Annual Report 2008

*For identification purpose only

A & K Educational Software Holdings Limited

A & K 教育軟件控股有限公司*

(Incorporated in the Cayman Islands with limited liability)

Stock code :8053

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This report, for which the directors of A & K Educational Software Holdings Limited (the "Directors") collectively and individually accept full responsibility, includes particulars given in compliance with the Rules Governing the Listing of Securities on GEM of the Stock Exchange (the "GEM Listing Rules") for the purpose of giving information with regard to A & K Educational Software Holdings 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.

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CORPORATE INFORMATION

EXECUTIVE DIRECTORS

PENG Gexiong *(Chairman)*
Wang Dongbin
Li Wing Sang
Lau Kam Ying

INDEPENDENT NON-EXECUTIVE DIRECTORS

JIANG Minghe
Yeung King Wah
Gao Feng

AUDIT COMMITTEE

JIANG Minghe
Yeung King Wah
Gao Feng

REMUNERATION COMMITTEE

JIANG Minghe
YEUNG King Wah
GAO Feng

COMPANY SECRETARY

SHEN Tianwei (MAPAIS, CPA, CICPA)

COMPLIANCE OFFICER

LI Wing Sang

QUALIFIED ACCOUNTANT

SHEN Tianwei (MAPAIS, CPA, CICPA)

AUTHORISED REPRESENTATIVES

PENG Gexiong *(Chairman)*
SHEN Tianwei (MAPAIS, CPA, CICPA)

REGISTERED OFFICE

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INDEPENDENT AUDITOR

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Certified Public Accountants
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PRINCIPAL SHARE REGISTRAR AND TRANSFER OFFICE

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Butterfield House
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Grand Cayman
Cayman Islands

HONG KONG SHARE REGISTRAR AND TRANSFER OFFICE

Computershare Hong Kong Investor Services Limited
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PRINCIPAL BANKER

In Hong Kong

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In the PRC

China Construction Bank
Nanchang Branch
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Nanchang City
PRC

GEM LISTING CODE

8053

FINANCIAL SUMMARY

SUMMARY OF CONSOLIDATED RESULTS

	For the year ended 31 March				
	2008	2007	2006	2005	2004
	RMB'000	RMB'000	RMB'000	RMB'000	RMB'000
Turnover	**9,117**	3,882	10,448	15,704	15,006
Cost of sales	**(8,523)**	(2,284)	(2,470)	(1,607)	(1,276)
Gross profit	**594**	1,598	7,978	14,097	13,730
Other revenue and other net income	**2,875**	2,254	1,406	2,201	629
Distribution and selling expenses	**(375)**	(1,515)	(836)	(898)	(1,081)
Administrative expenses	**(14,483)**	(7,814)	(5,637)	(5,821)	(1,920)
Operating loss	**(11,389)**	(5,477)	2,911	9,579	11,358
Finance cost	**(1)**	–	–	–	–
Share of (loss)/profit of associates	**(78)**	(307)	43	–	–
(Loss)/profit before taxation	**(11,468)**	(5,784)	2,954	9,579	11,358
Income tax	**(964)**	39	(409)	(936)	(1,076)
(Loss)/profit attributable to shareholders of the Company	**(12,432)**	(5,745)	2,545	8,643	10,282
(Loss)/earnings per share in RMB *(Note)*					
Basic	**(0.044)**	(0.023)	0.010	0.038	0.057
Diluted	**N/A**	N/A	N/A	N/A	N/A

SUMMARY OF CONSOLIDATED ASSETS AND LIABILITIES

	As at 31 March				
	2008	2007	2006	2005	2004
	RMB'000	RMB'000	RMB'000	RMB'000	RMB'000
Total Assets	**154,047**	62,195	69,106	62,717	31,256
Total Liabilities	**(7,151)**	(8,331)	(8,661)	(4,427)	(3,042)
Shareholders' Funds	**146,896**	53,864	60,445	58,290	28,214

FINANCIAL SUMMARY

(Note)

The calculation of the basic loss per share for the year ended 31 March 2008 are based on the weighted average number of 282,032,787 ordinary shares in issue during the year.

The calculation of the basic (loss)/earnings per share for the years ended 31 March 2006 and 2007 is based on 255,000,000 ordinary shares in issue during the years.

The calculation of the basic earnings per share for the year ended 31 March 2004 is based on the assumption that the 180,000,000 shares in issue as and issuable, comprising 1,000 shares in issue as at 30 July 2004 and 179,999,000 shares to be issued pursuant to the capitalisation issue passed by the shareholders of the Company on 13 May 2004. The calculation of the basic earnings per share for the year ended 31 March 2005 is based on the weighted average number of 228,904,110 ordinary shares in issue during the year.

No diluted loss per share is presented during the year ended 31 March 2008 as there was no dilutive potential ordinary shares in existence in the year.

Diluted (loss) per share is not presented as there was no dilutive potential ordinary shares in existence in 2004 to 2007.

CHAIRMAN'S STATEMENT

BUSINESS REVIEW

Throughout the first three quarters of the year, the Group continued to focus on the development of internet education business. It has also tried out every available channel and various means to develop the market. However, due to the complexities of marketing channels building and instability brought by sales agents, sales revenues contributed by the Group's internet education business has declined substantially and the business segment made a loss. For the year ended 31 March 2008, the turnover of the Group's internet education business amounted to RMB1,098 thousand, representing a decrease of 71.7% when compared with last year.

In view of the circumstances, the Group has decided to actively set new business development direction and create new streams of revenue. In the fourth quarter, the Group acquired a company engaged in software and information service business. Upon completion of the acquisition, significant revenue and profit were recorded in the quarter and the company acquired became a new source of profit growth for the Group. The business has contributed a turnover of RMB8,019 thousand in the quarter, representing 88% of the total sales for the year.

OUTLOOK

According to the latest report on the work of the government, China's GDP in 2007 reached RMB24.66 trillion, an increase of 11.4% over last year. GDP should grow by about 8% in 2008, and rise in the CPI should be held at around 4.8%. According to latest information available, China's GDP recorded a first-quarter growth of 10.6% in 2008. Experts expect that China's GDP will grow at about 10.5% in 2008 and as Beijing 2008 Olympics will give further stimulus to the continuous and rapid growth of the economy, It is is more important than ever to ensure the efficiency and safety of the national economy. Therefore, it is expected that all industries, particularly those fundamental industries which involve the interests of the state and the people, will post a much greater demand for software upgrading and maintenance. With higher education level and rising standard of living, there will be a more extensive use of software and IT services targeting the general market.

BUSINESS POSITIONING

Leveraging on the above macro environment, the Group will focus on industry-specific software development and information services. Our stable and established industry cover and clientele will give us a good base to actively develop and enter new industry, so as to provide highly efficient and reliable information systems to our industry customers and also provide the public with convenient and superb information services through industry customers. In the initial stage, revenue will be mainly attributable to software development and technical support and maintenance. In the future, the Group will develop operation service income stream with general market as target customer, so as to create long term and stable income and sources of revenue for the Group and maximize returns for our shareholders.

MARKET STRATEGY

The Group will, through various means such as co-operation, acquisition and merger, accelerate its penetration in the target industry. The Group will then introduce domestic and foreign strategic co-operation partners and utilize its competitive advantages in terms of resources to capture its business reach and become the leading enterprise in the field.

CHAIRMAN'S STATEMENT

APPRECIATION

On behalf of the Board, I would like to take this opportunity to express our gratitude to our shareholders and the society for their support throughout the year. Also, I would like to thank all our staff for their diligence and contributions to the Company.

Peng Gexiong
Chairman of the Board

MANAGEMENT DISCUSSION AND ANALYSIS

BUSINESS REVIEW AND PROSPECTS 2007-2008

Business Review

Throughout the first three quarters of the year, the Group continued to focus on the development of internet education business. It has also tried out every available channel and various means to develop the market. However, due to the complexities of marketing channels building and instability brought by sales agents, sales revenues contributed by the Group's internet education business has declined substantially and the business segment made a loss. In view of the circumstances, the Group has decided to actively set new business development direction and create new streams of revenue. In the fourth quarter, the Group acquired a company engaged in software and information service business. Upon completion of the acquisition, significant revenue and profit were recorded in the quarter and the company acquired became a new source of profit growth for the Group.

Prospect and Outlook

Looking ahead, the Group will, on the one hand, continue to develop its software development and information service business. On the other hand, the Group will be more focused on industry-specific applications. The Group will, through various means such as co-operation, acquisition and merger, accelerate its penetration in the target industry. The Group will then introduce domestic and foreign strategic co-operation partners and utilize its competitive advantages in terms of resources to capture its business reach and become the leading enterprise in the field, so as to maximize returns for our shareholders.

FINANCIAL REVIEW

Turnover

The Group achieved a consolidated turnover of approximately RMB9.1 million, an increase of approximately 135% in compare to year ended 31 March 2007. The following table is the breakdowns of turnover for the year ended 31 March 2008:

	RMB'000	**Approximately % attributable to the turnover of the Group**
Sales of application software	8,019	88%
Sales of self-developed internet learning card	1,098	12%
	9,117	100%

During the 4th quarter of this financial year, the Group carry out an acquisition of new business. The sales of application software products which derived from the new business has accounted for approximately 88% of the total turnover of the Group.

MANAGEMENT DISCUSSION AND ANALYSIS

Cost of sales

The cost of sales for the year ended 31 March 2008 was approximately RMB8.5 million. It was approximately 273% increase as compared to last year. The main reason is the increase of relevant cost of new business and the recognition of the net carrying amount of the intangible asset of RMB3.9 million in relation to the customer contract upon completion of a contract.

Other revenue

The other revenue for the year ended 31 March 2008 mainly consist of bank interest income of approximately RMB1,890 thousand, financial guarantee contracts issued income RMB693 thousand, value added tax refund RMB90 thousand.

Distribution and selling expenses

For the year ended 31 March 2008, the Group's distribution and selling expenses was approximately RMB375 thousand, which has a decrease from last year because the Group developed a sales system for internet learning card with a focus on agents. The Group have no burden on sales, salaries, training and other relevant expenses on internet learning card business.

Administrative Expenses

For the year ended 31 March 2008, the Group's administrative expenses was approximately RMB14.5 million. As compared with the year ended 31 March 2007, it was approximately 85.3% increase. The reason of increase was mainly due to the new addition of equity settled share-based payment expenses which amount to RMB4.7 million and amortisation of intangible assets which amount to RMB1.1 million.

Segment Information

The segment information of the Group is covered in note 39 to the financial statements.

Basic (loss)/earnings per share

(1) Basic (loss)/earnings per share

The loss per share was approximately RMB0.044 for the year ended 31 March 2008. The loss per share of previous year was approximately RMB0.023. The reasons of loss increase were mainly due to the new addition of equity settled share-based payment expenses which amount to RMB4.7 million and amortisation of intangible assets which amount to RMB4.97 million during the year ended 31 March 2008.

(2) Diluted (loss)/earnings per share

No diluted loss per share was presented because there was no dilutive potential ordinary share in existence during the year ended 31 March 2008 and 2007.

MANAGEMENT DISCUSSION AND ANALYSIS

CAPITAL STRUCTURE

There has been no change in the capital structure of the Company during the year under review. The capital of the Company comprises only ordinary shares. The Company and the Group has no borrowing and long-term debts.

SIGNIFICANT INVESTMENTS

As at 31 March 2008, the Group did not have any significant investments (2007: nil).

MATERIAL ACQUISITIONS AND DISPOSALS OF SUBSIDIARIES

At the 4th quarter of the year, the Group acquired a new business which is principally engaged in providing software solutions and services in PRC. The core business of the small group are (1) develop and produce software solutions for digital investigations, provides software used primarily by government agencies and law enforcement, (2) to provide consultation, data preservation and restoring deleted data develops application software etc.

There had been no other material acquisitions and disposals during the year (2007: nil).

GEARING RATIO

The Group did not have any borrowing or long-term debts and its gearing ratio is zero as at 31 March 2008 and 31 March 2007.

LIQUIDITY AND FINANCIAL RESOURCES

As at 31 March 2008, the shareholders' funds of the Group amounted to approximately RMB146.90 million. Current assets amounted to approximately RMB131.6 million of which approximately RMB116.3 million were cash and cash equivalents and approximately RMB9.6 million were trade receivables, prepayments, deposits and others receivables. The Group's current liabilities amounted to approximately RMB6.7 million.

CHARGE OF ASSETS

The Group did not have any charge on its assets as at 31 March 2008.

As at 31 March 2007, deposits of approximately HK$13,000 thousand were pledged with a bank to secure a banking guarantee given to a third party. Other than the mentioned before, the Group did not have any charge on its assets.

CAPITAL COMMITMENT

As at 31 March 2008, the Group's capital commitment in respect of property, plant and equipment contracted but not provided for is approximately RMB450 thousand (2007: nil).

FOREIGN EXCHANGE EXPOSURE AND HEDGING POLICY

Since most of the income and expenses as well as assets and liabilities of the Group are denominated in Renminbi, the Directors consider that the Group has no material foreign exchange exposures and no hedging policy has been taken.

MANAGEMENT DISCUSSION AND ANALYSIS

SUBSEQUENT EVENTS

On 13 May 2008, a wholly-owned subsidiary of the Company, entered into two non-legally binding letters of intent with two potential vendors respectively in relation to the possible acquisition of companies which will in turn invest in the business of application software relating to the electricity supply, sale and production system in China.

CONTINGENT LIABILITIES

As at 31 March 2008, the Group did not have any material contingent liabilities (2007: nil).

DIVIDEND

The Board did not recommend any payment of final dividend for the year ended 31 March 2008 (2007: nil).

HUMAN RESOURCES

As at 31 March 2008, the Group had 44 full time employees in the PRC and Hong Kong. At the same time, there were 50 freelance teachers employed by the Group for providing and updating teaching materials for the Group's product. Staff remuneration packages are determined by reference to prevailing market rates. Staff benefits include mandatory provident fund, personal insurance and discretionary bonus which are based on their performance and contribution to the Group.

