalent to HK$699,100). For the year ended 31st March 2007, service fees amounting to approximately HK$1,407,000 were paid to T S Telecom.

On 22nd January 2007, the Company (as Vendor) and Mr. Lau See Hoi (as Purchaser) entered into a Sale and Purchase Agreement pursuant to which the Company has conditionally agreed to dispose of and Purchaser has conditionally agreed to acquire the entire issued share capital of (a) T S Telecom (B.V.I.) Ltd. and its subsidiaries comprised T S International Company Limited, TSTT (Canada) Ltd., T S International Ltd., T S Electric and Power Co., Ltd., T S Telecom (Shenzhen) Co., Ltd., Ying Zhi Xun Telecom Equipment (Shenzhen) Co., Ltd., and (b) T S Bio-Medical (B.V.I.) Ltd. and its subsidiaries comprised T S Bio-Technology Ltd. and T S Bio-Technology (Wuhan) Co., Ltd. (as Disposal Group) and the Advances to Disposal Group upon completion of the Corporate Restructuring for a cash consideration of HK$3,000,000.

Save as disclosed above, no other contracts of significance in relation to the Group's business to which the Company, its subsidiaries or its holding company was a party and in which a director of the Company had a material interest, whether directly or indirectly, subsisted at the end of the year or at any time during the year.

CONNECTED TRANSACTIONS

Details of transactions regarded as connected transactions and required to be disclosed as defined under the GEM Listing Rules, are as follows:

(i) The licence agreement dated 12th July 2005 was entered into between T.S. (Holdings) Company Limited ("T S Holdings"), a related company in which a director, Mr. Lau See Hoi, of the Company has a beneficial interest, and the Company. Under the licence agreement, the Company will be licensed to use the premises at Suite 2802, Two Exchange Square, 8 Connaught Place, Central, Hong Kong at a monthly licence fee of approximately HK$70,000, subject to a rent-free period of 92 days between 1st March 2005 and 31st May 2005, for the period between 1st June 2005 and 29th February 2008. The office premise were leased to T S Holdings under a leasing agreement dated 15th March 2005 entered into between T S Holdings and the landlord, an independent third party. The license fee is calculated based on the total of monthly rental and related estate management fee payable to the independent third party. For the year ended 31st March 2007, licence fees amounting to approximately HK$ 841,000 were paid to T S Holdings.

(ii) On 29th November 2005, T S Bio-Technology, a wholly-owned subsidiary of the Company, entered into the Services Agreement with a connected company, T S Telecom, to appoint T S Telecom as its Management Marketing and Research agents to look after the North America market. T S Telecom shall assist it to set up a sales office in Canada, manage the operation of the sales office and report to it from time to time and provide it the marketing research information relating to its biotechnology products for a term of three years commencing from 1st December 2005 at an annual service fee not exceeding HK$1,600,000 payable monthly in arrear and the set up fee not exceeding CAD100,000 (equivalent to HK$669,100). For the year ended 31st March 2007, service fees amounting to approximately HK$1,407,000 were paid to T S Telecom.

(iii) On 22nd January 2007, the Company (as Vendor) and Mr. Lau See Hoi (as Purchaser) entered into a Sale and Purchase Agreement pursuant to which the Company has conditionally agreed to dispose of and Purchaser has conditionally agreed to acquire the entire issued share capital of (a) T S Telecom (B.V.I.) Ltd. and its subsidiaries comprised T S International Company Limited, TSTT (Canada) Ltd., T S International Ltd., T S Electric and Power Co., Ltd., T S Telecom (Shenzhen) Co., Ltd., Ying Zhi Xun Telecom Equipment (Shenzhen) Co., Ltd., and (b) T S Bio-Medical (B.V.I.) Ltd. and its subsidiaries comprised T S Bio-Technology Ltd. and T S Bio-Technology (Wuhan) Co., Ltd. (as Disposal Group) and the Advances to Disposal Group upon completion of the Corporate Restructuring for a cash consideration of HK$3,000,000.

The independent non-executive directors have confirmed that the above transactions were conducted (1) in the ordinary and usual course of business of the Company; (2) on normal commercial terms, (3) in accordance with the relevant agreement governing them that terms that are fair and reasonable and in the interests of the shareholders of the Company as a whole, and that the service fees paid to T S Telecom by the Company and the value of the goods supplied to T S Telecom by T S International in fiscal year 2006/2007 have not exceeded the caps as set out in the relevant agreements.

The Company confirms that it has received written confirmation from its auditors confirming the matters stated in the GEM Listing Rules 20.38.

DIRECTORS' AND CHIEF EXECUTIVES' INTERESTS AND SHORT POSITIONS IN SHARES, UNDERLYING SHARES AND DEBENTURES OF THE COMPANY OR ANY ASSOCIATED CORPORATION

As at 31st March 2007, the interests and short positions of the Directors and Chief Executive of the Company in the shares, the underlying shares and debentures of the Company or any of its associated corporations (within the meaning of Part XV of the SFO) which were notified to the Company and the Stock Exchange pursuant to Divisions 7 and 8 of Part XV of the SFO (including interests or short positions which they were taken or deemed to have under such provisions of the SFO) and required to be entered in the register maintained by the Company pursuant to section 352 of the SFO or which were notified to the Company and the Stock Exchange pursuant to the required standard of dealings by Directors as in Rule 5.46 of the GEM Listing Rules, were as follows:

Long position in shares of the Company

	Number of ordinary shares of HK$0.1 each					
Director	**Personal interest**	**Family interest**	**Corporate interest**	**Other interest**	**Total number of shares**	**Approximate percentage holding of shares**
						%
Mr. Lau See Hoi *(Note 1)*	–	–	168,960,000	–	168,960,000	49.90

Note:

1. These shares are held by T S Telecom, a substantial shareholder of the Company, in which Mr. Lau holds 7,239,250 shares (representing approximately 32.92% of the issued share capital of T S Telecom).

Long position in shares of associated corporation

Director	**Associated corporation**	**Nature of interest**	**Total number of shares**	**Approximate percentage holding of shares**
				%
Mr. Lau See Hoi	T S Telecom Ltd.	Personal	7,239,250	32.92

As at 31st March 2007 and save as disclosed above, none of the Directors and the Chief Executive of the Company or their associates had any interests or short positions in the shares or underlying shares of the Company or its associated corporations (within the meaning of Part XV of the SFO) as recorded in the register required to be kept under section 352 of the SFO, or as otherwise notified to the Company and the Stock Exchange pursuant to the required standard of dealings by Directors as in Rule 5.46 of the GEM Listing Rules.

DIRECTORS' RIGHTS TO ACQUIRE SHARES

Save as disclosed above, at no time during the periods under review was any of the Company, its subsidiaries or holding company a party to any arrangements to enable the directors or chief executives (including their spouses or children under 18 years of age) of the Company to acquire benefits by means of the acquisition of shares in, or debentures of, the Company or any other body corporate.

INTEREST DISCLOSABLE UNDER THE SFO AND SUBSTANTIAL SHAREHOLDERS

As at 31st March 2007, the interest of the shareholders in the shares and underlying shares of the Company or any of its associated corporations (within the meaning of Part XV of the SFO) which were notified to the Company and the Stock Exchange pursuant to Divisions 2 and 3 of Part XV of the SFO and required to be entered in the register maintained by the Company pursuant to section 336 of the SFO were as follows:

Long position in shares of the Company

Name shareholder	Capacity	Total number of of shares of HK$0.1 each	Approximate percentage holding of shares
			%
T S Telecom Ltd. ("T S Telecom") *(Note 1)*	Beneficial owner	168,960,000	49.90
Lau See Hoi *(Note 1)*	Interest of a controlled corporation	168,960,000	49.90

Note:

1. These shares are held by T S Telecom, a substantial shareholder of the Company, in which Mr. Lau See Hoi, a Director of the Company, holds 7,239,250 shares (representing approximately 32.92% of the issued share capital of T S Telecom). Ms. Cheung Yun Wah is the spouse of Mr. Lau See Hoi and by virtue of the SFO, Ms. Cheung Yun Wah is deemed to have interest of 168,960,000 shares in the Company.

Save as disclosed above, as at 31st March 2007, the Directors are not aware of any other person who had an interest or short position in the shares or underlying shares of the Company which would fall to be disclosed to the Company under Divisions 2 and 3 of Part XV of the SFO, or, who was expected, directly or indirectly, to be interested in 5% or more of the nominal value of any class of share capital carrying rights to vote in all circumstances at general meetings of any other member of the Group.

COMPETING INTEREST

None of the directors or the management shareholders of the Company (as defined in the GEM Listing Rules) has, at any material time, an interest in a business that competed with or might compete with the business of the Group.

MAJOR CUSTOMERS AND SUPPLIERS

The percentages of sales and purchases for the year attributable to the Group's major customers are as follows:

Sales	
– the largest customer	15%
– five largest customers combined	27%
Purchases	
– the largest supplier	15%
– five largest suppliers combined	36%

None of the directors, their associates or any shareholders (which to the knowledge of the directors owns more than 5% of the Company's share capital) had an interest in the major customers or suppliers noted above.

CODE OF SECURITIES FOR SECURITIES TRANSACTIONS BY DIRECTORS

The Company has adopted the code of conduct for securities transactions by Directors set out in Rules 5.48 to 5.67 of the GEM Listing Rules as its own code of conduct regarding securities transactions by Directors. The Company confirms that, having made special enquiry from all Directors, the Directors have complied with the required standard of dealings and its code of conduct regarding securities transactions by Directors for the year ended 2007.

AUDIT COMMITTEE

The Company has established an audit committee with written terms of reference in compliance with the GEM Listing Rules. As at 31st March 2007, the audit committee comprised of three independent non-executive directors, namely Mr. Sze Tsai Ping, Michael, Ms. Hui Sin Man, Alice and Mr. Kwan Kai Cheong. The primary duties of the audit committee are to review and supervise the financial reporting process and internal control system of the Group and to review the Company's annual reports and financial statements, and interim and quarterly reports and the connected transactions. The audit committee has met four times for the financial year ended 31st March 2007.

AUDITORS

The accounts for the period from 1st April 2006 to 31st March 2007 have been audited by Messrs. Patrick Ng & Company, which retired upon serving out its term of appointment. A resolution for the reappointment of Messrs. Patrick Ng & Company as auditors of the Company will be proposed at the forthcoming Annual General Meeting. The accounts for the year ended 31st March 2006 were audited by Messers. HLB Hodgson Impey Cheng.

On behalf of the Board
Lau See Hoi
Chairman
Hong Kong, 28th June 2007

INDEPENDENT AUDITORS' REPORT

PATRICK NG & COMPANY
Certified Public Accountants

20/F., Hong Kong Trade Centre,
161-167 Des Voeux Road,
Central, Hong Kong,
Hong Kong S.A.R., China

TO THE SHAREHOLDERS OF
T S TELECOM TECHNOLOGIES LIMITED
(incorporated in the Cayman Islands with limited liability)

We have audited the consolidated financial statements of T S Telecom Technologies Limited set out on pages 26 to 68, which comprise the consolidated and company balance sheets as at 31 March 2007, and the consolidated income statement, the consolidated statement of changes in equity and the consolidated cash flow statement for the year then ended, and a summary of significant accounting policies and other explanatory notes.

DIRECTORS' RESPONSIBILITY FOR THE FINANCIAL STATEMENTS

The directors of the Company are responsible for the preparation and the true and fair presentation of these financial statements in accordance with Hong Kong Financial Reporting Standards issued by the Hong Kong Institute of Certified Public Accountants and the disclosure requirements of the Hong Kong Companies Ordinance. This responsibility includes designing, implementing and maintaining internal control relevant to the preparation and the true and fair presentation of financial statements that are free from material misstatement, whether due to fraud or error; selecting and applying appropriate accounting policies; and making accounting estimates that are reasonable in the circumstances.

AUDITORS' RESPONSIBILITY

Our responsibility is to express an opinion on these financial statements based on our audit. This report is made 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 the report.

We conducted our audit in accordance with Hong Kong Standards on Auditing issued by the Hong Kong Institute of Certified Public Accountants. Those standards require that we comply with ethical requirements and plan and perform the audit to obtain reasonable assurance as to whether the financial statements are free from material misstatement.

An audit involves performing procedures to obtain audit evidence about the amounts and disclosures in the financial statements. The procedures selected depend on the auditors' judgment, including the assessment of the risks of material misstatement of the financial statements, whether due to fraud or error. In making those risk assessments, the auditors consider internal control relevant to the entity's preparation and true and fair presentation of the financial statements in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the entity's internal control. An audit also includes evaluating the appropriateness of accounting policies used and the reasonableness of accounting estimates made by the directors, as well as evaluating the overall presentation of the financial statements.

We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our audit opinion.

OPINION

In our opinion, the consolidated financial statements give a true and fair view of the state of affairs of the Company and of the Group as at 31 March 2007 and of the Group's loss and cash flows for the year then ended in accordance with Hong Kong Financial Reporting Standards and have been properly prepared in accordance with the disclosure requirements of the Hong Kong Companies Ordinance.

PATRICK NG & COMPANY
Certified Public Accountants

28 June 2007

Consolidated Income Statement

For the year ended 31 March 2007

	Note	2007 HK$'000	2006 HK$'000
Turnover	5(a)	**22,198**	23,187
Cost of sales		**(9,445)**	(11,645)
Gross profit		**12,753**	11,542
Other income	5(b)	**4,110**	12,155
Selling and distribution costs		**(575)**	(724)
Administrative expenses		**(26,698)**	(27,277)
Other operating expenses		**(1,465)**	(9,317)
Loss from operations		**(11,875)**	(13,621)
Finance costs	6	**(468)**	(174)
Share of results of associate		**650**	203
Loss before tax	7	**(11,693)**	(13,592)
Income tax	8	**62**	(28)
LOSS FOR THE YEAR		**(11,631)**	(13,620)
Loss attributable to equity holders of the Company		**(11,631)**	(13,620)
Dividend	10	**–**	–
Loss per share	11		
– Basic		**3.55 cents**	4.83 cents
– Diluted		**N/A**	N/A

Consolidated Balance Sheet

As at 31 March 2007

	Note	2007 HK$'000	2006 HK$'000
NON-CURRENT ASSETS			
Property, plant and equipment	13	**111**	7,912
Prepaid lease payments	14	**–**	4,008
Interests in associate	16	**13,634**	13,436
		13,745	25,356
CURRENT ASSETS			
Inventories	18	**725**	3,126
Trade and other receivables	19	**980**	6,502
Amount due from related company	20	**216**	94
Cash and bank deposits	21	**643**	3,420
		2,564	13,142
Assets classified as held for sale	22	**17,906**	–
		20,470	13,142
CURRENT LIABILITIES			
Bank and other loans	23	**(1,000)**	(5,764)
Trade and other payables	24	**(4,667)**	(14,949)
Amount due to directors	25	**(2,389)**	(895)
Income tax payable		**–**	(65)
		(8,056)	(21,673)
Liabilities associated with assets classified as held for sale	22	**(15,982)**	–
		(24,038)	(21,673)
NET CURRENT LIABILITIES		**(3,568)**	(8,531)
TOTAL ASSETS LESS CURRENT LIABILITIES		**10,177**	16,825
NON-CURRENT LIABILITIES			
Bank and other loans	23	**–**	(1,590)
NET ASSETS		**10,177**	15,235
CAPITAL AND RESERVES			
Share capital	26	**33,860**	28,220
Reserves	27	**(23,683)**	(12,985)
TOTAL EQUITY		**10,177**	15,235

Approved and authorised for issue by the board of directors on 28 June 2007

Lau See Hoi
Director

Wong Kai Tat
Director

Balance Sheet

As at 31 March 2007

	Note	2007 HK$'000	2006 HK$'000
NON-CURRENT ASSETS			
Investment in subsidiaries	15	**1**	111
Amount due from subsidiaries	17	**2**	–
		3	111
CURRENT ASSETS			
Trade and other receivables	19	**19**	19
Amount due from related company	20	**216**	216
Cash and bank deposits	21	**5**	3
		240	238
Assets classified as held for sale	22	**111**	–
		351	238
CURRENT LIABILITIES			
Bank and other loans	23	**(1,000)**	–
Trade and other payables	24	**(2,132)**	(201)
Amount due to directors	25	**(2,389)**	(866)
		(5,521)	(1,067)
NET CURRENT LIABILITIES		**(5,170)**	(829)
NET LIABILITIES		**(5,167)**	(718)
CAPITAL AND RESERVES			
Share capital	26	**33,860**	28,220
Reserves	27	**(39,027)**	(28,938)
DEFICIT		**(5,167)**	(718)

Approved and authorised for issue by the board of directors on 28 June 2007

Lau See Hoi	**Wong Kai Tat**
Director	*Director*

Consolidated Statement of Changes in Equity

For the year ended 31 March 2007

	Share capital HK$'000	Share premium HK$'000	PRC statutory reserves HK$'000	Merger difference HK$'000	Translation reserve HK$'000	Accumulated losses HK$'000	Total HK$'000
At 1 April 2005	28,220	96,616	7,658	(250)	–	(104,104)	28,140
Exchange differences arising on translation of foreign operations	–	–	–	–	715	–	715
Transfers between reserves	–	–	150	–	–	(150)	–
Loss for the year	–	–	–	–	–	(13,620)	(13,620)
At 31 March 2006	28,220	96,616	7,808	(250)	715	(117,874)	15,235
At 1 April 2006	28,220	96,616	7,808	(250)	715	(117,874)	15,235
Exchange differences arising on translation of foreign operations	–	–	196	–	455	–	651
Issue of ordinary shares	5,640	282	–	–	–	–	5,922
Loss for the year	–	–	–	–	–	(11,631)	(11,631)
At 31 March 2007	**33,860**	**96,898**	**8,004**	**(250)**	**1,170**	**(129,505)**	**10,177**

The People's Republic of China (the "PRC") statutory reserves represent transfers made to the general reserve fund and the enterprise development fund set up by certain subsidiaries in the PRC pursuant to the relevant regulations. According to the regulations, the general reserve fund may be used for making up losses, if any, and increasing capital while the enterprise development fund may be used for increasing capital.

The merger difference of the Group represents the difference between the nominal value of the share capital of a subsidiary acquired pursuant to the Group's reorganisation which took place during the year ended 31 March 2000 over the nominal value of the share capital of the Company issued in exchange thereof.