CORPORATE GOVERNANCE REPORT

CORPORATE GOVERNANCE PRACTICES

The Company is committed to achieving high standards of corporate governance by established a formal and transparent procedure to protect the interests of the shareholders of the Company. The Company had complied with most of the code provisions set out in the Code on Corporate Governance Practices (the "Code") contained in Appendix 15 of the GEM Listing Rules throughout the year under review. This report describes the corporate governance standards and practices used by the Company to direct and manage its business affairs. It also explains the applications of the Code and deviations, if any.

DIRECTORS' SECURITIES TRANSACTIONS

The Company has adopted a code of conduct regarding securities transactions by directors on terms no less exacting than the required standard of dealings as set out in Rules 5.48 to 5.67 of the GEM Listing Rules. The Company also had made specific enquiry of all Directors and the Company was not aware of any non-compliance with such code of conduct and required standard of dealings throughout the year ended 31 March 2008.

BOARD OF DIRECTORS

The Board collectively oversee the management and operation of the Group and will meet regularly during the year to discuss the operation strategy and financial performance of the Group.

The Board is presently composed of seven members, comprising four executive directors, Mr. Peng Gexiong (Chairman), Mr. Wang Dongbin, Mr. Li Wing Sang and Mr. Lau Kam Ying, and three independent non-executive directors, Mr. Jiang Minghe; Mr. Yeung King Wah and Mr. Gao Feng.

According, to the Articles of Association of the Company, at each annual general meeting, every directors (including the chairman) will be subject to retirement by rotation at least once every three years.

CORPORATE GOVERNANCE REPORT

The Board held at least a board meeting for each quarter. Details of the attendance of the Board of Directors for the year ended 31 March 2008 are as follows:

Total number of meetings held	12
Name of directors	**Attended/Eligible to attend**
Executive directors	
Mr. Peng Gexiong *(Chairman)*	12/12
Mr. Li Wing Sang (appointed on 1 August 2007)	11/11
Mr. Lau Kam Ying (appointed on 1 August 2007)	11/11
Mr. Peng Gang (resigned on 1 August 2007)	1/1
Mr. Wang Dongbin (appointed on 28 November 2007)	4/4
Independent non-executive directors	
Mr. Jiang Minghe	12/12
Mr. Yeung King Wah (appointed on 1 August 2007)	11/11
Mr. Gao Feng (appointed on 28 November 2007)	4/4
Mr. Law Chi Yuen (resigned on 31 August 2007)	3/3
Mr. Cheng Yun Ming, Matthew (resigned on 1 August 2007)	1/1

The Company has received, from each of the independent non-executive directors, an annual confirmation of their independence pursuant to Rules 5.09 of the GEM Listing Rules. The Company considers that all of the independent non-executive directors are independent.

CHAIRMAN AND CHIEF EXECUTIVE OFFICER

The post of the chairman of the board held by Mr. Peng Gexiong and the post of the chief executive officer held by Mr. Wang Dongbin are segregated.

Mr. Peng Gexiong is responsible for leadership and organization of the board of directors, whereas Mr. Wang Wongbin is in charge of management of the overall business operation of the Company.

REMUNERATION OF DIRECTORS

A remuneration committee was formed with specific written terms of reference which deal clearly with its authority and duties with the requirements of the new Code of Corporate of Governance Practices in December 2005. The remuneration committee is responsible for reviewing and developing the remuneration polices of the Directors and senior management. The committee members consist of all the three independent non-executive directors of the Company.

CORPORATE GOVERNANCE REPORT

During the year, the remuneration committee held two meetings. Details of the attendance of the remuneration committee for the year ended 31 March 2008 are as follows:

Total number of meetings held	2
Name of members	**Attended/Eligible to attend**
Mr. Jiang Minghe	2/2
Mr. Yeung King Wah (appointed on 1 August 2007)	1/1
Mr. Gao Feng (appointed on 28 November 2007)	1/1
Mr. Law Chi Yuen (resigned on 31 August 2007)	1/1
Mr. Cheng Yun Ming (resigned on 1 August 2007)	1/1

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

NOMINATION OF DIRECTORS

The Company does not establish a nomination committee at present. The appointment of new director(s) is therefore a matter for consideration and decision by the full Board. The Board considers that the new director(s) is expected to have professional experience and expertise in relevant area to make contribution to the Company and have sufficient time to participate in the decision making process of the Company.

There are 5 new directors appointed by the full Board during the year.

AUDITOR'S REMUNERATION

For the year ended 31 March 2008, the remuneration in respect of audit services provided by the auditors, CCIF CPA Ltd., amounted to approximately HK$280 thousand. There was no significant non-audit service assignment undertaken by the auditor during the year.

CORPORATE GOVERNANCE REPORT

AUDIT COMMITTEE

The Company established an audit committee with written terms of reference in compliance with Rules 5.28 to 5.33 of the GEM Listing Rules and code provision C.3.1 to C.3.6 of the Code. The primary duties of the audit committee are, among others, to review and supervise the financial reporting processes and internal control procedures of the Group and to provide advice and comments to the Board accordingly. The audit committee consists of the three independent non-executive Directors of the Company, namely Mr. Jiang Minghe, Mr. Yeung King Wah and Mr. Gao Feng.

During the year, the audit committee held four meetings and performed duties including reviewing the Group's annual report, half-yearly report, quarterly reports and announcement.

Details of the attendance of the audit committee for the year ended 31 March 2008 are as follows:

Total number of meetings held	4
Name of members	**Attended/Eligible to attend**
Mr. Jiang Minghe	4/4
Mr. Yeung King Wah (appointed on 1 August 2007)	4/4
Mr. Gao Feng (appointed on 28 November 2007)	2/2
Mr. Law Chi Yuen (resigned on 31 August 2007)	1/1

The audit committee is of the opinion that the financial statements of the Company and the Group for the year ended 31 March 2008 comply with applicable accounting standards, GEM Listing Rules and that adequate disclosures have been made.

RESPECTIVE RESPONSIBILITIES OF DIRECTORS AND AUDITORS

The Directors are responsible for the preparation of the financial statements, which give a true and fair view of the financial position of the Group. The Auditors are responsible to form an independent opinion, based on the audit, on the financial statements prepared by the Directors and report the opinion solely to the shareholders of the Company.

DIRECTORS AND SENIOR MANAGEMENT PROFILE

EXECUTIVE DIRECTORS

Mr. Peng Gexiong (彭格雄) (Chairman), aged 52, is the chairman of the Board. Mr. Peng is responsible for leadership and organization of the board of directors. Mr. Peng graduated from Jiangxi Finance College (江西財經學院) in 1982, majoring in finance. He joined the Group in January 2001. Prior to joining the Group, Mr. Peng had worked as a principle staff member of the general office of supervisory department of Jiangxi Province for more than 10 years. He had accumulated more than 8 years of management experience and 5 years of experience in education industry through working as the senior management of a real estate enterprise and a foreign department store and as the visiting professor of Jiangxi University of Finance & Economics (江西財經大學).

Mr. Wang Dongbin, aged 40, has been appointed as an executive director and chief executive officer. Mr. Wang was previously the executive director and chief executive officer of Xteam Software International Limited (Stock code: 8178). He graduated from Tsinghua University in 1992 with a master's degree in applied physics. Mr. Wang has over 14 years' experience in the telecommunications, information technology and educational information service fields.

Mr. Li Wing Sang, aged 49, has been appointed as an executive director and a compliance officer. Mr. Li has extensive marketing and management experience in the fields of household appliance which are in senior management positions. He holds a bachelor degree from the University of Kobe University of Commerce, Japan. He is currently a general manager of Gome Trading Co. Ltd. He is currently an executive director of Rontex International Holdings Limited (Stock code: 1142).

Mr. Lau Kam Ying, aged 36, has been appointed as an executive director. He is a solicitor practicing in Hong Kong. He obtained a bachelor degree from the University of Warwick in 1994, a PCLL from the University of Hong Kong in 1995 and a master degree in Chinese Law form the Peking University in 1998. Mr. Lau was also admitted as a solicitor in England and Wales. He has acted for various reputable clients in commercial, litigation and arbitration cases. He is currently an independent non-executive director and member of the audit committee and remuneration committee of eForce Holdings Limited (Stock code: 943).

DIRECTORS AND SENIOR MANAGEMENT PROFILE

INDEPENDENT NON-EXECUTIVE DIRECTORS AND AUDIT COMMITTEE

Mr. Jiang Minghe (蔣鳴和), aged 61, is the independent non-executive Director and member of the Audit Committee and Remuneration Committee of the Group. He is presently the laboratory officer and researcher of Shanghai Education Science Research Institution's modern education laboratory (上海市教育科學研究院現代教育實驗室). He is also the committee member of the State's Education Department, a doctorate degree tutor of East China Normal University (華東師範大學). He joined the Group in November 2003.

Mr. Yeung Kenneth King Wah, aged 49, has been appointed as an independent non-executive director. Mr. Yeung is a fellow member of the Institute of Chartered Accountants in England and Wales, and the Hong Kong Institute of Certified Public Accountants. He is also a member of the Chartered Institute of Taxation in the United Kingdom ("UK"). Mr. Yeung was in 1994 admitted as a full member of the Association of Corporate Treasures in the UK. He has had over 20 years of experience in auditing, taxation, corporate finance, treasury, financial consulting and management gained from working in Europe and the Asia pacific. Mr. Yeung, since his graduation from the university of Birmingham in the UK in 1981, has spend some 17 years in Europe working with several major international accounting practices and a London listed manufacturing and retail group. PricewaterhouseCoopers in 1998 recruited Mr. Yeung from the UK to work in Hong Kong where he gained his in-depth knowledge of the banking and financial systems of China and the countries in Asia Pacific. Mr. Yeung left his full-time employment in 2001 when he set up his own management consulting practice in Hong Kong. Mr. Yeung is currently an independent non-executive director and the chairman of the audit committee and member of the remuneration committee of eForce Holdings Limited (stock code:943). He was formerly an independent non-executive director and the chairman of the audit committee and the remuneration and nomination committee of Northern International Holdings Limited (stock code:736).

Mr. Gao Feng, aged 39, has been appointed as an independent non-executive director and as a member of the audit committee and remuneration committee. Mr. Gao is the visiting profession of Nankai University, Tianjin, China and partner, Board member, chief operating officer of AutekBio (Beijing) Biotech Inc. He graduated from University of Michigan, Ann Arbor, Michigan, US, Bioinformatics in 2002 with a Postdoctoral degree. Mr. Gao has extensive marketing and management experience in the biotech field.

DIRECTORS AND SENIOR MANAGEMENT PROFILE

SENIOR MANAGEMENT

Mr. Zeng Ruihong (曾瑞洪), aged 42, is the head of research and development department and the chief engineer of the Group. Mr. Zeng is responsible for the overall research and development of new technology and products. Mr. Zeng graduated from Nanjing Industrial College (南京工業學院) in 1987, majoring in computer science. He joined the Group in July 1997. Prior to joining the Group, he had accumulated 10 years of experience in IT industry through working in a technology company as a software engineer and was responsible for developing application software for that institution.

Mr. Yan Feng (晏峰), aged 37, is the vice-chief engineer of website department of the Group. He is responsible for the up-grading and development of the Company's website. He graduated from Jiangxi Industrial University (江西工業大學) in 1992, majoring in mechanical engineering. He joined the Group in January 2002. Prior to joining the Group, he had accumulated more than 10 years of experience in education industry through working as a teacher in an industrial school and was responsible for teaching computer engineering and software developments.

Ms. He Rong (何嶸), aged 40, is the head of sales department of the Group. She is responsible for the formulation, implementation, and control of the overall sales and marketing strategies. She graduated from East China University of Politics and Law (華東政法學院) in 1998, majoring in law. She joined the Group in 2004. Prior to joining the Group, she had accumulated more than 5 years of experience in sales and marketing and project management in sizable incorporations in Jiangxi.

Mr. Zhang Xuefeng (張雪峰), aged 46, is the chief representative of Beijing representative office. He is responsible for coordinate the sales and marketing activities with other provinces sales agents in Beijing. He graduated from Jiangix Agricultural University (江西農業大學) in 1983. He joined the Group in 2004. Prior to joining the Group. He had worked in Jiangxi Xin Yu Shi forestry bureau (江西省新余市林業局) for more than 15 years.

Mr. Gai Hongtao (蓋洪濤), aged 34, is the deputy general manager of **北京捷通易信科技發展有限公司**. He was the general manager of Monique-Justron Networking Technology Co., Ltd. He has rich experience in the networking technology field. He graduated from Beijing Institute of Technology in 1996, major in Electronic Precision Machinery. He also got a Computer Software Network Engineer qualification certificate in 2003.

QUALIFIED ACCOUNTANT AND COMPANY SECRETARY

Ms. Shen Tianwei (MAPAIS, CPA, CICPA) (沈天蔚), aged 34, is the Financial Controller, Company Secretary and Authorized Representative of the Group. Prior to joining the Group in August 2006. She has over 12 years of auditing, accounting and financial management experience in Big 4 and others sizable corporations. She has a Master degree in Professional accounting and information system from City University of Hong Kong and is an associate member of both the Hong Kong Institute of Certified Public Accountants and Chinese Institute of Certified Public Accountants.

DIRECTORS' REPORT

The directors present herewith their annual report and the audited financial statements of the Company and the Group for the year ended 31 March 2008.

PRINCIPAL ACTIVITIES

The principal activity of the Company is investment holding. Details of the principal activities of the Group's subsidiaries are set out in note 16 to the financial statements.

An analysis of the Group's turnover and contribution to results by principal activities for the year ended 31 March 2008 are set out in note 39 to the financial statements.

FINANCIAL STATEMENTS AND DIVIDENDS

The results of the Group for the year are set out in the consolidated income statement on page 27.

The state of affairs of the Group and the Company as at 31 March 2008 are set out in the consolidated balance sheet on page 28 and the balance sheet on page 29, respectively.

The Board does not recommend the payment of any final dividend in respect of the year ended 31 March 2008 (2007: Nil).

FINANCIAL SUMMARY

A summary of the results and of the assets and liabilities of the Group for the past four financial years is set out on page 3. This summary does not form part of the audited financial statements.

RESERVES

Movements in reserves of the Group and the Company during the year are set out in note 33 to the financial statements.

DISTRIBUTABLE RESERVES

As at 31 March 2008 and 2007, the Company has no reserves available for distribution to its shareholders.

SHARE CAPITAL

Movements in share capital of the Company during the year are set out in note 31 to the financial statements.