Consolidated Cash Flow Statement

For the year ended 31 March 2007

	2007 HK$'000	2006 HK$'000
CASH FLOWS FROM OPERATING ACTIVITIES		
Loss before tax	**(11,693)**	(13,592)
Interest income	**(259)**	(40)
Interest expenses	**468**	174
Depreciation and amortisation	**1,351**	1,799
Share of results of associate	**(650)**	(203)
Gain on disposal of property, plant and equipment and leasehold interests in land	**(2,252)**	(116)
Reversal of engineering service fee over-provided	**(1,546)**	(1,747)
Reversal of impairment loss of trade and other receivables	**(53)**	(286)
Waiver of trade payable to associate	**–**	(9,814)
Write-back of other payables	**–**	(152)
Impairment loss of inventories	**1,256**	2,997
Impairment loss of trade and other receivables	**209**	6,320
Operating profit before movements in working capital	**(13,169)**	(14,660)
Increase in inventories	**(3,003)**	(1,895)
Decrease in trade and other receivables	**1,178**	11,258
Increase in amount due from related company	**–**	(94)
Increase/(decrease) in trade and other payables	**1,246**	(6,451)
Increase in amount due to directors	**2,027**	84
Cash used in operations	**(11,721)**	(11,758)
Tax refunded/(paid)	**8**	(28)
NET CASH USED IN OPERATING ACTIVITIES	**(11,713)**	(11,786)
CASH FLOWS FROM INVESTING ACTIVITIES		
Interest received from bank deposits	**259**	40
Dividend received from associate	**1,257**	–
Proceeds from sale of property, plant and equipment and leasehold interests in land	**5,705**	346
Purchase of property, plant and equipment	**(280)**	(864)
NET CASH GENERATED FROM/(USED IN) INVESTING ACTIVITIES	**6,941**	(478)

	2007 HK$'000	2006 HK$'000
CASH FLOWS FROM FINANCING ACTIVITIES		
New loans raised from banks and other financial institution	**5,337**	7,808
Repayment of loans	**(6,404)**	(1,146)
Proceeds from issue of ordinary shares	**5,922**	–
Interest paid	**(468)**	(174)
NET CASH GENERATED FROM FINANCING ACTIVITIES	**4,387**	6,488
NET DECREASE IN CASH AND CASH EQUIVALENTS	**(385)**	(5,776)
CASH AND CASH EQUIVALENTS AT BEGINNING OF THE YEAR	**3,420**	8,757
EFFECT OF FOREIGN EXCHANGE RATE CHANGES	**(445)**	439
CASH AND CASH EQUIVALENTS AT END OF THE YEAR	**2,590**	3,420
ANALYSIS OF CASH AND CASH EQUIVALENTS		
Cash and bank deposits	**2,637**	3,420
Bank overdraft	**(47)**	–
	2,590	3,420

As at 31 March 2007, the Group had cash and bank deposits denominated in Renminbi of approximately HK$2,628,000 (2006: HK$3,292,000). The remittance of these funds out of the PRC is subject to the exchange control restrictions imposed by the PRC government.

1. GENERAL INFORMATION

The Company was incorporated in the Cayman Islands as an exempted Company with limited liability and its shares are listed on the Growth Enterprise Market of The Stock Exchange of Hong Kong Limited. The addresses of the registered office and principal place of business of the Company are disclosed in the corporate information section of the annual report.

The financial statements are presented in Hong Kong dollars, which is the same as the functional currency of the Company.

The principal activities of the Company and its subsidiaries (the "Group") are investment holding as well as the assembly, distribution and integration of telecommunication products, gas turbine generators and biotechnology products.

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

In the current year, the Group has applied a number of new and revised standards, amendments and interpretations (the "new HKFRSs") issued by the Hong Kong Institute of Certified Public Accountants (the "HKICPA"), which are relevant to its operations and effective for its current and/or prior accounting period. The adoption of the new HKFRSs has no significant effect on the Group's accounting policies and amounts reported for the current and prior accounting periods in these financial statements.

The Group has not early applied the following new standards, amendment or interpretations that have been issued but are not yet effective. The directors anticipate that the application of these new standards, amendment or interpretations will have no material impact on the results and the financial position of the Group.

HKAS 1 (Amendment)	Capital Disclosures (1)
HKFRS 7	Financial Instruments: Disclosures (1)
HKFRS 8	Operating Segments (2)
HK(IFRIC)-Int 8	Scope of HKFRS 2 (3)
HK(IFRIC)-Int 9	Reassessment of Embedded Derivatives (4)
HK(IFRIC)-Int 10	Interim Financial Reporting and Impairment (5)
HK(IFRIC)-Int 11	HKFRS 2-Group and Treasury Share Transactions (6)
HK(IFRIC)-Int 12	Service Concession Arrangements (7)

(1) Effective for annual periods beginning on or after 1 January 2007
(2) Effective for annual periods beginning on or after 1 January 2009
(3) Effective for annual periods beginning on or after 1 May 2006
(4) Effective for annual periods beginning on or after 1 June 2006
(5) Effective for annual periods beginning on or after 1 November 2006
(6) Effective for annual periods beginning on or after 1 March 2007
(7) Effective for annual periods beginning on or after 1 January 2008

3. SIGNIFICANT ACCOUNTING POLICIES

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

The measurement basis used in the preparation of the financial statements is the historical cost basis.

A summary of the significant accounting policies adopted by the Group is set out below.

(a) Basis of consolidation

The consolidated financial statements incorporate the financial statements of the Company and its subsidiaries (entities controlled by the Company).

The results of subsidiaries acquired or disposed of during the year are included in the consolidated income statement from the effective date of acquisition or up to the effective date of disposal, as appropriate.

Where necessary, adjustments are made to the financial statements of subsidiaries to bring their accounting policies into line with those used by other members of the Group.

All intra-group transactions, balances, income and expenses are eliminated on consolidation.

Minority interests in the net assets of consolidated subsidiaries are identified separately from the Group's equity therein. Minority interests in the net assets consist of the amount of those interests at the date of the original business combination and the minority's share of changes in equity since the date of the combination. Losses applicable to the minority in excess of the minority's interest 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.

(b) Business combinations

The acquisition of subsidiaries is accounted for using the purchase method. The cost of the acquisition is measured at the aggregate of the fair values, at the date of exchange, of assets given, liabilities incurred or assumed, and equity instruments issued by the Group in exchange for control of the acquiree, plus any costs directly attributable to the business combination. The acquiree's identifiable assets, liabilities and contingent liabilities that meet the conditions for recognition under HKFRS 3 *Business Combinations* are recognised at their fair values at the acquisition date, except for non-current assets (or disposal groups) that are classified as held for sale in accordance with HKFRS 5 *Non-current Assets Held for Sale and Discontinued Operations*, which are recognised and measured at fair value less costs to sell.

3. SIGNIFICANT ACCOUNTING POLICIES (continued)

(b) Business combinations (continued)

Goodwill arising on acquisition is recognised as an asset and initially measured at cost, being the excess of the cost of the business combination over the Group's interest in the net fair value of the identifiable assets, liabilities and contingent liabilities recognised. If, after reassessment, the Group's interest in the net fair value of the acquiree's identifiable assets, liabilities and contingent liabilities exceeds the cost of the business combination, the excess is recognised immediately in profit or loss.

The interest of minority shareholders in the acquiree is initially measured at the minority's proportion of the net fair value of the assets, liabilities and contingent liabilities recognised.

(c) Goodwill

Goodwill arising on an acquisition of a subsidiary represents the excess of the cost of acquisition over the Group's interest in the fair value of the identifiable assets, liabilities and contingent liabilities of the relevant subsidiary at the date of acquisition. Goodwill arising on an acquisition of an associate or a jointly controlled entity represents the excess of the cost of the acquisition over the Group's share of the relevant associate's or jointly controlled entity's net assets at the date of acquisition.

Capitalised goodwill is presented separately in the consolidated balance sheet and is carried at cost less any accumulated impairment losses.

For the purposes of impairment testing, goodwill arising from an acquisition is allocated to each of the relevant cash-generating units, or groups of cash-generating units, that are expected to benefit from the synergies of the acquisition. A cash-generating unit to which goodwill has been allocated is tested for impairment annually, and whenever there is an indication that the unit may be impaired. For goodwill arising on an acquisition in a financial year, the cash-generating unit to which goodwill has been allocated is tested for impairment before the end of that financial year. When the recoverable amount of the cash-generating unit is less than the carrying amount of the unit, the impairment loss is allocated to reduce the carrying amount of any goodwill allocated to the unit first, and then to the other assets of the unit pro rata on the basis of the carrying amount of each asset in the unit. Any impairment loss for goodwill is recognised directly in the consolidated income statement. An impairment loss for goodwill is not reversed in subsequent periods.

On subsequent disposal of a subsidiary, an associate or a jointly controlled entity, the attributable amount of goodwill capitalised is included in the determination of the amount of profit or loss on disposal.

3. SIGNIFICANT ACCOUNTING POLICIES (continued)

(d) Investment in subsidiaries

A subsidiary is an entity controlled by the Company. Control exists when the Company has the power, directly or indirectly, to govern the financial and operating policies of an entity so as to obtain benefits from its activities. In assessing control, potential voting rights that presently are exercisable are taken into account.

In the Company's balance sheet, investment in subsidiaries is stated at cost less any impairment losses, unless it is classified as held for sale.

(e) Investment in associates and jointly controlled entities

An associate is an entity in which the Group has significant influence, but not control or joint control, over its management, including participation in the financial and operating policy decisions.

A jointly controlled entity is an entity which operates under a contractual arrangement between the Group and other parties, where the contractual arrangement establishes that the Group and one or more of the other parties share joint control over the economic activity of the entity.

An investment in an associate or a jointly controlled entity is accounted for in the consolidated financial statements under the equity method and is initially recorded at cost and adjusted thereafter for the post-acquisition change in the Group's share of the associate's or the jointly controlled entity's net assets, unless it is classified as held for sale. The consolidated income statement includes the Group's share of the post-acquisition, post-tax results of the associates and jointly controlled entities for the year, including any impairment loss on goodwill relating to the investment in associates and jointly controlled entities recognised for the year.

When the Group's share of losses exceeds its interest in the associate or the jointly controlled entity, the Group's interest is reduced to nil and recognition of further losses is discontinued except to the extent that the Group has incurred legal or constructive obligations or made payments on behalf of the associate or the jointly controlled entity. For this purpose, the Group's interest in the associate or the jointly controlled entity is the carrying amount of the investment under the equity method together with the Group's long-term interests that in substance form part of the Group's net investment in the associate or the jointly controlled entity.