PROPERTY, PLANT AND EQUIPMENT

Movements in property, plant and equipment of the Group during the year are set out in note 14 to the financial statements.

CHARITABLE DONATIONS

The Group does not made any charitable donations during the year (2007: Nil).

DIRECTORS' REPORT

DIRECTORS

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

Executive directors

Mr. Peng Gexiong, *Chairman*	
Mr. Li Wing Sang	(appointed on 1 August 2007)
Mr. Lau Kam Ying	(appointed on 1 August 2007)
Mr. Wang Dongbin, *Chief Executive Officer*	(appointed on 28 November 2007)
Mr. Peng Gang	(resigned on 1 August 2007)

Independent non-executive directors

Mr. Jiang Minghe	
Mr. Yeng King Wah	(appointed on 1 August 2007)
Mr. Gao Feng	(appointed on 28 November 2007)
Mr. Cheng Yun Ming, Matthew	(resigned on 1 August 2007)
Mr. Law Chi Yuen	(resigned on 31 August 2007)

In accordance with article 87 of the Company's Articles of Association, Mr. Wang Dongbin, Mr. Li Wing Sang, Mr. Lau Kam Ying, Mr. Jiang Minghe, Mr. Yeung King Wah and Mr. Gao Feng will retire from office at the forthcoming annual general meeting and, except Mr. Jiang Minghe will not offer himself for re-election to devote more time to his other business commitments; other directors are being eligible, offer themselves for re-election.

The Company has received from each of the independent non-executive Directors an annual confirmation of his independence pursuant to GEM Listing Rule 5.09 and the Company considers the independent non-executive Directors remained independent.

MANAGEMENT CONTRACTS

No contracts concerning the management and administration of the whole or any substantial part of the business of the Group were entered into or existed during the year.

DIRECTORS' SERVICE CONTRACTS

None of the directors has a service contract with the Company which is not determinable by the Group within one year without payment of a compensation, other than the statutory compensation.

DIRECTORS' INTERESTS IN CONTRACTS

No director of the Company had a significant interest, either directly or indirectly in any contract of significance to the business of the Group to which the Company, its holding company or any of its subsidiaries was a party during or at the end of the year.

DIRECTORS' REPORT

DIRECTORS' AND CHIEF EXECUTIVE'S INTERESTS OR SHORT POSITIONS IN SHARES AND UNDERLYING SHARES OF THE COMPANY AND ITS ASSOCIATED CORPORATIONS

As at 31 March 2008 the interests or short positions of the Directors (the "Directors") and the chief executive of the Company in the shares and underlying shares (the "Shares") of the Company or any of its associated corporations (within the meaning of Part XV of the Securities and Futures Ordinance (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 is taken or deemed to have under such provisions of the SFO), or which were required, to be entered in the register required to be kept under section 352 of the SFO, or which were required to be notified to the Company and the Stock Exchange pursuant to Rules 5.46 to 5.67 of the GEM Listing Rules, were as follows:

The Company – interests in Shares

Director	Nature of Interest		No. of Share	Percentage of shareholding
Mr. Wang Dongbin	Interest of a controlled corporation	Note 1	60,000,000	19.61%
Mr. Peng Gexiong	Interest of a controlled corporation	Note 2	11,120,000	3.6%

Notes:

(1) These Shares are registered in the name of and beneficially owned by Ying Da Investment Ltd ("Ying Da"). Ying Da is 100% legally and beneficially owned by Mr. Wang Dongbin.

(2) These Shares are registered in the name of and beneficially owned by Educators Investment Limited ("Educators Investment"). Educators Investment is legally and beneficially owned as to 97.7% by Mr. Peng Gexiong, as to 1.28% by Mr. Shu Fan, as to 0.61% by Mr. Zeng Ruihong and as to 0.41% by Mr. Su Wenbo. By virtue of his 97.7% direct interest in Educators Investment, Mr. Peng Gexiong is deemed or taken to be interested in the 141,120,000 Shares held by Educators Investment for the purposes of the SFO.

Save as disclosed above, as at 31 March 2008, none of the Directors or chief executive of the Company had any interests or short positions in any shares, underlying shares or debentures of, the Company or any associated corporations (within the meaning of Part XV of the SFO) which would have to be notified to the Company and the Stock Exchange pursuant to Divisions 7 and 8 of Part XV of the SFO (including interests or short positions which they are taken or deemed to have such provisions which they are taken or deemed to have such provisions of the SFO), or which were required, pursuant to section 352 of the SFO, to be entered in the register referred to therein, or which were otherwise required, pursuant to the minimum standards of dealing by directors of listed issuers as referred to in Rule 5.46 to 5.67 of the GEM Listing Rules, to be notified to the Company and the Stock Exchange.

DIRECTORS' REPORT

SUBSTANTIAL SHAREHOLDERS AND PERSONS WITH DISCLOSEABLE INTEREST AND SHORT POSITION IN SHARES UNDER SFO

So far as is known to any Director or chief executive of the Company, as at 31 March 2008, the following persons (other than the Directors or chief executive of the Company as disclosed above) had an interest or short position in the Shares as recorded in the register required to be kept under section 336 of the SFO.

Long positions in shares

Name	Nature of Interest		Number of Shares	Percentage of shareholding
Ying Da	Beneficial owner		60,000,000	19.61%
Aqualand Limited	Beneficial owner	Note	26,950,000	8.81%

Note:

Aqualand Limited was a wholly-owned subsidiary of Asset Managers (Asia) Company Limited, which in turn was owned as to 70% by Asset Managers International Co., Ltd. Asset Managers International Co., Ltd. was a wholly-owned subsidiary of Asset Managers Holdings Co., Ltd., being a company listed on Hercules Market of Osaka Securities Exchange in Japan.

Save as disclosed herein, as at 31 March 2008, the Company had not been notified of any other person (other than the Directors or chief executive of the Company) who had a discloseable interest or short position in the Shares as recorded in the register required to be kept under section 336 of the SFO carrying rights to vote in all circumstances at general meetings of any other members of the Group.

DIRECTORS' REPORT

SHARE OPTION SCHEME

On 23 July 2004, the principal terms of the Share Option Scheme was approved and passed by the written resolutions of all the Shareholders. The purpose of the Share Option Scheme is to provide the people and the parties working for the interest of the Group with an opportunity to obtain an equity interest in the Company, thus linking their interest with the interests of the Group and thereby providing them with an incentive to work better for the interests of the Group. Given that the Directors are entitled to determine any performance targets to be achieved as well as the minimum period that an option must be held before an option can be exercised on a case by case basis, and that the exercise price of an option cannot in any event fall below the price stipulated in the GEM Listing Rules or such higher price as may be fixed by the Directors, it is expected that grantees of an option will make an effort to contribute to the development of the Group so as to bring about an increased market price of the Shares in order to capitalise on the benefits of the options granted.

Options to subscribe for Shares

Name of Director	Exercise Price *(HK$)*	No. of shares outstanding as at 31 March 2008	Percentage of total issued share capital of the Company	No. of underlying shares interested in
Peng Gexiong	2.20	3,000,000	0.98%	3,000,000
Wang Dongbin	2.20	300,000	0.10%	300,000
Lau Kam Ying	2.20	300,000	0.10%	300,000
Yeung King Wah	2.20	300,000	0.10%	300,000
Gao Feng	2.20	300,000	0.10%	300,000
Jing Minghe	2.20	300,000	0.10%	300,000

These share options were offered on 26 March 2008 under the share option scheme of the Company adopted on 23 July 2004 (the "Share Option Scheme") and accepted on 28 March 2008. The share options are exercisable for a period of 5 years from the date of offer.

PRE-EMPTIVE RIGHTS

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

PURCHASE, SALE OR REDEMPTION OF THE COMPANY'S LISTED SHARES

Neither the Company nor any of its subsidiaries purchased, redeemed or sold any of the shares of the Company during the year.

DIRECTORS' REPORT

EMOLUMENT POLICY

The emolument policy of the employees of the Group is set out by the Remuneration Committee on the basis of their merit, qualifications and competence.

The emoluments of the directors of the Company are decided by the Remuneration Committee, having regard to the Company's operating results, individual performance and comparable market statistics.

The Company has adopted a share option scheme as an incentive to directors and eligible employees, details of the scheme are set out in note 31 to the consolidated financial statements.

CONNECTED TRANSACTIONS

The Company did not have connected transactions for the year ended 31 March 2008.

COMPETING INTERESTS

For the year ended 31 March 2008, none of the Directors or the management shareholders or any of their respective associates (as defined in the GEM Listing Rules) of the Company had an interest in a business which causes or may causes any significant competition with the business of the Group.

SECURITIES TRANSACTIONS BY DIRECTORS

The Company has adopted a code of conduct regarding securities transactions by directors on terms no less exacting than the required standard of dealings as set out in Rules 5.48 to 5.67 of the GEM Listing Rules. The Company also had made specific enquiry of all Directors and the Company was not aware of any non-compliance with such code of conduct and required standard of dealings throughout year ended 31 March 2008.

SUFFICIENCY OF PUBLIC FLOAT

Based on information that is publicly available to the Company and within the knowledge of the directors at least 25% of the Company's total issued share capital was held by the public as at the date of this report.

SEGMENT INFORMATION

An analysis of the principal activities and geographical locations of operations of the Group for the year ended 31 March 2008 is set out in note 39 to the financial statements.

DIRECTORS' REPORT

MAJOR CUSTOMERS AND SUPPLIERS

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

Purchases

– The largest supplier	73%
– Five largest suppliers in aggregate	73%

Sales

– The largest customer	88%
– Five largest customers in aggregate	89%

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

AUDIT COMMITTEE

The Company established an audit committee with written terms of reference in compliance with the GEM Listing Rules. The primary duties of the audit committee are, among others, to review and supervise the financial reporting processes and internal control procedures of the Group and to provide advice and comments to the Board accordingly. The audit committee consists of the three independent non-executive Directors of the Company, namely Jiang Minghe, Mr. Yeung King Wah, Mr. Gao Feng.

During the year, the audit committee held four meetings and performed duties including reviewing the Group's annual report, half-yearly report, quarterly report and announcement. The audit committee is of the opinion that the financial statements of the Company and the Group for the year ended 31 March 2008 comply with applicable accounting standards, GEM Listing Rules and that adequate disclosures have been made.

AUDITORS

The financial statements have been audited by CCIF CPA Limited. A resolution for their re-appointment as the Company's auditors for the ensuing year is to be proposed at the forthcoming Annual General Meeting.

On behalf of the Board

PENG Gexiong
Chairman

China, 20 June 2008

INDEPENDENT AUDITOR'S REPORT

CCIF
CCIF CPA LIMITED
20/F Sunning Plaza
10 Hysan Avenue
Causeway Bay Hong Kong

TO THE SHAREHOLDERS OF
A & K EDUCATIONAL SOFTWARE HOLDINGS LIMITED
(Incorporated in the Cayman Islands with limited liability)

We have audited the consolidated financial statements of A & K Educational Software Holdings Limited (the "Company") and its subsidiaries (collectively the "Group") set out on pages 27 to 96 which comprise the consolidated and company balance sheets as at 31 March 2008, 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.

AUDITOR'S 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.

INDEPENDENT AUDITOR'S REPORT

An audit involves performing procedures to obtain audit evidence about the amounts and disclosures in the financial statements. The procedures selected depend on the auditor's judgement, 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 auditor considers 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 2008 and of Group's result 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.

CCIF CPA Limited
Certified Public Accountants
Hong Kong, 20 June 2008

Kwok Cheuk Yuen
Practising Certificate Number P02412

CONSOLIDATED INCOME STATEMENT

FOR THE YEAR ENDED 31 MARCH 2008

	Note	2008 RMB'000	2007 RMB'000
TURNOVER	5	**9,117**	3,882
Cost of sales		**(8,523)**	(2,284)
GROSS PROFIT		**594**	1,598
Other revenue	6(a)	**2,827**	2,226
Other net income	6(b)	**48**	28
Distribution and selling expenses		**(375)**	(1,515)
Administrative expenses		**(14,483)**	(7,814)
OPERATING LOSS		**(11,389)**	(5,477)
Finance cost	7	**(1)**	–
Share of loss of associate		**(78)**	(307)
LOSS BEFORE TAXATION	8	**(11,468)**	(5,784)
Income tax	9(a)	**(964)**	39
LOSS FOR THE YEAR ATTRIBUTABLE TO SHAREHOLDERS OF THE COMPANY	10	**(12,432)**	(5,745)
DIVIDEND	11	**–**	–
LOSS PER SHARE	12		
– Basic		**RMB(0.044)**	RMB(0.023)
– Diluted		**N/A**	N/A

The notes on pages 32 to 96 form an integral part of these financial statements.

CONSOLIDATED BALANCE SHEET

AT 31 MARCH 2008

	Note	2008 RMB'000	2007 RMB'000
Non-current assets			
Property, plant and equipment	14	435	382
Intangible assets	15	8,274	–
Goodwill	17	6,945	–
Interests in associates	18	732	2,311
Deposits paid for acquisition of property, plant and equipment		6,102	–
		22,488	2,693
Current assets			
Intangible assets	15	5,655	–
Inventories	19	–	–
Trade receivables	20	4,250	2,924
Prepayments, deposits and other receivables	21	5,298	6,330
Cash and cash equivalents	22	116,356	50,248
		131,559	59,502
Current liabilities			
Trade payables	23	–	25
Other payables and accruals	24	4,956	5,597
Amount due to a shareholder	26	1	1
Amount due to an associate	28	–	1,500
Obligations under a finance lease	29	7	–
Taxation payable	9(b)	1,775	792
		6,739	7,915
Net current assets		124,820	51,587
Total assets less current liabilities		147,308	54,280
Non-current liabilities			
Deferred taxation	30	393	416
Obligations under a finance lease	29	19	–
NET ASSETS		146,896	53,864
CAPITAL AND RESERVES			
Share capital	31	31,977	27,030
Reserves	33	114,919	26,834
TOTAL EQUITY		146,896	53,864

Approved and authorised for issue by the board of directors on 20 June 2008

On behalf of the board

Peng Gexiong
Director

Wang Dongbin
Director

The notes on pages 32 to 96 form an integral part of these financial statements.