Unrealised profits and losses resulting from transactions between the Group and its associates and jointly controlled entities are eliminated to the extent of the Group's interest in the associate or jointly controlled entity, except where unrealised losses provide evidence of an impairment of the asset transferred, in which case they are recognised immediately in profit or loss.

In the Company's balance sheet, investment in associates and jointly controlled entities is stated at cost less impairment losses, unless it is classified as held for sale.

3. SIGNIFICANT ACCOUNTING POLICIES (continued)

(f) Non-current assets held for sale

Non-current assets and disposal groups are classified as held for sale if their carrying amount will be recovered principally through a sale transaction rather than through continuing use. This condition is regarded as met only when the sale is highly probable and the asset (or disposal group) is available for immediate sale in its present condition.

Non-current assets (and disposal groups) classified as held for sale are measured at the lower of the assets' (disposal groups') previous carrying amount and fair value less costs to sell.

(g) Revenue recognition

Sales of goods are recognised when goods are delivered and title has passed.

Service income is recognised when services are provided.

Interest income from a financial asset is accrued on a time basis, by reference to the principal outstanding and at the effective interest rate applicable, which is the rate that exactly discounts the estimated future cash receipts through the expected life of the financial asset to that asset's net carrying amount.

Dividend income from equity investments is recognised when the shareholders' rights to receive payment have been established.

(h) Property, plant and equipment

Property, plant and equipment are stated at cost less accumulated depreciation and impairment losses.

Depreciation is provided to write off the cost of items of property, plant and equipment, after taking into account of their estimated residual value, if any, using the straight-line method over their estimated useful lives at the following annual rates:–

Property	
– buildings situated on leasehold land	2% to 2.7%
Leasehold improvements	25%
Furniture and equipment	20% to 25%
Motor vehicles	25%

Assets held under finance leases are depreciated over their expected useful lives on the same basis as owned assets or, where shorter, the term of the relevant lease.

An item of property, plant and equipment is derecognised upon disposal or when no future economic benefits are expected to arise from the continued use of the asset. Any gain or loss arising on derecognition of the asset (calculated as the difference between the net disposal proceeds and the carrying amount of the item) is included in the consolidated income statement in the year in which the item is derecognised.

3. SIGNIFICANT ACCOUNTING POLICIES (continued)

(i) Intangible assets (other than goodwill)

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

Other intangible assets that are acquired by the Group are stated in the balance sheet at cost less accumulated amortisation, where the estimated useful life is finite, and any accumulated impairment losses. Expenditure on internally generated goodwill and brands is recognised as an expense in the period in which it is incurred.

Amortisation of intangible assets with finite useful lives is charged to profit or loss on a straight-line basis over the assets' estimated useful lives from the date when they are available for use.

Both the period and method of amortisation are reviewed annually.

Intangible assets are not amortised while their useful lives are assessed to be indefinite. Any conclusion that the useful life of an intangible asset is indefinite is reviewed annually to determine whether events and circumstances continue to support the indefinite useful life assessment for that asset. If they do not, the change in the useful life assessment from indefinite to finite is accounted for prospectively from the date of change and in accordance with the policy for amortisation of intangible assets with finite lives as set out above.

(j) Leases

Leases are classified as finance leases whenever the terms of the lease transfer substantially all the risks and rewards of ownership to the lessee. All other leases are classified as operating leases.

Assets held under finance leases are recognised as assets of the Group at their fair value at the inception of the lease or, if lower, at the present value of the minimum lease payments. The corresponding liability to the lessor is included in the balance sheet as a finance lease obligation. Lease payments are apportioned between finance charges and reduction of the lease obligation so as to achieve a constant rate of interest on the remaining balance of the liability. Finance charges are charged directly to profit or loss, unless they are directly attributable to qualifying assets, in which case they are capitalised in accordance with the Group's general policy on borrowing costs.

3. SIGNIFICANT ACCOUNTING POLICIES (continued)

(j) Leases (continued)

Rentals payable under operating leases are charged to profit or loss on a straight-line basis over the term of the relevant lease. Benefits received and receivable as an incentive to enter into an operating lease are recognised as a reduction of rental expense over the lease term on a straight-line basis.

Interest in leasehold land is amortised over the lease term on a straight-line basis.

(k) Foreign currencies

The individual financial statements of each group entity are presented in the currency of the primary economic environment in which the entity operates (its functional currency). For the purpose of the consolidated financial statements, the results and financial position of each entity are expressed in Hong Kong dollars, which is the functional currency of the Company and the presentation currency for the consolidated financial statements.

In preparing the financial statements of the individual entities, transactions in currencies other than the entity's functional currency (foreign currencies) are recorded at the rates of exchange prevailing on the dates of the transactions. At each balance sheet date, monetary items denominated in foreign currencies are retranslated at the rates prevailing on the balance sheet date. Non-monetary items carried at fair value that are denominated in foreign currencies are retranslated at the rates prevailing on the date when the fair value was determined. Non-monetary items that are measured in terms of historical cost in a foreign currency are not retranslated.

Exchange differences arising on the settlement of monetary items, and on the retranslation of monetary items, are included in profit or loss for the period in which they arise, except for exchange differences arising on a monetary item forms part of the Company's net investment in a foreign operation, in which case, such exchange differences are recognised in equity in the consolidated financial statements. Exchange differences arising on the retranslation of non-monetary items carried at fair value are included in profit or loss for the period except for differences arising on the retranslation of non-monetary items in respect of which gains and losses are recognised directly in equity, in which cases, the exchange differences are also recognised directly in equity.

For the purpose of presenting consolidated financial statements, the assets and liabilities of the Group's foreign operations are expressed in Hong Kong dollars using exchange rates prevailing on the balance sheet date. Income and expense items are translated at the average exchange rates for the period, unless exchange rates fluctuated significantly during that period, in which case, the exchange rates at the dates of the transactions are used. Exchange differences arising, if any, are included in the translation reserve as a separate component of equity. Such exchange differences are recognised in profit or loss in the period in which the foreign operation is disposed of.

3. SIGNIFICANT ACCOUNTING POLICIES (continued)

(k) Foreign currencies (continued)

Goodwill and fair value adjustments on identifiable assets acquired arising on the acquisition of a foreign operation are treated as assets and liabilities of the foreign operation and translated at the rate prevailing on the balance sheet date. Exchange differences arising are included in the translation reserve.

(l) Borrowing costs

Borrowing costs directly attributable to the acquisition, construction or production of qualifying assets, which necessarily take a substantial period of time to get ready for their intended use or sale, are capitalised as part of the cost of those assets, until 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.

(m) Employee benefits

(i) Short term employee benefits and contributions to defined contribution retirement plans

Salaries, annual bonuses, paid annual leave, contributions to defined contribution retirement plans and the cost of non-monetary benefits are accrued in the year in which the associated services are rendered by employees. Where payment or settlement is deferred and the effect would be material, these amounts are stated at their present values.

(ii) Share-based payments

The fair value of share options granted to employees is recognised as an employee cost with a corresponding increase in a capital reserve within equity. The fair value is measured at grant date, taking into account the terms and conditions upon which the options were granted. Where the employees have to meet vesting conditions before becoming unconditionally entitled to the options, the total estimated fair value of the options is spread over the vesting period, taking into account the probability that the options will vest.

During the vesting period, the number of share options that is expected to vest is reviewed. Any adjustment to the cumulative fair value recognised in prior years is included in profit or loss for the year of the review, unless the original employee expenses qualify for recognition as an asset, with a corresponding adjustment to the capital reserve. On vesting date, the amount recognised as an expense is adjusted to reflect the actual number of options that vest (with a corresponding adjustment to the capital reserve) except where forfeiture is only due to not achieving vesting conditions that relate to the market price of the Company's shares. The equity amount is recognised in the capital reserve until either the option is exercised (when it is transferred to the share premium account) or the option expires (when it is released directly to retained profits).

3. SIGNIFICANT ACCOUNTING POLICIES (continued)

(m) Employee benefits (continued)

(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.

(n) Income taxes

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 base used in the computation of taxable profit, and are 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 affects neither the taxable profit nor the accounting profit.

Deferred tax liabilities are recognised for taxable temporary differences arising on investments in subsidiaries and associates, and interests in joint ventures, 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 is 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 dealt with in equity.

3. SIGNIFICANT ACCOUNTING POLICIES (continued)

(o) Impairment of tangible and intangible assets other than goodwill

At each balance sheet date, the Group reviews the carrying amounts of its tangible and intangible 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 (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 revaluation decrease.

Where an impairment loss subsequently reverses, the carrying amount of the asset (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 (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.

(p) Inventories

Inventories are stated at the lower of cost and net realisable value. Costs comprise direct materials and, where applicable, direct labour costs and those overheads that have been incurred in bringing the inventories to their present location and condition. Cost is calculated using the first-in first-out method. Net realisable value represents the estimated selling price in the ordinary course of business less all estimated costs of completion and costs to be incurred in marketing, selling and distribution.

(q) Financial instruments

Financial assets and financial liabilities are recognised in the consolidated balance sheet when the Group becomes a party to the contractual provisions of the instrument. Financial assets and financial liabilities are initially measured at fair value. Transaction costs that are directly attributable to the acquisition or issue of financial assets and financial liabilities (other than financial assets and financial liabilities at fair value through profit or loss) are added to or deducted from the fair value of the financial assets or financial liabilities, as appropriate, on initial recognition. Transaction costs directly attributable to the acquisition of financial assets or financial liabilities at fair value through profit or loss are recognised immediately in profit or loss.