BALANCE SHEET

AT 31 MARCH 2008

	Note	2008 RMB'000	2007 RMB'000
Non-current assets			
Property, plant and equipment		**155**	–
Interests in subsidiaries	16	**1**	1
Deposits paid for acquisition of property, plant and equipment		**6,102**	–
		6,258	1
Current assets			
Prepayments, deposits and other receivables	21	**189**	20
Amounts due from subsidiaries	27	**107,470**	15,798
		107,659	15,818
Current liabilities			
Other payables and accruals	24	**348**	291
Amounts due to subsidiaries	27	**3,095**	3,060
Obligations under a finance lease	29	**7**	–
		3,450	3,351
Net current assets		**104,209**	12,467
Total assets less current liabilities		**110,467**	12,468
Non-current liabilities			
Obligations under a finance lease	29	**19**	–
NET ASSETS		**110,448**	12,468
CAPITAL AND RESERVES			
Share capital	31	**31,977**	27,030
Reserves	33	**78,471**	(14,562)
TOTAL EQUITY		**110,448**	12,468

Approved and authorised for issue by the board of directors on 20 June 2008

On behalf of the board

Peng Gexiong
Director

Wang Dongbin
Director

The notes on pages 32 to 96 form an integral part of these financial statements.

CONSOLIDATED STATEMENTS OF CHANGES IN EQUITY

FOR THE YEAR ENDED 31 MARCH 2008

	Share capital RMB'000	Share premium RMB'000	Contributed surplus RMB'000	Capital reserve RMB'000	Share-based compensation reserve RMB'000	Statutory common reserve RMB'000	Statutory welfare reserve RMB'000	Foreign currency translation reserve RMB'000	Retained profits/ (accumulated losses) RMB'000	Total RMB'000
At 1 April 2006	27,030	13,483	933	115	–	3,241	1,621	(403)	14,425	60,445
Currency translation differences	–	–	–	–	–	–	–	(836)	–	(836)
Loss for the year	–	–	–	–	–	–	–	–	(5,745)	(5,745)
Transfer to/(from) reserve	–	–	–	–	–	1,621	(1,621)	–	–	–
At 31 March 2007 and 1 April 2007	27,030	13,483	933	115	–	4,862	–	(1,239)	8,680	53,864
Placing of new shares	4,947	108,834	–	–	–	–	–	–	–	113,781
Share issuing expenses	–	(4,562)	–	–	–	–	–	–	–	(4,562)
Equity settled share-based transaction	–	–	–	–	4,654	–	–	–	–	4,654
Currency translation differences	–	–	–	–	–	–	–	(8,409)	–	(8,409)
Loss for the year	–	–	–	–	–	–	–	–	(12,432)	(12,432)
At 31 March 2008	31,977	117,755	933	115	4,654	4,862	–	(9,648)	(3,752)	(146,896)

The notes on pages 32 to 96 form an integral part of these financial statements.

CONSOLIDATED CASH FLOW STATEMENT

FOR THE YEAR ENDED 31 MARCH 2008

	Note	2008 RMB'000	2007 RMB'000
Operating activities			
Loss before taxation		**(11,468)**	(5,784)
Adjustment for:			
Depreciation of property, plant and equipment		**175**	262
Transfers from intangible assets		**3,910**	–
Amortisation of intangible assets		**1,060**	–
Write down of inventories		**–**	193
Gain on disposal of property, plant and equipment		**(1)**	(7)
Impairment of trade receivables		**2,924**	4,212
Impairment of other receivables		**223**	–
Trade payables written back		**(25)**	–
Interest income		**(1,890)**	(375)
Finance costs		**1**	–
Equity settled share-based payment expenses		**4,654**	–
Share of loss of an associate		**78**	307
Operating loss before changes in working capital		**(359)**	(1,192)
Decrease in inventories		**–**	11
(Increase)/decrease in trade receivables		**(4,250)**	3,358
Decrease in prepayment, deposits and other receivables		**837**	567
Decrease in accruals and other payables		**(641)**	(217)
Decrease in amount due to an associate		**(1,500)**	–
Cash (used in)/generated from operations		**(5,913)**	2,527
Income tax paid			
– PRC		**(4)**	(74)
Net cash (used in)/generated from operating activities		**(5,917)**	2,453
Investing activities			
Payment for the purchase of property, plant and equipment		**(202)**	(117)
Deposits paid for acquisition of property, plant and equipment		**(6,102)**	–
Proceeds from disposal of property, plant and equipment		**1**	7
Acquisition of subsidiaries, net of cash acquired	37	**(25,871)**	–
Interest received		**1,890**	375
Disposal of an associate		**–**	30
Refund of capital contribution in an associate	18	**1,500**	–
Net cash (used in)/generated from investing activities		**(28,784)**	295
Financing activities			
Proceeds from placing of new shares		**4,947**	–
Premium arising from placing of new shares		**108,834**	–
Share issuing expenses		**(4,562)**	–
Interest element of finance lease rentals paid		**(1)**	–
Net cash generated from financing activities		**109,218**	–
Net increase in cash and cash equivalents		**74,517**	2,748
Cash and cash equivalents at beginning of year		**50,248**	48,336
Effect of foreign exchange rate changes		**(8,409)**	(836)
Cash and cash equivalents at end of year	22	**116,356**	50,248

The notes on pages 32 to 96 form an integral part of these financial statements.

NOTES TO THE FINANCIAL STATEMENTS

FOR THE YEAR ENDED 31 MARCH 2008

1. CORPORATE INFORMATION

The principal activity of A & K Educational Software Holdings Limited (the "Company") is investment holding. The principal activities of the Company's subsidiaries are set out in note 16 to the financial statements.

The Company is incorporated in Cayman Islands as an exempted company with limited liability. The address of its registered office is Cricket Square, Hutchins Drive, P.O. Box 2681, Grand Cayman KY1-1111, Cayman Islands. The address of its principal place of business in Hong Kong is Room 2601-02, ING Tower, 308 Des Voeux Road Central, Hong Kong.

The Company's shares were listed on the Growth Enterprise Market of the Stock Exchange of Hong Kong Limited since 6 August 2004.

2. SIGNIFICANT ACCOUNTING POLICIES

a) STATEMENT OF COMPLIANCE

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

b) BASIS OF PREPARATION

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

The preparation of financial statements in conformity with HKFRSs requires management to make judgements, estimates and assumptions that affect the application of policies and reported amounts of assets, liabilities, income and expenses. The estimates and associated assumptions are based on historical experience and various other factors believed to be reasonable under the circumstances, the results of which form the basis of making the judgements about carrying values of assets and liabilities not readily apparent from other sources. Actual results may differ from these estimates.

NOTES TO THE FINANCIAL STATEMENTS
FOR THE YEAR ENDED 31 MARCH 2008

2. SIGNIFICANT ACCOUNTING POLICIES (Continued)

b) BASIS OF PREPARATION (Continued)

The estimates and underlying assumptions are reviewed on an ongoing basis. Revisions to accounting estimates are recognised in the period in which the estimate is revised if the revision affects only that period, or in the period of the revision and future periods if the revision affects both current and future periods.

Judgements made by management in the application of HKFRSs that have a significant effect on the financial statements and estimates with a significant risk of material adjustment in the next year are discussed in note 4.

The HKICPA has issued a number of new and revised HKFRSs and interpretations that are first effective or available for early adoption for the current accounting period of the Group and the Company.

There have been no significant changes to the accounting policies applied in these financial statements for the years presented as a result of these developments. However, as a result of the adoption of HKFRS 7, Financial instruments: Disclosures and the amendment to HKAS 1, Presentation of financial statements: Capital disclosures, there have been some additional disclosures provided as follows:

As a result of the adoption of HKFRS 7, the financial statements include expanded disclosure about the significance of the Group's financial instruments and the nature and extent of risks arising from those instruments, compared with the information previously required to be disclosed by HKAS 32, Financial Instruments: Disclosure and presentation. These disclosures are provided throughout these financial statements, in particular in note 3.

The amendment to HKAS 1 introduces additional disclosure requirements to provide information about the level of capital and the Group's and the Company's objectives, policies and processes for managing capital. These new disclosures are set out in note 3.

Both HKFRS 7 and the amendment to HKAS 1 do not have any material impact on the classification, recognition and measurement of the amounts recognised in the financial instruments.

The Group has not applied any new standard or interpretation that is not yet effective for the current accounting period.

Up to the date of issue of these financial statements, the HKICPA has issued a number of amendments, new standards and interpretations which are not yet effective for the year ended 31 March 2008 and which have not been adopted in these financial statements.

2. SIGNIFICANT ACCOUNTING POLICIES (Continued)

b) BASIS OF PREPARATION (Continued)

The Group is in the process of making an assessment of what the impact of these amendments, new standards and new interpretations is expected to be in the period of initial application. So far it has concluded that the adoption of them is unlikely to have a significant impact on the Group's results of operations and financial position.

In addition, the following developments may result in new or amended disclosures in the financial statements:

		Effective for annual periods beginning on or after
HKAS 1 (Revised)	Presentation of Financial Statements	1 January 2009
HKAS 23 (Revised)	Borrowing Costs	1 January 2009
HKAS 27 (Revised)	Consolidated and Separate Financial Statements	1 July 2009
HKFRS 2 (Amendment)	Vesting Conditions and Cancellations	1 January 2009
HKFRS 3 (Revised)	Business Combinations	1 July 2009
HKFRS 8	Operating Segments	1 January 2009
HK(IFRIC) – Int 14	HKAS 19 – The Limit on a Defined Assets, Minimum Funding Requirements and their Interaction	1 January 2008

c) CONSOLIDATION

The consolidated financial statements include the financial statements of the Company and all of its subsidiaries and the Group's interest in an associate made up to 31 March. 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.

All material inter-company transactions and balances within the Group are eliminated on consolidation.

The gain or loss on the disposal of a subsidiary represents the difference between the sales proceeds and the Group's share of its net assets together with any goodwill or capital reserve which was not previously charged or recognised in the consolidated income statement.

NOTES TO THE FINANCIAL STATEMENTS

FOR THE YEAR ENDED 31 MARCH 2008

2. SIGNIFICANT ACCOUNTING POLICIES (Continued)

d) REVENUE RECOGNITION

Revenue is recognised when the outcome of a transaction can be measured reliably and when it is probable that the economic benefits associated with the transaction will flow to the Group. Revenue is recognised in the consolidated profit or loss as follows:

i) Sales and distribution of education software and internet learning card

Revenue is recognised when goods are delivered at the customers' premises which is taken to be the point in time when the customer has accepted the goods and the related risks and rewards of ownership. Revenue excludes value added tax or other sales taxes and is after deductions of any trade discounts.

ii) Sales of application software

Revenue from the sale of application software is recognised when the installation work is completed and the customer has accepted of the significant risks and rewards of ownership of the goods and services.

iii) School network integration

Revenue from school network integration is recognised when the installation work is completed and the customer has accepted the significant risks and rewards of ownership of the goods and services.

iv) Interest income

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

v) Value added tax refunds

Value added tax refunds are recognised when the acknowledgement of refunds from the Tax Bureau has been received.

e) PROPERTY, PLANT AND EQUIPMENT

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

Major costs incurred in restoring property, plant and equipment to their normal working condition are charged to the income statement. Improvements are capitalised and depreciated over their expected useful lives.

2. SIGNIFICANT ACCOUNTING POLICIES (Continued)

e) PROPERTY, PLANT AND EQUIPMENT (Continued)

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

Gains or losses on disposal of property, plant and equipment are the differences between the net sales proceeds and the carrying amount of the relevant assets, and are recognised in profit or loss on the date of retirement or disposal.

Depreciation is calculated to write off the cost of items of property, plant and equipment, less their estimated residual value, if any, using the straight-line method over their estimated useful lives as follows:

Leasehold improvements	Over the remaining term of the lease
Computer equipment	4 – 5 years
Furniture and equipment	4 – 5 years
Motor vehicles	5 years

Where parts of an item of property, plant and equipment have different useful lives, the cost of the item is allocated on a reasonable basis between the parts and each part is depreciated separately. Both the useful life of an asset and its residual value, if any, are reviewed annually.

f) LEASED ASSETS

An arrangement, comprising a transaction or a series of transactions, is or contains a lease if the Group determines that the arrangement conveys a right to use a specific asset or assets for an agreed period of time in return for a payment or a series of payments. Such a determination is made based on an evaluation of the substance of the arrangement and is regardless of whether the arrangement takes the legal form of a lease.

2. SIGNIFICANT ACCOUNTING POLICIES (Continued)

f) LEASED ASSETS (Continued)

i) *Classification of assets leased to the Group*

Assets held by Group under leases which transfer to the Group substantially all the risks and rewards of ownership are classified as being held under finance leases. Leases which do not transfer substantially all the risks and rewards of ownership to the Group are classified as operating leases, with the following exception:

Land held for own use under an operating lease, the fair value of which cannot be measured separately from the fair value of a building situated thereon at the inception of the lease, is accounted for as being held under a finance lease, unless the building is also clearly held under an operating lease. For these purposes, the inception of the lease is the time that the lease was first entered into by the Group, or taken over from the previous lessee, or at the date of construction of those buildings, if later.

ii) *Assets acquired under finance leases*

Where the Group acquires the use of assets under finance leases, the amounts representing the fair value of the leased asset, or, if lower, the present value of the minimum lease payments of such assets are included in fixed assets and the corresponding liabilities, net of finance charges, are recorded as obligations under finance leases. Depreciation is provided at rates which write off the cost or valuation of the assets over the term of the relevant lease or, where it is likely the Company or Group will obtain ownership of the asset, the life of the asset, as set out in note 2(e). Impairment losses are accounted for in accordance with the accounting policy as set out in note 2(g). Finance charges implicit in the lease payments are charged to profit or loss over the period of the leases so as to produce an approximately constant periodic rate of charge on the remaining balance of the obligations for each accounting period.

iii) *Operating lease charges*

Where the Group has the use of assets under operating leases, payments made under the leases are charged to profit or loss in equal instalments over the accounting periods covered by the lease term, except where an alternative basis is more representative of the pattern of benefits to be derived from the leased asset. Lease incentives received are recognised in profit or loss as an integral part of the aggregate net lease payments made. Contingent rentals are written off as an expense of the accounting period in which they are incurred.

The cost of acquiring land held under an operating lease is amortised on a straight-line basis over the period of the lease term except where the property is classified as an investment property.

2. SIGNIFICANT ACCOUNTING POLICIES (Continued)

g) IMPAIRMENT OF ASSETS

i) *Impairment of investments in equity securities and other receivables*

Investments in equity securities (other than investments in subsidiaries: see note 2(g)(ii)) and other current and non-current receivables that are stated at cost or amortised cost or are classified as available-for-sale equity securities are reviewed at each balance sheet date to determine whether there is objective evidence of impairment. Objective evidence of impairment includes observable data that comes to the attention of the Group about one or more of the following loss events:

– significant financial difficulty of the debtor;

– a breach of contract, such as a default or delinquency in interest or principal payments;

– it becoming probable that the debtor will enter bankruptcy or other financial reorganisation;

– significant changes in the technological, market, economic or legal environment that have an adverse effect on the debtor; and

– a significant or prolonged decline in the fair value of an investment in an equity instrument below its cost.

If any such evidence exists, any impairment loss is determined and recognised as follows:

– For unlisted equity securities carried at cost, the impairment loss is measured as the difference between the carrying amount of the financial asset and the estimated future cash flows, discounted at the current market rate of return for a similar financial asset where the effect of the discounting is material. Impairment losses for equity securities are not reversed.

– For trade and other current receivables and other financial assets carried at amortised cost, the impairment loss is measured as the difference between the asset's carrying amount and the present value of estimated future cash flows, discounted at the financial asset's original effective interest rate (i.e., the effective interest rate computed at initial recognition of these assets), where the effect of discounting is material. This assessment is made collectively where financial assets carried at amortised cost share similar risk characteristics, such as similar past due status, and have not been individually assessed as impaired. Future cash flows for financial assets which are assessed for impairment collectively are based on historical loss experience for assets with credit risk characteristics similar to the collective group.

2. SIGNIFICANT ACCOUNTING POLICIES (Continued)

g) IMPAIRMENT OF ASSETS (Continued)

i) Impairment of investments in equity securities and other receivables (Continued)

If in a subsequent period the amount of an impairment loss decreases and the decrease can be linked objectively to an event occurring after the impairment loss was recognised, the impairment loss is reversed through profit or loss. A reversal of an impairment loss shall not result in the asset's carrying amount exceeding that which would have been determined had no impairment loss been recognised in prior years.

– For available-for-sale equity securities, when a decline in the fair value has been recognised directly in equity and there is objective evidence that the asset is impaired, the cumulative loss that has been recognised directly in equity is removed from equity and is recognised in profit or loss. The amount of the cumulative loss that is recognised in profit or loss is the difference between the acquisition cost (net of any principal repayment and amortisation) and current fair value, less any impairment loss on that asset previously recognised in profit or loss.

Impairment losses recognised in profit or loss in respect of available-for-sale equity securities are not reversed through profit or loss. Any subsequent increase in the fair value of such assets is recognised directly in equity.

Impairment losses are written off against the corresponding assets directly, except for impairment losses recognised in respect of trade debtors included within trade and other receivables, whose recovery is considered doubtful but not remote. In this case, the impairment losses for doubtful debts are recorded using an allowance account. When the Group is satisfied that recovery is remote, the amount considered irrecoverable is written off against trade debtors directly and any amounts held in the allowance account relating to that debt are reversed. Subsequent recoveries of amounts previously charged to the allowance account are reversed against the allowance account. Other changes in the allowance account and subsequent recoveries of amounts previously written off directly are recognised in profit or loss.

2. SIGNIFICANT ACCOUNTING POLICIES (Continued)

g) IMPAIRMENT OF ASSETS (Continued)

ii) Impairment of other assets

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

– property, plant and equipment (other than properties carried at revalued amounts);
– pre-paid interests in leasehold land classified as being held under an operating lease;
– investments in subsidiaries; and
– goodwill.

If any such indication exists, the asset's recoverable amount is estimated. In addition, for goodwill, intangible assets that are not yet available for use and intangible assets that have indefinite useful lives the recoverable amount is estimated annually whether or not there is any indication of impairment.

– Calculation of recoverable amount

The recoverable amount of an asset is the greater of its net selling price and value in use. In assessing the 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. Where an asset does not generate cash inflows largely independent of those from other assets, the recoverable amount is determined for the smallest group of assets that generates cash inflows independently (i.e., a cash-generating unit).

– Recognition of impairment losses

An impairment loss is recognised in the profit or loss whenever the carrying amount of an asset, or the cash-generating unit to which it belongs, exceeds its recoverable amount. Impairment losses recognised in respect of cash-generating units are allocated first to reduce the carrying amount of any goodwill allocated to the cash-generating unit (or group of units) and then, to reduce the carrying amount of the other assets in the unit (or group of units) on a pro rata basis, except that the carrying value of an asset will not be reduced below its individual fair value less costs to sell, or value in use, if determinable.

2. SIGNIFICANT ACCOUNTING POLICIES (Continued)

g) IMPAIRMENT OF ASSETS (Continued)

ii) Impairment of other assets (Continued)

– Reversals of impairment losses

In respect of assets other than goodwill, an impairment loss is reversed if there has been a favourable change in the estimates used to determine the recoverable amount. An impairment loss in respect of goodwill is not reversed.

A reversal of impairment losses is limited to the asset's carrying amount that would have been determined had no impairment loss been recognised in prior years. Reversals of impairment losses are credited to profit or loss in the year in which the reversals are recognised.

iii) Interim financial reporting and impairment

Under the Rules Governing the Listing of Securities on the Stock Exchange of Hong Kong Limited, the Group is required to prepare an interim financial report in compliance with HKAS 34, Interim financial reporting, in respect of the first six months of the financial year. At the end of the interim period, the Group applies the same impairment testing, recognition, and reversal criteria as it would at the end of the financial year (see note 2(g)).

Impairment losses recognised in an interim period in respect of goodwill and available-for-sale equity securities carried at cost are not reversed in a subsequent period. This is the case even if no loss, or a smaller loss, would have been recognised had the impairment been assessed only at the end of the financial year to which the interim period relates.

h) SUBSIDIARIES

Subsidiaries are entities controlled by the Group. Control exists when the Group has the power 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.

An investment in a subsidiary is consolidated into the consolidated financial statements from the date that control commences until the date that control ceases.

Intra-group balances and transactions and any unrealised profits arising from intra-group transactions are eliminated in full in preparing the consolidated financial statements. Unrealised losses resulting from intra-group transactions are eliminated in the same way as unrealised gains but only to the extent that there is no evidence of impairment.

NOTES TO THE FINANCIAL STATEMENTS

FOR THE YEAR ENDED 31 MARCH 2008

2. SIGNIFICANT ACCOUNTING POLICIES (Continued)

h) SUBSIDIARIES (Continued)

Minority interests represent the portion of the net assets of subsidiaries attributable to interests that are not owned by the Company, whether directly or indirectly through subsidiaries, and in respect of which the Group has not agreed any additional terms with the holders of those interests which would result in the Group as a whole having a contractual obligation in respect of those interests that meets the definition of a financial liability. Minority interests are presented in the consolidated balance sheet with equity, separately from equity attributable to the equity shareholders of the Company. Minority interests in the results of the Group are presented on the face of the consolidated income statement as an allocation of the total profit or loss for the year between minority interests and the equity shareholders of the Company.

Where losses applicable to the minority exceed the minority's interest in the equity of a subsidiary, the excess, and any further losses applicable to the minority, are charged against the Group's interest except to the extent that the minority has a binding obligation to, and is able to, make additional investment to cover the losses. If the subsidiary subsequently reports profits, the Group's interest is allocated all such profits until the minority's share of losses previously absorbed by the Group has been recovered.

Loans from holders of minority interests and other contractual obligations towards these holders are presented as financial liabilities in the consolidated balance sheet in accordance with notes 2(p) depending on the nature of the liability.

In the Company's balance sheet, an investment in a subsidiary is stated at cost less any impairment losses (see note 2(g)), unless the investment is classified as held for sale.

i) ASSOCIATES

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

An investment in an associate 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 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 for the year, including any impairment loss on goodwill relating to the investments in associates recognised for the year (see note 2(g) and (j)).

2. SIGNIFICANT ACCOUNTING POLICIES (Continued)

i) ASSOCIATES (Continued)

When the Group's share of losses exceeds its interest in the associate, 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 and constructive obligations or made payments on behalf of the associate. For this purpose, the Group's interest in the associate 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.

Unrealised profits and losses resulting from transactions between the Group and its associates are eliminated to the extent of the Group's interest in the associate, 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, investments in associates are stated at cost less impairment losses (see note 2(g)), unless it is classified as held for sale.

j) GOODWILL

Goodwill represents the excess of the cost of a business combination or an investment in an associate over the Group's interest in the net fair value of the acquiree's identifiable assets, liabilities and contingent liabilities.

Goodwill is stated at cost less accumulated impairment losses. Goodwill is allocated to cash-generating units and is tested annually for impairment (see note 2(g)). In respect of associates, the carrying amount of goodwill is included in the carrying amount of the interest in the associate.

Any excess of the Group's interest in the net fair value of the acquiree's identifiable assets, liabilities and contingent liabilities over the cost of a business combination or an investment in an associate is recognised immediately in profit or loss.

On disposal of a cash generating unit or an associate during the year, any attributable amount of purchased goodwill is included in the calculation of the profit or loss on disposal.

NOTES TO THE FINANCIAL STATEMENTS

FOR THE YEAR ENDED 31 MARCH 2008

2. SIGNIFICANT ACCOUNTING POLICIES (Continued)

k) INTANGIBLE ASSETS

Intangible assets acquired by the Group are stated in the balance sheet at cost less accumulated amortisation and impairment loss (see note 2(g)). 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. The following intangible assets with finite useful lives are amortised from the date they are available for use and their estimated useful lives are as follows:

Customer contracts	$^1/_2$ to 2 years
Forensic centre contractual rights	5 years

Both the period and method of amortisation are reviewed annually.

The net carrying amount of each intangible asset will be recognised as cost in the profit or loss on completion of the relevant contract.

l) SPECIAL PURPOSE ENTITY

To comply with the laws and regulations of the People's Republic of China (the "PRC") that prohibit or restrict foreign ownership of companies that provide value-added telecommunications services, which include wireless internet services and internet content services, the Group conducts its internet content services through 江西行知教育在線有限公司（"江西行知教育在線"）, an entity legally owned by certain citizens of the PRC (the "Registered Shareholders").

Pursuant to certain contractual arrangements, 江西行知教育在線 is responsible for operating the Group's website and have been granted the right to use the domain names. In addition, the Group has the exclusive right to provide technical and consulting services in exchange for service fee which equal to substantially all of the net income of 江西行知教育在線. The Registered Shareholders are required under their contractual arrangements with the Group to transfer their interest in 江西行知教育在線 to the Group or the Group's designee upon the Group's request, provided that such transfer does not violate the PRC laws or regulations. As at 25 April 2005, the Group has provided a loan of RMB1,000,000 to the Registered Shareholders to finance their investment in 江西行知教育在線. One of the Registered Shareholders who has been provided with a loan of RMB900,000 for the investment in 江西行知教育在線 is a key management personnel of the Company's subsidiary, Jiangxi A & K Educational Software Co. Limited ("Jiangxi A & K"). The direct equity interest in 江西行知教育在線 has been pledged as collateral for the loan and when permitted under the PRC laws, the loan is to be repaid by way of a transfer of the direct equity interest in this entity to the Group.

In March 2004, HKICPA issued an Interpretation HKAS-INT-12 (March 2004), "Consolidation – Special Purpose Entities". HKAS-INT-12 (March 2004) is intended to apply the consolidation policies to special purpose entities. The Group has evaluated its relationship with 江西行知教育在線 and has concluded that this entity is a special purpose entity of Jiangxi A & K is the primary beneficiary of equity interest in 江西行知教育在線.

This special purpose entity is consolidated into the consolidated financial statements of the Group.

2. SIGNIFICANT ACCOUNTING POLICIES (Continued)

m) RELATED PARTIES

For the purpose of these financial statements, parties are considered to be related to the Group if:

i) the party has the ability, directly or indirectly through one or more intermediaries, to control the Group or exercise significant influence over the Group in making financial and operating policy decisions, or has joint control over the Group;

ii) the Group and the party are subject to common control;

iii) the party is an associate of the Group or a joint venture in which the Group is a venturer;

iv) the party is a member of key management personnel of the Group or the Group's parent, or a close family member of such an individual, or is an entity under the control, joint control or significant influence of such individuals;

v) the party is a close family member of a party referred to in (i) or is an entity under the control, joint control or significant influence of such individuals; or

vi) 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.

n) INVENTORIES

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

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

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

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

2. SIGNIFICANT ACCOUNTING POLICIES (Continued)

o) TRADE AND OTHER RECEIVABLES

Trade and other receivables are initially recognised at fair value and thereafter stated at amortised cost less allowance for 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 allowance for impairment losses for bad and doubtful debts (see note 2(g)).

p) TRADE AND OTHER PAYABLES

Trade and other payables are initially recognised at fair value. Except for financial guarantee liabilities measured in accordance with note 2(y), trade and other payables are subsequently stated at amortised cost unless the effect of discounting would be immaterial, in which case they are stated at cost.

q) CASH AND CASH EQUIVALENTS

Cash and cash equivalents comprise cash at bank and on hand, demand deposits with banks and other financial institutions, and short-term, highly liquid investments that are readily convertible into known amounts of cash and which are subject to an insignificant risk of changes in value, having been within three months of maturity at acquisition. Bank overdrafts that are repayable on demand and form an integral part of the Group's cash management are also included as a component of cash and cash equivalents for the purpose of the consolidated cash flow statement.

r) INCOME TAX

Income tax for the year comprises current tax and movements in deferred tax assets and liabilities. Current tax and movements in deferred tax assets and liabilities are recognised in profit or loss except to the extent that they relate to items recognised directly in equity, in which case they are recognised in equity.

Current tax is the expected tax payable on the taxable income for the year, using tax rates enacted or substantively enacted at the balance sheet date, and any adjustment to tax payable in respect of previous years.

Deferred tax assets and liabilities arise from deductible and taxable temporary differences respectively, being the differences between the carrying amounts of assets and liabilities for financial reporting purposes and their tax bases. Deferred tax assets also arise from unused tax losses and unused tax credits.