3. SIGNIFICANT ACCOUNTING POLICIES (continued)

(q) Financial instruments (continued)

(i) Trade and other receivables

Trade and other receivables are subsequently measured at amortised cost, using the effective interest rate method, less any impairment losses for bad and doubtful debts except where the receivables are interest-free loans made to related parties without any fixed repayment terms or the effect of discounting would be immaterial. In such cases, the receivables are stated at cost less any impairment losses for bad and doubtful debts.

(ii) Investments

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 investment within the timeframe established by the market concerned.

Investments which are non-derivatives with fixed or determinable payments and fixed maturities that the Group's management has the positive intention and ability to hold to maturity are classified as held-to-maturity investments and are measured at subsequent reporting dates at amortised cost, using the effective interest rate method, less any impairment losses recognised to reflect irrecoverable amounts.

Investments held for trading are classified as investments at fair value through profit and loss and are measured at subsequent reporting dates at fair value with changes in fair value recognised in profit or loss in the period in which they arise.

Investments which are non-derivatives and classified neither as held-to-maturity investments nor investments at fair value through profit and loss are classified as available-for-sale investments and are measured at subsequent reporting dates at fair value. Changes in fair value are recognised directly in equity, until the investment is disposed of or is determined to be impaired, at which time, the cumulative gain or loss previously recognised in equity is removed from equity and recognised in profit or loss. Impairment losses are recognised in profit or loss. For available-for-sale equity investments, impairment losses will not reverse in profit and loss in subsequent periods.

(iii) Cash and cash equivalents

Cash and cash equivalents comprise cash on hand and demand deposits, and other short-term highly liquid investments that are readily convertible to a known amount of cash and are subject to an insignificant risk of changes in value.

(vi) Bank borrowings

Interest-bearing bank loans and overdrafts are subsequently measured at amortised cost, using the effective interest rate method. Any difference between the proceeds (net of transaction costs) and the settlement or redemption of borrowings is recognised over the term of the borrowings in accordance with the Group's accounting policy for borrowing costs.

3. SIGNIFICANT ACCOUNTING POLICIES (continued)

(q) Financial instruments (continued)

(v) Convertible loan notes

Convertible loan notes issued by the Company that contain both the liability and conversion option components are classified separately into respective items on initial recognition. Conversion option will be settled by the exchange of a fixed amount of cash or another financial asset for a fixed number of the Company's own equity instruments is an equity instrument.

On initial recognition, the fair value of the liability component is determined using the prevailing market interest rate of similar non-convertible debts. The difference between the proceeds of the issue of the convertible loan notes and the fair value assigned to the liability component, representing the conversion option for the holder to convert the loan notes into equity, is included in the convertible loan notes equity reserve as a separate component of equity.

In subsequent periods, the liability component of the convertible loan notes is carried at amortised cost using the effective interest method. The equity component, represented by the option to convert the liability component into ordinary shares of the Company, will remain in convertible loan notes equity reserve until the conversion option is exercised (in which case the balance stated in convertible loan notes equity reserve will be transferred to share premium). Where the option remains unexercised at the expiry date, the balance stated in convertible loan notes equity reserve will be released to the retained profits. No gain or loss is recognised in profit or loss upon conversion or expiration of the option.

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

(vi) Trade and other payables

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

(vii) Equity instruments

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

Consideration paid to reacquire the Company's own equity instruments are deducted from equity. No gain or loss is recognised in profit or loss.

3. SIGNIFICANT ACCOUNTING POLICIES (continued)

(r) Provisions and contingent liabilities

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

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

(s) Related parties

A party is considered to be related to the Group if:–

(i) The party, directly or indirectly through one or more intermediaries, (1) controls, is controlled by, or is under common control with, the Group; (2) has an interest in the Group that gives it significant influence over the Group; or (3) has joint control over the Group;

(ii) The party is an associate;

(iii) The party is a jointly controlled entity;

(iv) The party is a member of the key management personnel of the Group or its parent;

(v) The party is a close member of the family of any individual referred to in (i) or (iv);

(vi) The party is an entity that is controlled, jointly controlled or significantly influenced by or for which significant voting power in such entity resides, with directly or indirectly, any individual referred to in (iv) or (v); or

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

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

3. SIGNIFICANT 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 rewards that are different from those of other segments.

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

Segment revenue, expenses, results, assets and liabilities include items directly attributable to a segment as well as those that can be allocated on a reasonable basis to that segment. For example, segment assets may include inventories, trade receivables and property, plant and equipment. 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 entities within a single segment. Inter-segment pricing is based on similar terms as those available to other external parties.

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

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

4. CRITICAL ACCOUNTING JUDGMENTS AND ESTIMATES

(a) Judgments

In the process of applying the Group's accounting policies, management has made the following judgments, apart from those involving estimations as discussed below, which have the most significant effect on the amounts recognised in the financial statements.

(i) Impairment of assets

In determining whether an asset is impaired or the event previously causing the impairment no longer exists, the Group has to exercise judgment in the area of asset impairment, particularly in assessing: (1) whether an event has occurred that may effect the asset value or such event affecting the asset value has not been in existence; (2) whether the carrying value of an asset can be supported by net present value of future cash flows which are estimated based upon the continued use of the asset or derecognition; and (3) the appropriate key assumptions to be applied in preparing cash flow projections including whether these cash flow projections are discounted using an appropriate rate. Changing the assumptions selected by management to determine the level of impairment, including the discount rates or the growth rate assumptions in the cash flow projections, could materially affect the net present value used in the impairment test.

4. CRITICAL ACCOUNTING JUDGMENTS AND ESTIMATES (CONTINUED)

(a) Judgments (continued)

(ii) Income taxes

Deferred tax is provided using the liability method, on all temporary differences at the balance sheet date between the tax bases of assets and liabilities and their carrying amounts for financial reporting purposes.

Deferred tax assets are recognised for unused tax losses carried forward to the extent that it is probable that future taxable profits will be available against which the unused tax losses can be utilised, based on all available evidence. Recognition primarily involves judgment regarding the future performance of the particular legal entity or tax group in which the deferred tax asset has been recognised. A variety of other factors are also evaluated in considering whether there is convincing evidence that it is probable that some portion or all or the deferred tax assets will ultimately be realised, such as the existence of taxable temporary differences, tax planning strategies and the periods in which estimated tax losses can be utilised. The carrying amount of deferred tax assets and related financial models and budgets are reviewed at each balance sheet date and to the extent that there is insufficient convincing evidence that sufficient taxable profits will be available within the utilisation periods to allow utilisation of the carry forward tax losses, the asset balance will be reduced and charged to the income statement.

(b) 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 the Group's assets and liabilities within the next financial year are discussed below.

(i) Impairment test of assets

The Group determines whether an asset is impaired at least on an annual basis or where an indication of impairment exists. This requires an estimation of the value in use of the asset. Estimating the value in use requires the Group to make an estimate of the expected future cash flows from the assets and also to choose a suitable discount rate in order to calculate the present value of those cash flows.

(ii) Income taxes

The Group reviews the carrying amount of deferred tax assets at each balance sheet date and reduces the amount to the extent that it is no longer probable that sufficient taxable profits will be available to allow all or part of the deferred tax assets to be utilised. This requires an estimation of the future taxable profits. Estimating the future taxable profits requires the Group to make an estimate of the expected future earnings from the Group and also to choose a suitable discount rate in order to calculate the present value of the earnings.

4. CRITICAL ACCOUNTING JUDGMENTS AND ESTIMATES (continued)

(b) Estimation uncertainty (continued)

(iii) Depreciation of property, plant and equipment

Property, plant and equipment are depreciated on a straight-line basis over their estimated useful lives, after taking into account of their estimated residual value. The determination of the useful lives and residual values involve management's estimation. The Group assesses annually the residual value and the useful life of the property, plant and equipment and if the expectation differs from the original estimate, such a difference may impact the depreciation in the year the estimate is changed and the future period.

5. REVENUE

(a) An analysis of the Group's turnover for the year is as follows:–

	2007	2006
	HK$'000	HK$'000
Sales of goods, net of discounts and value-added tax	**22,198**	23,187

(b) An analysis of the Group's other income for the year is as follows:–

	2007	2006
	HK$'000	HK$'000
Bank interest income	**259**	40
Gain on disposal of property, plant and equipment and leasehold interests in land	**2,252**	116
Reversal of engineering service fee over-provided	**1,546**	1,747
Reversal of impairment loss of trade and other receivables	**53**	286
Waiver of trade payable to associate	**–**	9,814
Write-back of other payables	**–**	152
	4,110	12,155

6. FINANCE COSTS

	2007	2006
	HK$'000	HK$'000
Interest on secured bank loans wholly repayable within 5 years	**306**	174
Interest on other secured loans wholly repayable within 5 years	**162**	–
	468	174

7. LOSS BEFORE TAX

Loss before tax has been arrived at after charging:–

	2007 HK$'000	2006 HK$'000
Staff costs (including directors' remuneration)		
– Included in selling and distribution costs	**173**	192
– Included in administrative expenses	**12,814**	13,074
	12,987	13,266
Inventories recognised as an expense		
– Carrying amount of inventories sold	**8,896**	7,689
– Impairment loss of inventories	**1,256**	2,997
	10,152	10,686
Auditors' remuneration	**300**	330
Research and development costs	**549**	317
Depreciation and amortisation	**1,351**	1,799
Operating lease rentals in respect of land and buildings	**1,539**	1,205
Impairment loss of trade and other receivables	**209**	6,320
Net foreign exchange loss	**76**	12

8. INCOME TAX

	2007 HK$'000	2006 HK$'000
Current tax:		
Hong Kong	**54**	–
Other jurisdictions	**8**	(28)
Deferred tax	**–**	–
Tax income/(expense) for the year	**62**	(28)

8. INCOME TAX (continued)

The tax income/(expense) for the year can be reconciled to the accounting profit/(loss) as follows:–

	2007 HK$'000	2006 HK$'000
Loss before tax and before share of results of associate	**(12,343)**	(13,795)
Notional tax on profit/(loss) before tax, calculated at the tax rates applicable to profit in the jurisdictions concerned	**1,765**	2,414
Tax effect of expenses not deductible and tax loss not recognised	**(2,804)**	(2,442)
Tax effect of utilisation of tax loss not previously recognised	**1,047**	–
Tax over-provided in previous year(s)	**65**	–
Tax under-provided in previous year(s)	**(11)**	–
Tax income/(expense) for the year	**62**	(28)

Hong Kong profits tax is calculated at the rate of 17.5% (2006: 17.5%) on the estimated assessable profit for the year. Taxation for other jurisdictions is calculated at the rates prevailing in the relevant jurisdictions.

No deferred tax liabilities have been recognised in the financial statements as the Group and the Company did not have material temporary differences as at 31 Mach 2007 and 2006.

No deferred tax asset has been recognised in the financial statements in respect of tax losses available to offset future profits due to the unpredictability of future profit streams against which the asset can be utilised. The unrecognised deferred tax asset of the Group in respect of temporary difference attributable to unutilised tax losses at the balance sheet date amounted to approximately HK$12,090,000 (2006: HK$12,371,000).

9. DIRECTORS' AND EMPLOYEES' EMOLUMENTS

(i) Directors' emoluments

The emoluments paid or payable to each of the 5 (2006: 5) directors are as follows:–

2007

	Fees HK$'000	Salaries and other benefits HK$'000	Retirement scheme contributions HK$'000	Total HK$'000
Executive directors:				
Mr. Lau See Hoi	–	2,313	12	2,325
Mr. Wong Kai Tat	–	2,295	30	2,325
Independent non-executive directors:				
Mr. Sze Tsai Ping, Michael	233	–	12	245
Ms. Hui Sin Man, Alice	233	–	12	245
Mr. Kwan Kai Cheong	233	–	–	233
	699	4,608	66	5,373

2006

	Fees HK$'000	Salaries and other benefits HK$'000	Retirement scheme contributions HK$'000	Total HK$'000
Executive directors:				
Mr. Lau See Hoi	–	1,590	12	1,602
Mr. Wong Kai Tat	–	1,240	12	1,252
Independent non-executive directors:				
Mr. Sze Tsai Ping	265	–	12	277
Ms. Hui Sin Man, Alice	265	–	12	277
Mr. Kwan Kai Cheong	265	–	13	278
	795	2,830	61	3,686

9. DIRECTORS' AND EMPLOYEES' EMOLUMENTS (continued)

(ii) Of the 5 individuals with the highest emoluments in the Group, 4 (2006: 2) were directors of the Company whose emoluments are set out above. The emoluments of the remaining 1 (2006: 3) individual(s) are as follows:–

	2007	2006
	HK$'000	HK$'000
Salaries and other benefits	**333**	955
Retirement scheme contributions	**12**	36
	345	991

The emoluments of the 1 (2006: 3) individual(s) with the highest emoluments are within the following band:–

	Number of individuals	
	2007	2006
HK$0 to HK$1,000,000	**1**	3

10. DIVIDEND

No dividend has been paid or proposed for the year (2006 Nil).

11. LOSS PER SHARE

The calculation of basic loss per share is based on the following data:–

	2007	2006
	HK$'000	HK$'000
Loss for the year	**(11,631)**	(13,620)
	'000	'000
Number of ordinary shares:		
Issued ordinary shares at beginning of the year	**282,196**	282,196
Effect of shares issued under a placing agreement *(note 26(i))*	**45,275**	–
Weighted average number of ordinary shares for the purpose of calculation of basic loss per share	**327,471**	282,196

There is no diluted loss per share since the Company has no dilutive potential ordinary shares in issue for both the years ended 31 March 2007 and 2006.

12. BUSINESS AND GEOGRAPHICAL SEGMENTS

(a) Business segments

The Group is currently organized into 3 major business divisions – (i) telecommunication products, (ii) gas turbine generators and (iii) biotechnology products. There are no sales or other transactions between these business divisions. These business divisions are the basis on which the Group reports its primary segment information as presented below:–

Income statement for the year ended 31 March 2007

	Telecom-munication products HK$'000	Gas turbine generators HK$'000	Biotechnology products HK$'000	Others HK$'000	Total HK$'000
Turnover	21,655	–	31	512	22,198
Segment results	(7,855)	(45)	(2,523)		(10,423)
Unallocated interest income					259
Unallocated corporate expenses					(1,711)
Operating loss					(11,875)
Finance costs					(468)
Share of results of associate					650
Loss before tax					(11,693)
Income tax					62
Loss for the year					(11,631)

Balance sheet as at 31 March 2007

	Telecom-munication products HK$'000	Gas turbine generators HK$'000	Biotechnology products HK$'000	Total HK$'000
Assets:				
Segment assets	19,302	–	1,039	20,341
Interests in associate				13,634
Unallocated corporate assets				240
Total assets				34,215
Liabilities:				
Segment liabilities	18,107	11	399	18,517
Unallocated corporate liabilities				5,521
Total liabilities				24,038

12. BUSINESS AND GEOGRAPHICAL SEGMENTS (continued)

(a) Business segments (continued)

Other information for the year ended 31 March 2007

	Telecom-munication products HK$'000	Gas turbine generators HK$'000	Biotechnology products HK$'000	Total HK$'000
Capital expenditure	**81**	**–**	**199**	**280**
Depreciation and amortisation	**1,121**	**–**	**230**	**1,351**
Provision for impairment loss of trade and other receivables	**209**	**–**	**–**	**209**
Provision for impairment loss of inventories	**1,256**	**–**	**–**	**1,256**

Income statement for the year ended 31 March 2006

	Telecom-munication products HK$'000	Gas turbine generators HK$'000	Biotechnology products HK$'000	Others HK$'000	Total HK$'000
Turnover	22,122	579	272	214	23,187
Segment results	(12,062)	(63)	(643)		(12,768)
Unallocated interest income					40
Unallocated corporate expenses					(893)
Operating loss					(13,621)
Finance costs					(174)
Share of results of associate					203
Loss before tax					(13,592)
Income tax					(28)
Loss for the year					(13,620)

Balance sheet as at 31 March 2006

	Telecom-munication products HK$'000	Gas turbine generators HK$'000	Biotechnology products HK$'000	Total HK$'000
Assets:				
Segment assets	20,834	–	808	21,642
Interests in associate				13,436
Unallocated corporate assets				3,420
Total assets				38,498
Liabilities:				
Segment liabilities	13,690	–	2,154	15,844
Unallocated corporate liabilities				7,419
Total liabilities				23,263

12. BUSINESS AND GEOGRAPHICAL SEGMENTS (continued)

(a) Business segments (continued)

Other information for the year ended 31 March 2006

	Telecom-munication products HK$'000	Gas turbine generators HK$'000	Biotechnology products HK$'000	Others HK$'000	Total HK$'000
Capital expenditure	121	–	743	–	864
Depreciation and amortisation	1,753	2	–	44	1,799
Provision for impairment loss of trade and other receivables	6,320	–	–	–	6,320
Provision for impairment loss of inventories	2,997	–	–	–	2,997

(b) Geographical segments

The Group's 3 major business divisions operate in 3 principal geographical areas – (i) the People's Republic of China excluding Hong Kong (the "PRC"), (ii) Hong Kong and (iii) other Asia Pacific countries. These geographical areas are the basis on which the Group reports its secondary segment information as presented below:–

For the year ended 31 March 2007

	Turnover HK$'000	**Segment results HK$'000**	**Total assets HK$'000**	**Capital expenditure HK$'000**
PRC	**21,686**	**5,582**	**19,977**	**21**
Hong Kong	**512**	**(17,213)**	**603**	**259**
Other Asia Pacific countries	**–**	**–**	**1**	**–**
	22,198	**(11,631)**	**20,581**	**280**
Interests in associate	**–**	**–**	**13,634**	**–**
Total	**22,198**	**(11,631)**	**34,125**	**280**

For the year ended 31 March 2006

	Turnover HK$'000	Segment results HK$'000	Total assets HK$'000	Capital expenditure HK$'000
PRC	22,641	(8,852)	24,485	825
Hong Kong	546	(4,327)	576	39
Other Asia Pacific countries	–	131	1	–
	23,187	(13,048)	25,062	864
Interests in associate	–	–	13,436	–
Unallocated	–	(572)	–	–
Total	23,187	(13,620)	38,498	864

13. PROPERTY, PLANT AND EQUIPMENT

The Group

	Buildings	Leasehold improvements	Furniture and equipment	Motor vehicles	Total
	HK$'000	HK$'000	HK$'000	HK$'000	HK$'000
Cost:					
At 1 April 2005	6,215	757	26,982	4,295	38,249
Additions	–	153	711	–	864
Disposals	(403)	(296)	(134)	–	(833)
Exchange differences	168	5	248	58	479
At 31 March 2006 and 1 April 2006	5,980	619	27,807	4,353	38,759
Additions	–	–	149	131	280
Disposals	(2,082)	(136)	(430)	(721)	(3,369)
Exchange differences	150	8	239	52	448
Classified as held for sale	(4,048)	(491)	(27,562)	(3,485)	(35,586)
At 31 March 2007	–	–	203	330	533
Depreciation and impairment:					
At 1 April 2005	985	434	25,100	3,015	29,534
Provided for the year	120	159	844	546	1,669
Eliminated on disposals	(401)	(130)	(72)	–	(603)
Exchange differences	15	7	202	23	247
At 31 March 2006 and 1 April 2006	719	470	26,074	3,584	30,847
Provided for the year	95	115	615	422	1,247
Eliminated on disposals	(270)	(301)	(423)	(644)	(1,638)
Exchange differences	18	8	199	32	257
Classified as held for sale	(562)	(292)	(26,304)	(3,133)	(30,291)
At 31 March 2007	–	–	161	261	422
Carrying amount:					
At 31 March 2007	**–**	**–**	**42**	**69**	**111**
At 31 March 2006	5,261	149	1,733	769	7,912

Buildings, before classified as held for sale, with a carrying amount of approximately HK$3,485,000 (2006: HK$3,475,000) have been pledged as part of the security in respect of banking facilities granted to the Group as mentioned in note 23.