2. SIGNIFICANT ACCOUNTING POLICIES (Continued)

r) INCOME TAX (Continued)

Apart from certain limited exceptions, all deferred tax liabilities, and all deferred tax assets to the extent that it is probable that future taxable profits will be available against which the asset can be utilised, are recognised. Future taxable profits that may support the recognition of deferred tax assets arising from deductible temporary differences include those that will arise from the reversal of existing taxable temporary differences, provided those differences relate to the same taxation authority and the same taxable entity, and are expected to reverse either in the same period as the expected reversal of the deductible temporary differences or in periods into which a tax loss arising from the deferred tax asset can be carried back or forward. The same criteria are adopted when determining whether existing taxable temporary differences support the recognition of deferred tax assets arising from unused tax losses and credits, that is, those differences are taken into account if they relate to the same taxation authority and the same taxable entity, and are expected to reverse in a period, or periods, in which the tax loss or credit can be utilised.

The limited exceptions to recognition of deferred tax assets and liabilities are those temporary differences arising from goodwill not deductible for tax purposes, the initial recognition of assets or liabilities that affect neither accounting nor taxable profit (provided they are not part of a business combination), and temporary differences relating to investments in subsidiaries to the extent that, in the case of taxable differences, the Group controls the timing of the reversal and it is probable that the differences will not reverse in the foreseeable future, or in the case of deductible differences, unless it is probable that they will reverse in the future.

The amount of deferred tax recognised is measured based on the expected manner of realisation or settlement of the carrying amount of the assets and liabilities, using tax rates enacted or substantively enacted at the balance sheet date. Deferred tax assets and liabilities are not discounted.

The carrying amount of a deferred tax asset is reviewed at each balance sheet date and is reduced to the extent that it is no longer probable that sufficient taxable profits will be available to allow the related tax benefit to be utilised. Any such reduction is reversed to the extent that it becomes probable that sufficient taxable profits will be available.

Additional income taxes that arise from the distribution of dividends are recognised when the liability to pay the related dividends is recognised.

2. SIGNIFICANT ACCOUNTING POLICIES (Continued)

r) INCOME TAX (Continued)

Current tax balances and deferred tax balances, and movements therein, are presented separately from each other and are not offset. Current tax assets are offset against current tax liabilities, and deferred tax assets against deferred tax liabilities, if the Company or the Group has the legally enforceable right to set off current tax assets against current tax liabilities and the following additional conditions are met:

– in the case of current tax assets and liabilities, the Company or the Group intends either to settle on a net basis, or to realise the asset and settle the liability simultaneously; or

– in the case of deferred tax assets and liabilities, if they relate to income taxes levied by the same taxation authority on either:

  – the same taxable entity; or

  – different taxable entities, which, in each future period in which significant amounts of deferred tax liabilities or assets are expected to be settled or recovered, intend to realise the current tax assets and settle the current tax liabilities on a net basis or realise and settle simultaneously.

s) TRANSLATION OF FOREIGN CURRENCIES

Functional and presentation currency

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

Transactions and balances

Foreign currency transactions are translated into the functional currency using the exchange rates prevailing at the dates of the transactions. Foreign exchange gains and losses resulting from the settlement of such transactions and from the translation at year-end exchange rates of monetary assets and liabilities denominated in foreign currencies are recognised in the income statement, except when deferred in equity as qualifying cash flow hedges or qualifying net investment hedges.

When a gain or loss on a non-monetary item is recognised directly in equity, any exchange component of that gain or loss shall be recognised directly in equity. Conversely, when a gain or loss on a non-monetary item is recognised in profit or loss, any exchange component of that gain or loss shall be recognised in profit or loss.

2. SIGNIFICANT ACCOUNTING POLICIES (Continued)

s) TRANSLATION OF FOREIGN CURRENCIES (Continued)

Group companies

The results and financial position of all the Group's entities (none of which has the currency of a hyperinflationary economy) that have a functional currency different from the presentation currency are translated into the presentation currency as follows:

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

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

iii) all resulting exchange differences are recognised as a separate component of equity.

On consolidation, exchange differences arising from the translation of the net investment in foreign entities, and of borrowings and other currency instruments designated as hedges of such investments, are taken to shareholders' equity. When a foreign operation is sold, such exchange differences are recognised in the income statement as part of the gain or loss on sale.

Goodwill and fair value adjustments arising on the acquisition of a foreign entity are treated as part of the assets and liabilities of the foreign entity and translated at the closing rate.

t) EMPLOYEE BENEFITS

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

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

Contributions to defined contribution retirement scheme are recognised as an expense in the consolidated income statement as incurred, except to the extent that they are included in the cost of intangible assets and inventories not yet recognised as an expense.

2. SIGNIFICANT ACCOUNTING POLICIES (Continued)

t) EMPLOYEE BENEFITS (Continued)

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

The Group contributes on a monthly basis to defined contribution retirement benefit plan organised by relevant municipal governments in the PRC. The municipal governments undertake to assume the retirement benefit obligations of all existing and future retired employees payable under the plan. Contributions to the plan are expensed as incurred. The assets of the plan are held separately from those of the Group in independently administered funds managed by the relevant PRC government agencies.

ii) Share-based payments

The fair value of share options granted to employees is recognised as an employee cost with a corresponding increase in capital reserve within equity. The fair value is measured at grant date using the binomial pricing model, 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 expected to vest is reviewed. Any adjustment to the cumulative fair value recognised in prior years is charged/credited to the 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).

u) BORROWING COSTS

Borrowing costs are expensed in profit or loss in the period in which they are incurred.

v) RESEARCH AND DEVELOPMENT COSTS

Research and development costs are expensed as incurred, except where the product or process is clearly defined and the costs attributable to the product or process can be separately identified and measured reliably; is technically feasible; the Group intends to produce and market, or use, the product or process; the existence of a market for the product or process or, if it is to be used internally rather than sold, its usefulness to the Group can be demonstrated; and adequate resources exist, or their availability can be demonstrated, to complete the project and market or use the product or process.

2. SIGNIFICANT ACCOUNTING POLICIES (Continued)

v) RESEARCH AND DEVELOPMENT COSTS (Continued)

Such development costs are recognised as an asset to the extent of the amount that, taken together with further development costs, related production costs, and selling and administrative costs directly incurred in marketing the product, is probable of being recovered from related future economic benefits. The excess amount is written off as incurred.

The development costs, recognised as an asset, are amortised on a straight-line basis over a period of 3 – 5 years to reflect the pattern in which the related economic benefits are recognised.

w) GOVERNMENT GRANTS

Government grants are recognised in the balance sheet initially when there is reasonable assurance that they will be received and that the Group will comply with the conditions attaching to them. Grants that compensate the Group for expenses incurred are recognised as revenue in profit or loss on a systematic basis in the same periods in which the expenses are incurred. Grants that compensate the Group for the cost of an asset are deducted in arriving at the carrying amount of the asset and consequently are recognised in profit or loss over the useful life of the asset.

x) 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, the Group has chosen business segment information as the primary reporting format.

Segment revenue, expenses, results, assets and liabilities include items directly attributable to a segment as well as those that can be allocated on a reasonable basis to 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 enterprises within a single segment. Intra-segment pricing is based on similar terms as those available to other external parties.

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

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

2. SIGNIFICANT ACCOUNTING POLICIES (Continued)

y) FINANCIAL GUARANTEES ISSUED, PROVISIONS AND CONTINGENT LIABILITIES

i) Financial guarantees issued

Financial guarantees are contracts that require the issuer (i.e., the guarantor) to make specified payments to reimburse the beneficiary of the guarantee (the "holder") for a loss the holder incurs because a specified debtor fails to make payment when due in accordance with the terms of a debt instrument.

Where the Group issues a financial guarantee, the fair value of the guarantee (being the transaction price, unless the fair value can otherwise be reliably estimated) is initially recognised as deferred income within trade and other payables. Where consideration is received or receivable for the issuance of the guarantee, the consideration is recognised in accordance with the Group's policies applicable to that category of asset. Where no such consideration is received or receivable, an immediate expense is recognised in profit or loss on initial recognition of any deferred income.

The amount of the guarantee initially recognised as deferred income is amortised in profit or loss over the term of the guarantee as income from financial guarantees issued. In addition, provisions are recognised in accordance with note 2(y)(ii) if and when (i) it becomes probable that the holder of the guarantee will call upon the Group under the guarantee, and (ii) the amount of that claim on the Group is expected to exceed the amount currently carried in trade and other payables in respect of that guarantee, i.e., the amount initially recognised, less accumulated amortization.

ii) Other provisions and contingent liabilities

Provisions are recognised for liabilities of uncertain timing or amount when the Group or the Company 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 an 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 an outflow of economic benefits is remote.

3. FINANCIAL RISK MANAGEMENT OBJECTIVES AND POLICIES

The Group's major financial instruments include equity investments, trade receivable and trade payables. Details of the financial instruments are disclosed in the respective notes. The risks associated with these financial instruments include credit risk, liquidity risk, currency risk and interest rate risk. The policies on how to mitigate these risks are set out below. The management manages and monitors these exposures to ensure appropriate measures are implemented on a timely and effective manner.

a) CREDIT RISK

i) As at 31 March 2008, the maximum exposure to credit risk is represented by the carrying amount of each financial asset in the consolidated balance sheet after deducting any impairment allowance.

ii) In respect of trade and other receivables, in order to minimize risk, the management has a credit policy in place and the exposures to these credit risks are monitored on an ongoing basis. Credit evaluations of its customers' financial position and condition is performed on each and every major customer periodically. These evaluations focus on the customer's past history of making payments when due and current ability to pay, and take into account information specific to the customer as well as pertaining to the economic environment in which the customer operates. The Group does not require collaterals in respect of its financial assets. Debts are usually due within 90 days from the date of billing.

iii) In respect of trade receivables, the Group's exposure to credit risk is influenced mainly by the individual characteristics of each customer. The default risk of the industry and country in which customers operate also has an influence on credit risk. At the balance sheet date, the Group had no significant concentrations of credit risk which individual trade and other receivables balance exceeds 10% of the total trade and other receivables at balance sheet date.

iv) In respect of deposits with banks, the Group mitigates its exposure to credit risk by placing deposits with the financial institutions with established credit rating. Given the high credit ratings of the banks, management does not expect any counterparty to fail to meet its obligations.

v) In respect of the financial guarantee given by the Group to a bank in connection with banking facilities granted to an independent third party in 2007 as set out in note 25, since the banking facilities were settled during the year and the financial guarantee was released, no credit risk in respect thereof existed.

NOTES TO THE FINANCIAL STATEMENTS

FOR THE YEAR ENDED 31 MARCH 2008

3. FINANCIAL RISK MANAGEMENT OBJECTIVES AND POLICIES (Continued)

b) LIQUIDITY RISK

Individual operating entities within the Group are responsible for their own cash management, including the short-term investment of cash surpluses and the raising of loans to cover expected cash demands, subject to board approval. The Group's policy is to regularly monitor current and expected liquidity requirements to ensure that it maintains sufficient amount of cash and obtains adequate lines of funding from major financial institutions to meet its liquidity requirements in the short and longer term.

The following liquidity tables set out the remaining contractual maturities at the balance sheet date of the Group's and the Company's financial liabilities based on contractual undiscounted cash flows (including interest payments computed using contractual rates) and the earliest date the Group and the Company are required to pay:

The Group

	2008				
	Within 1 year or on demand RMB'000	**More than 1 year but less than 2 years RMB'000**	**More than 2 years but less than 5 years RMB'000**	**Total contractual undiscounted cash flow RMB'000**	**Carrying amount RMB'000**
Trade payables	**–**	**–**	**–**	**–**	**–**
Other payables and accruals	**4,956**	**–**	**–**	**4,956**	**4,956**
Amount due to a shareholder	**1**	**–**	**–**	**1**	**1**
Amount due to an associate	**–**	**–**	**–**	**–**	**–**
Obligations under a finance lease	**14**	**7**	**12**	**33**	**26**
	4,971	**7**	**12**	**4,990**	**4,983**

	2007				
	Within 1 year or on demand RMB'000	More than 1 year but less than 2 years RMB'000	More than 2 years but less than 5 years RMB'000	Total contractual undiscounted cash flow RMB'000	Carrying amount RMB'000
Trade payables	25	–	–	25	25
Other payables and accruals	5,597	–	–	5,597	5,597
Amount due to a shareholder	1	–	–	1	1
Amount due to an associate	1,500	–	–	1,500	1,500
Obligations under a finance lease	–	–	–	–	–
	7,123	–	–	7,123	7,123

3. FINANCIAL RISK MANAGEMENT OBJECTIVES AND POLICIES (Continued)

b) LIQUIDITY RISK (Continued)

The Company

	2008				
	Within 1 year or on demand RMB'000	**More than 1 year but less than 2 years RMB'000**	**More than 2 years but less than 5 years RMB'000**	**Total contractual undiscounted cash flow RMB'000**	**Carrying amount RMB'000**
Other payables and accruals	**348**	**–**	**–**	**348**	**348**
Amount due to subsidiaries	**3,095**	**–**	**–**	**3,095**	**3,095**
Obligations under a finance lease	**14**	**7**	**12**	**33**	**26**
	3,457	**7**	**12**	**3,476**	**3,469**

	2007				
	Within 1 year or on demand RMB'000	More than 1 year but less than 2 years RMB'000	More than 2 years but less than 5 years RMB'000	Total contractual undiscounted cash flow RMB'000	Carrying amount RMB'000
Other payables and accruals	291	–	–	–	291
Amount due to a subsidiary	3,060	–	–	–	3,060
Obligations under a finance lease	–	–	–	–	–
	3,351	–	–	–	3,351

NOTES TO THE FINANCIAL STATEMENTS

FOR THE YEAR ENDED 31 MARCH 2008

3. FINANCIAL RISK MANAGEMENT OBJECTIVES AND POLICIES (Continued)

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.

As the Group has no interest-bearing liabilities, the Group's expenses and financing cash flows are independent of changes in market interest rates.

The Group is exposed to cashflow interest rate risks as the Group has significant cash and cash equivalents which are deposited in banks offering variable interest rate. The management monitors interest rate exposures by keeping the cash in floating rate bank accounts and considered that there is no significant impact on cash flow interest rate risk. The Group's interest rate profile as monitored by management is set out in (i) below.

i) Interest rate profile

The following table details the interest rate profile of the Group's interest-earning financial assets at the balance sheet date:

The Group

	2008		2007	
	Effective interest rate %	**One year or less RMB'000**	Effective interest rate %	One year or less RMB'000
Cash and cash equivalents	**0.01% – 0.72%**	**116,356**	0.02% – 0.72%	50,248

ii) Sensitivity analysis

At 31 March 2008, it is estimated that a general increase/decrease of 100 basis points in interest rates, with all other variables held constant, would decrease/increase the Group's loss after tax and retained profits by approximately RMB1,164,000 (2007: RMB503,000). Other components of consolidated equity would not be affected (2007: RMB Nil) by the changes in interest rates.

The sensitivity analysis above has been determined assuming that the change in interest rates had occurred at the balance sheet date and had been applied to the exposure to interest rate risk for cash and cash equivalents in existence at that date. The 100 basis point increase or decrease represents management's assessment of a reasonably possible change in interest rates over the period until the next annual balance sheet date. The analysis is performed on the same basis for 2007.

3. FINANCIAL RISK MANAGEMENT OBJECTIVES AND POLICIES (Continued)

d) CURRENCY RISK

Presently, there is no hedging policy with respect to the Group's foreign exchange exposure. The Group's transactional currency is Renminbi as substantially all the business operations are in Renminbi. The Group's transactional foreign exchange exposure was insignificant.

i) Exposure to currency risk

The following table details the Group's and the Company's exposure at the balance sheet date to currency risk arising from recognised assets or liabilities denominated in a currency other than the functional currency of the entity to which they relate.

	2008	2007
	HK$'000	HK$'000
The Group		
Cash and cash equivalents	**82,153**	13,130
Prepayment, deposits and other receivables	**1,052**	3,463
Obligations under a finance lease	**(29)**	–
Other payable and accruals	**(388)**	(994)
Overall net exposure	**82,788**	15,599

	2008	2007
	HK$'000	HK$'000
The Company		
Prepayment, deposits and other receivables	**210**	20
Obligations under a finance lease	**(29)**	–
Other payables and accruals	**(387)**	(294)
Overall net exposure	**(206)**	(274)

ii) Sensitivity analysis

The following table indicates the approximate change in the Group's loss after tax and accumulated losses/retained profits in response to reasonably possible changes in the foreign exchange rates to which the Group has significant exposure at the balance sheet date.

3. FINANCIAL RISK MANAGEMENT OBJECTIVES AND POLICIES (Continued)

d) CURRENCY RISK (Continued)

ii) Sensitivity analysis (Continued)

The Group

	2008		2007	
	Increase/ (decrease) in foreign exchange rates	**Effect on loss after tax and accumulated losses ’000**	Increase/ (decrease) in foreign exchange rates	Effect on loss after tax and retained profits ’000
Hong Kong Dollars	**5%**	**4,139**	5%	123
	(5)%	**(4,139)**	(5)%	(123)

Other components of consolidated equity would not be affected (2007: RMB Nil) by the changes in foreign exchange rates.

The sensitivity analysis has been determined assuming that the change in foreign exchange rate had occurred at the balance sheet date and had been applied to each of the Group entities’ exposure to currency risk for non derivative financial instruments in existence at that date, and that all other variables, in particular interest rates, remain constant.

The stated changes represent management’s assessment of reasonably possible changes in foreign exchange rate over the period until the next annual balance sheet date. In this respect, it is assumed that the pegged rate between the Hong Kong dollar and the United States dollar would be materially unaffected by any changes in movement in value of the United States dollar against other currencies. Results of the analysis as presented in the above table represent an aggregation of the effects on each of the Group entities profit/loss after tax and equity measured in the respective functional currencies, translated into Renminbi at the exchange rate ruling at the balance sheet date for presentation purposes. The analysis is performed on the same basis for 2007.

iii) Fair values

The fair values of cash and cash equivalents, bank deposits, trade and other receivables, trade and other payables are not materially different from their carrying amounts because of the immediate or short-term maturity of these financial instruments.

3. FINANCIAL RISK MANAGEMENT OBJECTIVES AND POLICIES (Continued)

e) CAPITAL RISK MANAGEMENT

The Group regards the equity attributable to the Company's equity shareholders, comprising issued share capital, share premium, accumulated losses/retained profits and other reserves as its capital. The Group's objective when managing capital which was unchanged from 2007, is to ensure that entities in the Group will be able to continue as a going concern in order to provide returns for shareholders and benefits for other stakeholders. In order to maintain or adjust the capital structure, the Group may adjust the dividend payment to shareholders, return capital to shareholders or issue new shares.

The equity attributable to the Company's equity shareholders at 31 March 2008 and 2007 were as follows:

	2008	2007
	RMB'000	RMB'000
Equity attributable to the company's equity shareholders	**146,896**	53,864

Neither the company nor any of its subsidiaries are subject to externally imposed capital requirements.

4. CRITICAL ACCOUNTING ESTIMATES AND JUDGEMENTS

Estimates and judgements are continually evaluated and are based on historical experience and other factors, including expectations of future events that are considered to be reasonable under the circumstances.

The Group's management makes estimates and assumptions concerning the future. The resulting accounting estimates will, by definition, seldom equal the related actual results. The estimates and assumptions that have a significant risk of causing a material adjustment to the carrying amounts of assets and liabilities within the next financial year are discussed below:

a) USEFUL LIVES OF PROPERTY, PLANT AND EQUIPMENT

The Group's management determines the estimated useful lives and related depreciation charges for its property, plant and equipment. This estimate is based on the historical experience of the actual useful lives of property, plant and equipment of similar nature and functions. It could change significantly as a result of technical innovations and competitor actions in response to severe industry cycles. Management will increase the depreciation charge where useful lives are less than previously estimated lives, or it will write-off or write-down technically obsolete or non-strategic assets that have been abandoned or sold.

4. CRITICAL ACCOUNTING ESTIMATES AND JUDGEMENTS (Continued)

b) ESTIMATED PROVISION FOR IMPAIRMENT OF ASSOCIATES

The Group's management assesses annually whether investments in associates have suffered any impairment in accordance with the policy stated in note 2(g). The recoverable amount of the investments in associates is determined using discounted cash flows calculations.

c) IMPAIRMENT OF RECEIVABLES

The Group maintains impairment allowance for doubtful accounts based upon evaluation of the recoverability of the accounts receivables and other receivables, where applicable, periodically. The estimates are based on the aging of the accounts receivables and other receivables balances and the historical write-off experience, net of recoveries. If the financial condition of the debtors were to deteriorate, additional impairment allowance may be required.

d) ESTIMATED IMPAIRMENT OF GOODWILL

Determining whether goodwill is impaired requires an estimation of the fair value in use of the cash-generating units to which goodwill has been allocated. The value in use calculation requires the Group to estimate the future cash flows expected to arise from the cash-generating unit and a suitable discount rate in order to calculate the present value. If the estimated fair value in use of the cash-generating unit exceeds its recoverable amount, additional impairment allowance may be required.

e) ESTIMATED NET REALISABLE VALUE OF INVENTORIES

The Group's management writes off slow-moving or obsolete inventories based on an assessment of the net realisable value of the inventories. Inventories will be written off where events or changes in circumstances indicates that the net realisable value is less than cost. The determination of net realisable value requires the use of judgement and estimates. Where the expectation is different from the original estimate, such difference will have an impact on the carrying value of the inventories and revision on the amount of inventories written off in the period in which such estimate has been changed is required to be made.

5. TURNOVER

The Group is principally engaged in the development and distribution of educational software and electronic learning card. The Group also provides information technology related services in the PRC. The Group develops its own educational software and distributes such software on standard package basis through internet. Also, the Group utilised its experience in IT to provide school network integration services for their software implementation. Apart from these, the Group has entered into distribution agreements with other software developers to distribute their educational software products.

5. TURNOVER (Continued)

Turnover represents the sales value of software and services provided to customers, net of value added tax as follows:

	2008 **RMB'000**	2007 RMB'000
Sales of self-developed educational software on standard package basis	**–**	16
Sales of application software	**8,019**	–
Sales of self-developed internet learning card	**1,098**	3,866
Total turnover	**9,117**	3,882

6. OTHER REVENUE AND NET INCOME

	2008 **RMB'000**	2007 RMB'000
a) Other revenue:		
Interest income	**1,890**	375
Total interest income on financial assets not at fair value through profit or loss	**1,890**	375
Government grants *(note i)*	**–**	1,500
Value added tax refunds *(note ii)*	**90**	–
Financial guarantee contract issued	**693**	238
Others	**154**	113
	2,827	2,226
b) Other net income:		
Net gain on disposal of property, plant and equipment	**1**	7
Net exchange gain	**47**	21
	48	28

6. OTHER REVENUE AND NET INCOME (Continued)

Notes:

i) During the year ended 31 March 2008, the Group received RMB Nil (2007: RMB1,500,000) government grants from the National Development and Reform Commission（國家發展及改革委員會）respectively being part of the RMB3,000,000 government grant approved in 2006. The directors advised that the government grants given to the Group are unconditional and not repayable.

ii) According to the announcement issued by the State Council of the PRC on 24 June 2000 in respect of the Several Policies on Encouraging Development of the Software Industry and the Integration Circuit Industry（關於軟件產業和集成電路產地發展若干政策通知）, the value added tax paid by an enterprise which has obtained the "Software Enterprise Recognition Certificate"（軟件企業認定證書）in respect of the selling of its self developed educational software will enjoy a reduction of value added tax to 3% and entitled to a tax refund for the excess of the value added tax paid from 24 June 2000 to 31 December 2010. Jiangxi A & K obtained such certificate of "Software Development Enterprise" on 15 August 2001 and is entitled for value added tax refunds on the value added tax paid in excess of 3%.

7. FINANCE COSTS

	2008	2007
	RMB'000	RMB'000
Finance charge on obligations under a finance lease	**1**	–
Total interest expense on financial liabilities not at fair value through profits or loss	**1**	–

8. LOSS BEFORE TAXATION

Loss before taxation is stated after charging/(crediting) the following:

	2008	2007
	RMB'000	RMB'000
Staff costs (including directors' emoluments – *note 13*)		
– Wages and salaries	**1,884**	2,400
– Mandatory provident fund	**15**	11
– Social security costs	**98**	71
– Staff welfare	**189**	145
– Equity settled share-based payment expenses	**4,654**	–
Impairment of trade receivables	**2,924**	4,212
Impairment of other receivables	**223**	–
Write down of inventories	**–**	193
Cost of inventories sold and services rendered	**8,523**	2,284
Depreciation of property, plant and equipment	**175**	262
Amortisation of intangible assets	**1,060**	–
Gain on disposal of property, plant and equipment	**(1)**	(7)
Operating lease rental in respect of land and building	**417**	406
Audit fee	**257**	222
Financial guarantee contract issued	**–**	951
Research and development cost	**560**	2,078

9. INCOME TAX

a) The taxation in the consolidated income statement represents:

	2008	2007
	RMB'000	RMB'000
Current income tax – PRC enterprise income tax		
Provision for the year	**987**	4
Deferred taxation *(note 30)*	**(23)**	(43)
	964	(39)

No provision for profits tax in the Cayman Islands, British Virgin Islands ("BVI") and Hong Kong has been made as the Group has no income assessable for profits tax for the year in those jurisdictions (2007: Nil).

9. INCOME TAX (Continued)

a) The taxation in the consolidated income statement represents: (Continued)

The reconciliation of the effective tax rate to the statutory tax rate is as follows:

	2008 RMB'000	2007 RMB'000
Loss before taxation	**(11,468)**	(5,784)
Taxation calculation at:		
– PRC statutory tax rate 25% (2007: 7.5%)	**(2,867)**	(1,909)
Decrease in deferred taxation	**(23)**	(43)
Non-taxable income	**(1,139)**	(675)
Non-deductible expenses	**4,993**	2,603
Effect of tax exemption of Jiangxi A & K	**–**	(15)
	964	(39)

Jiangxi A & K, the subsidiary where from the majority of the Group's turnover is derived, was subject to PRC enterprise income tax ("EIT"). Jiangxi A & K has obtained a certificate of "Software Development Enterprise" from the Ministry of Information Industry of the Jiangxi Province（江西省信產息產業廳）on 15 August 2001. According to a notice jointly issued by the Ministry of Finance, State Administration of Taxation and General Administration and Custom on Taxation Policy in respect of the Encouragement of Development of Software and Integrated Circuit industries（關於鼓勵軟體產業和積體電路產業發展有關稅收政策問題的通知）, Jiangxi A & K is exempted from EIT for two years starting from its first profit-marking year (after offsetting the accumulated losses) and is entitled to a 50% relief on EIT for the subsequent three years. Jiangxi A&K is required to pay for 100% EIT based on the applicable tax rate thereafter.

In addition, in June 2003, due to the Group's reorganization, the status of Jinagxi A & K was changed from a domestic private enterprise to a wholly-foreign-owned enterprise with the approval of the Department of Foreign Trade and Economic Cooperation of Jiangxi Province（江西省對外貿易經濟合作廳）, pursuant to the Income Tax Law of the PRC for Foreign Investment Enterprise（外商投資企業及外國企業所得稅法）and with the confirmation received from the Nanchang High-tech Area Tax Bureau（南昌市高新區國稅局）on 1 March 2004, Jiangxi A & K will be exempted from EIT for two years starting from its first profit-making year and thereafter (after offsetting the accumulated losses), and is entitled to a 50% relief for the subsequent three years. Jiangxi A & K was entitled to the exemption from EIT commencing from the year 2003.