14. PREPAID LEASE PAYMENTS

	The Group	
	2007	2006
	HK$'000	HK$'000
Prepaid lease payments comprise unamortised cost in respect of leasehold interests in land:–		
Located in the PRC		
– Medium-term lease	**–**	3,218
– Long-term lease	**–**	790
	–	4,008
At beginning of the year	**4,008**	4,022
Disposals	**(1,724)**	–
Amortisation for the year	**(104)**	(130)
Exchange difference	**101**	116
Classified as held for sale *(note 22)*	**(2,281)**	–
At end of the year	**–**	4,008

Prepaid lease payments, before classified as held for sale, included HK$2,281,000 (2006: HK$2,305,000) in relation to leasehold interests in land pledged as part of the security in respect of banking facilities granted to the Group as mentioned in note 23.

15. INVESTMENT IN SUBSIDIARIES

	The Company	
	2007	2006
	HK$'000	HK$'000
Unlisted equity shares, at cost	**1**	40,922
Provision for impairment losses	**–**	(40,811)
	1	111

Provision for impairment loss had been made against the Company's investment cost of certain subsidiaries which were loss-making and/or inactive.

Details of principal subsidiaries as at 31 March 2007, which materially affected the Group's results or net assets, are set out in note 32.

16. INTERESTS IN ASSOCIATE

	The Group	
	2007	2006
	HK$'000	HK$'000
Share of net assets	**13,634**	13,436

Particulars of the Group's associate as at 31 March 2007 are as follows:

Name	Place of incorporation/ operation	Registered capital	Attributable equity interest of the Group 2007	Attributable equity interest of the Group 2006	Principal activities
Shanghai Hua Cheng Telecommunication Equipment Co., Ltd. ("Shanghai Hua Cheng")	PRC	USD1,500,000	30%	30%	Manufacture of telecommunication equipment and accessories in the PRC

Shanghai Hua Cheng has adopted 31 December as its financial year end date for local statutory reporting purposes. For the preparation of the consolidated financial statements, management accounts of the associate for each of the 12 months ended 31 March 2007 and 2006 have been used after making adjustments, as appropriate, for compliance with accounting principles generally accepted in Hong Kong.

Summarised financial information in respect of the Group's associate is set out below:

	2007	2006
	HK$'000	HK$'000
Post-acquisition results for the year		
Turnover for the year	**34,691**	22,412
Profit for the year	**2,168**	679
Group's share of results for the year, after share of tax expense of approximately HK$419,000 (2006: HK$216,000)	**650**	203
Financial position		
Total assets	**56,220**	57,449
Total liabilities	**(10,755)**	(12,662)
Net assets	**45,445**	44,787
Group's share of net assets	**13,634**	13,436

17. AMOUNT DUE FROM SUBSIDIARIES

	The Company	
	2007	2006
	HK$'000	HK$'000
Amount due from subsidiaries	**2**	118,891
Provision for impairment loss	**–**	(118,891)
	2	–

Provision for impairment loss had been made against the amount due from certain subsidiaries which were loss-making and/or inactive.

The amount due from subsidiaries is unsecured and non-interest bearing. The Company will not demand for repayment within 12 months after the balance sheet date and the amount, other than that classified as held for sale in note 22, is therefore classified as a non-current asset.

18. INVENTORIES

	The Group	
	2007	2006
	HK$'000	HK$'000
Raw materials	**8,471**	2,265
Work-in-progress	**5,280**	1,026
Finished goods	**13,789**	13,205
	27,540	16,496
Provision for impairment loss	**(22,667)**	(13,370)
	4,873	3,126
Classified as held for sale *(note 22)*	**(4,148)**	–
	725	3,126

Provision for impairment loss had been made against those items of inventories which were either slow-moving or considered obsolete.

19. TRADE AND OTHER RECEIVABLES

An aged analysis of trade receivables is as follows:–

	The Group		The Company	
	2007	2006	**2007**	2006
	HK$'000	HK$'000	**HK$'000**	HK$'000
Trade receivables:				
Within 6 months	**254**	2,423	**–**	–
Over 6 months but within 1 year	**–**	125	**–**	–
Over 1 year but within 2 years	**–**	3,589	**–**	–
Over 2 years	**–**	12,060	**–**	–
	254	18,197	**–**	–
Provision for impairment loss	**–**	(12,440)	**–**	–
	254	5,757	**–**	–
Other receivables, prepayments and deposits	**726**	745	**19**	19
	980	6,502	**19**	19

Provision for impairment loss had been made against those amounts which were either long-outstanding or considered irrecoverable.

20. AMOUNT DUE FROM RELATED COMPANY

The amount due from related company is unsecured, non-interest bearing and has no fixed repayment terms. Other particulars disclosed pursuant to section 161B of the Hong Kong Companies Ordinance are as follows:–

The Group

Name of company	**Balance at 31 March 2007**	**Maximum balance outstanding during the year**	**Balance at 31 March 2006 and 1 April 2006**	**Maximum balance outstanding during the year**	**Balance at 1 April 2005**
	HK$'000	HK$'000	HK$'000	HK$'000	HK$'000
T. S. (Holdings) Company Limited	94#	94	94	216	–

#: *Net balance of the amount due from related company of approximately HK$216,000 and the amount due to related company of approximately HK$122,000 in respect of liabilities associated with assets classified as held for sale shown in note 22.*

20. AMOUNT DUE FROM RELATED COMPANY (continued)

The Company

Name of company	Balance at 31 March 2007	Maximum balance outstanding during the year	Balance at 31 March 2006 and 1 April 2006	Maximum balance outstanding during the year	Balance at 1 April 2005
	HK$'000	HK$'000	HK$'000	HK$'000	HK$'000
T. S. (Holdings) Company Limited	216	216	216	216	–

Mr. Lau See Hoi, the chairman and chief executive officer of the Company, has a beneficial interest in the related company.

21. CASH AND BANK DEPOSITS

	The Group		The Company	
	2007	2006	**2007**	2006
	HK$'000	HK$'000	**HK$'000**	HK$'000
Deposits with banks and other financial institutions	**462**	3,287	**–**	3
Cash in hand	**181**	133	**5**	–
	643	3,420	**5**	3

22. ASSETS CLASSIFIED AS HELD FOR SALE AND ASSOCIATED LIABILITIES

The Company entered into an agreement on 22 January 2007 with Mr. Lau See Hoi ("Mr. Lau"), who is the chairman and chief executive officer of the Company, under which the Company had conditionally agreed to sell and Mr. Lau had conditionally agreed to purchase the Company's interests in the entire issued share capital of and the advances to a group of companies (the "Disposal Group"), after completion of a corporate restructuring, at a total consideration of HK$3 million (the "Transaction"). The Transaction was then approved by the independent shareholders of the Company at an extraordinary general meeting held on 5 March 2007. The Transaction has not yet been completed at 31 March 2007 while the corporate restructuring is in progress. The major classes of assets and liabilities of the Disposal Group classified as held for sale at the balance sheet date are as follows:–

	The Group		The Company	
	2007	2006	**2007**	2006
	HK$'000	HK$'000	**HK$'000**	HK$'000
Property, plant and equipment	**5,295**	–	**–**	–
Prepaid lease payments	**2,281**	–	**–**	–
Investment in subsidiaries	**–**	–	**111**	–
Inventories	**4,148**	–	**–**	–
Trade and other receivables	**4,188**	–	**–**	–
Cash and bank deposits	**1,994**	–	**–**	–
Assets classified as held for sale	**17,906**	–	**111**	–
Bank overdraft	**(47)**	–	**–**	–
Bank and other loans	**(5,287)**	–	**–**	–
Trade and other payables	**(9,982)**	–	**–**	–
Amount due to directors	**(533)**	–	**–**	–
Amount due to related company	**(122)**	–	**–**	–
Income tax payable	**(11)**	–	**–**	–
Liabilities associated with assets classified as held for sale	**(15,982)**	–	**–**	–
Net assets of the Disposal Group classified as held for sale	**1,924**	–	**111**	–

23. BANK AND OTHER LOANS

	The Group		The Company	
	2007	2006	**2007**	2006
	HK$'000	HK$'000	**HK$'000**	HK$'000
Loans from banks and other financial institution – secured	**1,000**	7,354	**1,000**	–
The loans are repayable as follows:–				
On demand or within 1 year	**1,000**	5,764	**1,000**	–
After 1 year but within 2 years	**–**	1,038	**–**	–
After 2 years but within 5 years	**–**	552	**–**	–
	–	1,590	**–**	–
	1,000	7,354	**1,000**	–

The loan outstanding at 31 March 2007 represents a term loan from a financial institution which is secured by personal guarantee executed by a director, interest bearing at prevailing market rates and repaid in May 2007.

The loans outstanding at 31 March 2006 comprised: (i) an installment loan from bank of approximately HK$2,546,000 which was secured by legal charges over the leasehold land and buildings given by two related companies, T. S. (Holdings) Company Limited and Eastlucky Garment Limited, interest bearing at prevailing market rates and due in September 2008; and (ii) a loan from bank of RMB5,000,000 (equivalent to approximately HK$4,808,000) which was secured by the Group's buildings and leasehold interests in land as mentioned in notes 13 and 14 respectively, interest bearing at 6.138% per annum and repaid during the current year.

24. TRADE AND OTHER PAYABLES

An aged analysis of the trade payables is as follows:–

	The Group		The Company	
	2007	2006	**2007**	2006
	HK$'000	HK$'000	**HK$'000**	HK$'000
Trade payables:				
Within 30 days	**221**	302	**–**	–
31 – 60 days	**28**	497	**–**	–
61 – 90 days	**–**	264	**–**	–
91 – 180 days	**18**	15	**–**	–
Over 180 days	**104**	1,928	**–**	–
	371	3,006	**–**	–
Other payables and accrued charges	**4,296**	11,943	**2,132**	201
	4,667	14,949	**2,132**	201

25. AMOUNT DUE TO DIRECTORS

Amount due to directors is unsecured, non-interest bearing and has no fixed repayment terms.

26. SHARE CAPITAL

	Number of shares		Amount	
	2007	2006	**2007**	2006
	'000	'000	**HK$'000**	HK$'000
Authorised:				
Ordinary shares of HK$0.1 each				
– At beginning and end of the year	**800,000**	800,000	**80,000**	80,000
Issued and fully paid:				
Ordinary shares of HK$0.1 each				
– At beginning of the year	**282,196**	282,196	**28,220**	28,220
– Shares issued under a placing agreement *(note (i))*	**56,400**	–	**5,640**	–
– At end of the year	**338,596**	282,196	**33,860**	28,220

Note:

(i) On 12 June 2006, 56,400,000 new ordinary shares of HK$0.1 each were issued at an issue price of HK$0.105 per share to various investors under a placing agreement entered into on 31 May 2006 between the Company and an placing agent for the purpose of raising a net proceeds of approximately HK$5.3 million to repay bank loans, settle various payables and provide general working capital.

27. RESERVES

The Group

	Share premium HK$'000	PRC statutory reserves HK$'000	Merger difference HK$'000	Translation reserve HK$'000	Accumulated losses HK$'000	Total HK$'000
At 1 April 2005	96,616	7,658	(250)	–	(104,104)	(80)
Exchange differences arising on translation of foreign operations	–	–	–	715	–	715
Transfers between reserves	–	150	–	–	(150)	–
Loss for the year	–	–	–	–	(13,620)	(13,620)
At 31 March 2006 and 1 April 2007	96,616	7,808	(250)	715	(117,874)	(12,985)
Exchange differences arising on translation of foreign operations	–	196	–	455	–	651
Issue of ordinary shares	282	–	–	–	–	282
Loss for the year	–	–	–	–	(11,631)	(11,631)
At 31 March 2007	**96,898**	**8,004**	**(250)**	**1,170**	**(129,505)**	**(23,683)**

The Company

	Share premium HK$'000	Accumulated losses HK$'000	Total HK$'000
At 1 April 2005	137,187	(165,336)	(28,149)
Loss for the year	–	(789)	(789)
At 31 March 2006 and 1 April 2006	137,187	(166,125)	(28,938)
Issue of ordinary shares	282	–	282
Loss for the year	–	(10,371)	(10,371)
At 31 March 2007	**137,469**	**(176,496)**	**(39,027)**

Under the Companies Law of the Cayman Islands, the share premium of the Company is distributable to equity holders subject to the provisions of its Memorandum or Articles of Association.

As at 31 March 2007, in opinion of the directors, the Company had no other distributable reserves (2006: Nil).

28. COMMITMENTS

(a) Operating lease commitments

At the balance sheet date, the total future minimum lease payments under non-cancelable operating leases are as follows:–

	The Group		The Company	
	2007	2006	**2007**	2006
	HK$'000	HK$'000	**HK$'000**	HK$'000
Properties				
– Within 1 year	**771**	1,524	**771**	–
– After 1 year but within 5 years	**–**	673	**–**	–
	771	2,197	**771**	–

(b) Capital commitments

The Group and the Company did not have any material capital commitments as at 31 March 2007 (2006: Nil).

29. RETIREMENT BENEFIT SCHEMES

The Group participates in the mandatory provident fund scheme (the "MPF fund") for its employees in Hong Kong. Contributions to the MPF fund by the Group and employees are calculated as a percentage of employee's basic salaries. The retirement benefit costs charged to the income statement represent contributions paid and payable by the Group to the MPF fund. The assets of the MPF fund are held separately from those of the Group in an independently administered fund.

The subsidiaries in the PRC participate in certain employees' retirement schemes implemented by the relevant local municipal governments. Contributions are made by the relevant subsidiaries to these schemes based on certain percentages of the applicable payroll costs.

The Group has no other obligations other than the above-mentioned contributions.

Total contributions made by the Group during the year ended 31 March 2007 amounted to approximately HK$925,000 (2006: HK$968,000).

30. RELATED PARTY TRANSACTIONS

Save as disclosed elsewhere in these financial statements, the following significant related party transactions have been entered into by the Group during the year:–

	Note	**2007** **HK$'000**	2006 HK$'000
Licence fee paid to T. S. (Holdings) Company Limited	(i)	**841**	700
Service fee charged by the T S Telecom Ltd.	(ii)	**1,407**	933

Notes:

(i) On 12 July 2005, the Company entered into a licence agreement with T. S. (Holdings) Company Limited ("T. S. Holdings"), a related company in which the chairman and chief executive officer of the Company, Mr. Lau See Hoi, has a beneficial interest, to use certain office premises at a monthly licence fee of approximately HK$70,000 for a period from 1 June 2005 to 29 February 2008. The office premises were leased by T. S. Holdings under a leasing agreement dated 15 March 2005 entered into between T. S. Holdings and the landlord, an independent third party.

(ii) T S Bio-Technology Limited, a wholly-owned subsidiary of the Company, entered into an agreement on 29 November 2005 for a term of three years commencing from 1 December 2005 with T S Telecom Ltd., who was then the ultimate holding company of the Company and is now a substantial equity holder of the Company, under which T S Telecom Ltd. agreed to provide management, marketing and research services to the Group at an annual service fee of not exceeding HK$1,600,000 subject to revision by the parties from time to time by mutual agreement as circumstances warranted, provided that the annual service fee shall in total not exceed HK$2,500,000.

31. FINANCIAL RISK MANAGEMENT OBJECTIVES AND POLICIES

(a) Currency risk

The Group's main operations are in the PRC and have no significant exposure to any specific foreign currency other than Renminbi. The Group's cash and cash equivalents are mainly deposits with major banks located in Hong Kong and the PRC.

Certain trade and other receivables and borrowings of the Group are denominated in Renminbi. The Group currently does not have a foreign currency hedging policy. However, the management does closely monitor foreign exchange exposure and will consider undertaking foreign exchange hedging activities to neutralise the impact of foreign exchange rate movements on the Group's operating results.

(b) Liquidity risk

The Group will consistently implement a prudent liquidity risk management and ensure that it maintains sufficient cash and cash equivalents to meet its liquidity requirements. Banking facilities have also been arranged with different banks in order to fund the liquidity requirements. The management monitors the utilisation of borrowings and ensures compliance with loan covenants.

(c) Fair value and cash flow interest rate risk

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

The Group's exposure to fair value and cash flow interest risks is minimal as the Group has no significant long-term financial assets and liabilities, as such its income and operating cash flows are substantially independent of changes in market interest rates.

32. PARTICULARS OF PRINCIPAL SUBSIDIARIES

Particulars of the Company's principal subsidiaries at 31 March 2007 were as follows:–

Name of subsidiary	Place of incorporation/ operation	Forms of legal entity	Issued and fully paid share capital/ registered capital*	Proportion of nominal value of issued capital/ registered capital held by the Company		Principal activities
				Directly	Indirectly	
T S Telecom (B.V.I.) Limited#	British Virgin Islands	Limited liability company	US$2	100%	–	Investment holding
T. S. International Company Limited ("T S International")	Hong Kong	Limited liability company	HK$100,000	–	100%	Investment holding
Ying Zhi Xun Telecom Equipment (Shenzhen) Co., Ltd.# ("Ying Zhi Xun")	PRC	Wholly owned foreign enterprise	US$500,000*	–	100%	Assembling of cable pressurization equipment and power monitoring equipment
T S Telecom (Shenzhen) Company Limited# ("T S Shenzhen")	PRC	Wholly owned foreign enterprise	US$1,250,000*	–	100%	Assembling and distribution of cable pressurization equipment and power monitoring equipment
Beijing Kong Da Net Telecommunications Equipment Ltd.# ("KD Net")	PRC	Sino-foreign equity joint venture company	RMB4,000,000*	–	75%	Manufacturing of telecommunication equipment and software

Statutory accounts not audited by Patrick Ng & Company.

None of the subsidiaries had issued any debt securities at the end of the year.

Ying Zhi Xun, T S Shenzhen and KD Net have adopted 31 December as their financial year end date for local statutory reporting purposes. For the preparation of these consolidated financial statements, management accounts of those subsidiaries for each of the 12 months ended 31 March 2007 and 2006 have been used after making adjustments, as appropriate, for compliance with accounting principles generally accepted in Hong Kong.

The above table lists the principal 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 assets/(liabilities) of the Group. To give details of other subsidiaries would, in the opinion of the directors, result in particulars, of excessive length.