9. INCOME TAX (Continued)

a) The taxation in the consolidated income statement represents: (Continued)

On 16 March 2007, the People's Republic of China promulgated the Law of the People's Republic of China on Enterprise Income Tax (the "New Law") by Order No. 63 of the President of the People's Republic of China. On 6 December 2007, the State Council of the PRC issued Implementation Regulations of the New Law. Under the New Law and Implementation Regulations, the tax rate for the wholly-foreign-owned enterprise will be revised from 1 January 2008 from 33% to 25%. Therefore, for the year ended 31 March 2008, Jiangxi A&K was subjected to EIT at the rate of 25% (2007: 7.5%) The deferred tax balance has been adjusted to reflect the tax rates that are expected to apply to the respective periods when the asset is realised or the liability is settled.

b) Taxation in the consolidated balance sheet represents:

	Group	
	2008	2007
	RMB'000	RMB'000
At 1 April	**(792)**	(862)
Provision for the year	**(987)**	(4)
Taxation paid	**4**	74
At 31 March	**(1,775)**	(792)

10. LOSS ATTRIBUTABLE TO SHAREHOLDERS

The consolidated loss attributable to shareholders includes a loss of approximately RMB12,432,000 (2007: RMB5,745,000) which has been dealt with in the financial statements of the Company.

11. DIVIDENDS

The directors do not propose to declare any dividend in respect of the year ended 31 March 2008 (2007: Nil).

12. LOSS PER SHARE

i) The calculation of basic loss per share for the year is based on the net loss attributable to ordinary equity share holders of the Company of RMB12,432,000 (2007: RMB5,745,000) and the weighted average number of 282,032,787 (2007: 255,000,000) shares in issue during the year calculated as follows.

	Number of shares	
	2008	2007
Weighted average number of ordinary shares issued ordinary shares at 1 April	**255,000,000**	255,000,000
Effect of placing of new shares	**27,032,787**	–
Weighted average number of ordinary shares at 31 March	**282,032,787**	255,000,000

ii) Diluted loss per share is not presented for the year ended 31 March 2008 as there was no dilutive potential share in existence in the year.

NOTES TO THE FINANCIAL STATEMENTS

FOR THE YEAR ENDED 31 MARCH 2008

13. DIRECTORS' AND FIVE HIGHEST PAID INDIVIDUAL'S REMUNERATION

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

	Year ended 31 March 2008				
	Fees RMB'000	Basic salaries, allowances and other benefits RMB'000	Share-based payments RMB'000	Pension scheme contribution RMB'000	Total RMB'000
Executive directors					
Peng Ge Xiong *(Chairman)*	–	52	554	3	609
Peng Gang *(Note 1)*	–	–	–	–	–
Wang Dong Bin *(Note 2)*	38	320	55	5	418
Li Wing Sang *(Note 3)*	77	–	–	–	77
Lau Kam Ying *(Note 3)*	77	–	55	–	132
Independent non-executive directors					
Yeung Kenneth King Wah *(Note 3)*	77	–	55	–	132
Geo Feng *(Note 2)*	38	–	55	–	93
Jiang Ming He	36	–	55	–	91
Law Chi Yuen *(Note 4)*	32	–	–	–	32
Cheng Yun Ming Matthew *(Note 1)*	19	–	–	–	19
	394	372	829	8	1,603

NOTES TO THE FINANCIAL STATEMENTS

FOR THE YEAR ENDED 31 MARCH 2008

13. DIRECTORS' AND FIVE HIGHEST PAID INDIVIDUAL'S REMUNERATION (Continued)

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

	Year ended 31 March 2007				
	Fees RMB'000	Basic salaries, allowances and other benefits RMB'000	Share-based payments RMB'000	Pension scheme contribution RMB'000	Total RMB'000
Executive directors					
Peng Ge Xiong *(Chairman)*	51	–	–	3	54
Peng Gang	10	–	–	–	10
Independent non-executive directors					
Jiang Ming He	36	–	–	–	36
Law Chi Yuen	80	–	–	–	80
Cheng Yun Ming Matthew	60	–	–	–	60
	237	–	–	3	240

Notes:

1. Resigned on 1 August 2007.

2. Appointed on 28 November 2007.

3. Appointed on 1 August 2007.

4 Resigned on 31 August 2007.

As at 31 March 2008, the directors held share options under the Company's share option scheme. The details of the share options are disclosed under the paragraph "Share Option" in the report of the directors and in note 32.

No directors waived any emoluments during the year. No incentive payment or compensation for loss of office was paid or payable to any directors for the year ended 31 March 2008 (2007: Nil).

NOTES TO THE FINANCIAL STATEMENTS

FOR THE YEAR ENDED 31 MARCH 2008

13. DIRECTORS' AND FIVE HIGHEST PAID INDIVIDUAL'S REMUNERATION (Continued)

ii) Individuals with highest emoluments

Of the five individuals with the highest emoluments in the Group, four (2007: three) were directors of the Company whose emoluments are included in the disclosures in note 13(i) above. The emoluments of the remaining one (2007: two) individual was as follows:

	2008	2007
	RMB'000	RMB'000
Salaries and other benefits	**434**	359
Contributions to retirement benefits schemes	**11**	11
Equity settled share-based payment expenses	**185**	–
	630	370

Their emoluments were all within RMB1,000,000.

During the year, no incentive payment or compensation for loss of office was paid to the five highest paid individuals (including directors and other employees).

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FOR THE YEAR ENDED 31 MARCH 2008

14. PROPERTY, PLANT AND EQUIPMENT

	Leasehold improvements RMB'000	Computer equipment RMB'000	Furniture and equipment RMB'000	Motor vehicles RMB'000	Total RMB'000
Cost					
As at 1/4/2006	308	3,773	195	758	5,034
Additions	–	98	–	19	117
Disposals	–	–	(4)	(170)	(174)
As at 31/3/2007 and 1/4/2007	308	3,871	191	607	4,977
Additions	62	55	112	–	229
Exchange adjustment	–	(1)	(1)	1	(1)
Disposals	–	(7)	(25)	–	(32)
At 31/3/2008	370	3,918	277	608	5,173
Accumulated deprecation					
As at 1/4/2006	308	3,393	151	655	4,507
Charge for the year	–	140	8	114	262
Disposals	–	–	(4)	(170)	(174)
As at 31/3/2007 and 1/4/2007	308	3,533	155	599	4,595
Charge for the year	8	144	15	8	175
Exchange adjustment	–	(1)	(1)	1	(1)
Disposals	–	(6)	(25)	–	(31)
At 31/3/2008	316	3,670	144	608	4,738
Net book value					
At 31/3/2008	54	248	133	–	435
At 31/3/2007	–	338	36	8	382

The net book value of property, plant and equipment of the Group held under finance leases at 31 March 2008 amounted to RMB25,000 (2007: RMB Nil).

15. INTANGIBLE ASSETS

	Customer contracts RMB'000	Forensic centre contractual rights RMB'000	Total RMB'000
Cost			
At 1 April 2006, 31 March 2007 and 1 April 2007	–	–	–
Additions through acquisition of subsidiaries *(Note 37)*	8,337	10,562	18,899
Transfers	(3,910)	–	(3,910)
At 31 March 2008	4,427	10,562	14,989
Accumulated amortisation			
At 1 April 2006, 31 March 2007 and 1 April 2007	–	–	–
Amortisation for the year	884	176	1,060
At 31 March 2008	884	176	1,060
Net carrying value			
At 31 March 2008	3,543	10,386	13,929
At 31 March 2007	–	–	–
Analysed for reporting purposes as:			
Current assets	3,543	2,112	5,655
Non-current asset	–	8,274	8,274
	3,543	10,386	13,929

Both the customer contracts and forensic centre contractual rights have finite useful lives (For details, refer to Note 2k).

The amortisation charge for the year is included in administrative expenses in the consolidated income statement. The net carrying amount of each intangible asset will be recognised as cost in the profit and loss on completion of the relevant contract.

NOTES TO THE FINANCIAL STATEMENTS

FOR THE YEAR ENDED 31 MARCH 2008

16. INTERESTS IN SUBSIDIARIES

	2008 RMB'000	2007 RMB'000
Unlisted shares, at cost	**1**	1

The following shows the details of the subsidiaries (including a special purpose entity) as at 31 March 2008:

Name	**Country of incorporation and operation**	**Principal activities**	**Proportion of ownership interest: Group effective interest**	**Held by the company**	**Held by the subsidiary**
A & K Software (BVI) Limited ("A & K Software BVI")	British Virgin Islands	Investment holding	100%	100%	–
Smart Elegant Investment Limited ("Smart Elegant")	Hong Kong	Investment holding	100%	–	100%
Jiangxi A & K *(Note 1)*	PRC	Development and distribution of educational software	100%	–	100%
江西行知教育在線 * *(Note 2)*	PRC	Provision of internet services in PRC	100%	–	100%
Dragon Era Investments Limited	BVI	Investment holding	100%	–	100%
China Electric Power Technology Holdings Limited	Hong Kong	Investment holding	100%	–	100%
Famous Rise International Limited	BVI	Investment holding	100%	–	100%
eJet Group Limited	Hong Kong	Investment holding	100%	–	100%

16. INTERESTS IN SUBSIDIARIES (Continued)

Name	Country of incorporation and operation	Principal activities	Proportion of ownership interest: Group effective interest	Held by the company	Held by the subsidiary
北京捷通易信科技發展有限公司 *(Note 3)*	PRC	Development and distribution of computer hardware and software products, provision of internet system integration and computer consultancy services	100%	–	100%

* Special purpose entity

Notes:

1) Jiangxi A & K is a wholly-foreign-owned enterprise established in the PRC to operate for 20 years up to 28 May 2017.

2) 江西行知教育在線is a limited liability company established in the PRC to operate for 20 years up to March 2025.

3) 北京捷通易信科技發展有限公司 is a wholly-foreign-owned enterprise established in the PRC to operate for 30 years up to 28 November 2037.

17. GOODWILL

	The Group	
	2008	2007
	RMB'000	RMB'000
At 1 April	**–**	–
Additions through acquisition of subsidiaries (Note 37)	**6,945**	–
At 31 March	**6,945**	–

17. GOODWILL (Continued)

IMPAIRMENT TESTS FOR CASH-GENERATING UNITS CONTAINING GOODWILL

Goodwill is allocated to the Group's cash-generating unit ("CGU") identified according to business segment as follows:

	The Group	
	2008	2007
	RMB'000	RMB'000
Sales of application software	**6,945**	–

The recoverable amount of the CGU is determined based on value-in-use calculations. These calculations use cash flow projections based on financial budgets approved by management covering a five-year period.

Key assumptions used for value-in-use calculations:

	The Group	
	2008	2007
	%	%
Gross margin	**50**	–
Growth rate	**3**	–
Discount rate	**15**	–

Management determined the budgeted gross margin based on past performance and its expectation for market development. The weighted average growth rate used is consistent with forecasts included in industry reports. The discount rate used is pre-tax and reflect specific risks relating to the relevant segments.

Based on the impairment tests performed, no impairment loss is considered necessary (2007: Nil).

NOTES TO THE FINANCIAL STATEMENTS

FOR THE YEAR ENDED 31 MARCH 2008

18. INTERESTS IN ASSOCIATES

	2008 RMB'000	2007 RMB'000
Share of net assets	**732**	2,341
Disposal *(Note 1)*	**–**	(30)
As at 31 March	**732**	2,311

Company	Country and date of incorporation	Registered and paid up capital	Proportion of ownership interest: Group's effective interest	Held by the company	Held by subsidiary	Principal activities
江西大江高科有限責任公司	PRC 17 September 2002	RMB1,000,000	7.5%	–	7.5%	Media software research and development
江西聯微軟件技術有限公司	PRC 13 May 2005	RMB3,880,000	25.8% *(Note 2)*	–	25.8%	Software development and distribution and provision of software consultancy services

Note 1: On 19 October 2006, the Group disposed of its 30% effective interest in an associate, 南昌方標電信有限公司, with an investment cost of RMB30,000 for a total consideration of RMB30,000 to an independent third party.

Note 2: By a shareholder's resolution passed on 24 January 2008, the registered capital of 江西聯微軟件技術有限公司 was reduced from RMB10,000,000 to RMB3,880,000. RMB1,500,000 of the capital contribution was refunded to the Group on 3 March 2008. After the reduction of the registered capital, the Group's effective holding in 江西聯微軟件技術有限公司 changed from 25% to 25.8%.

18. INTERESTS IN ASSOCIATES (Continued)

Summary financial information on associates

	Assets	Liabilities	Equity	Revenue	Loss
	RMB'000	RMB'000	RMB'000	RMB'000	RMB'000
2008					
100%	**3,625**	**25**	**3,600**	**1,840**	**(327)**
Group's effective interest	**736**	**4**	**732**	**283**	**(78)**
2007					
100%	10,271	104	10,167	141	(1,224)
Group's effective interest	2,336	25	2,311	31	(307)

19. INVENTORIES

	2008	2007
	RMB'000	RMB'000
Computer accessories and low value consumables	–	193
Less: write down of inventories	–	(193)
	–	–

20. TRADE RECEIVABLES

i) An aging analysis of trade receivables as at balance date is as follows:

	2008	2007
	RMB'000	RMB'000
0 to 30 days	**4,250**	–
Over one year	**10,530**	10,530
	14,780	10,530
Less: Impairment	**(10,530)**	(7,606)
	4,250	2,924

20. TRADE RECEIVABLES (Continued)

ii) IMPAIRMENT OF TRADE RECEIVABLES

Impairment losses in respect of trade debtors are recorded using an allowance account unless the Group is satisfied that recovery of the amount is remote, in which case the impairment loss is written off against trade debtors directly (see note 2(g)).

Movements in the allowance for doubtful debts

	2008	2007
	RMB'000	RMB'000
At 1 April	**7,606**	3,394
Impairment loss recognised *(Note i)*	**2,924**	4,212
At 31 March	**10,530**	7,606

Notes:

(i) As at 31 March 2008, trade receivables of the Group amounting to RMB10,530,000 (2007: RMB7,606,000) were individually determined to be impaired and full provision had been made. These individually impaired receivables were outstanding for over one year as at the balance sheet date and were due from companies with financial difficulties. Accordingly, specific allowances for doubtful debts of RMB2,924,000 were recognised during the year (2007: RMB4,212,000). The factors which the Group considered in determining whether these trade receivables were individually impaired include the following:

– significant financial difficulty of the debtor;
– receivables that have been outstanding for over one year;

20. TRADE RECEIVABLES (Continued)

iii) TRADE RECEIVABLES THAT ARE NOT IMPAIRED

The ageing analysis of trade debtors that are neither individually nor collectively considered to be impaired are as follows:

	2008 RMB'000	2007 RMB'000
Neither past due nor impaired	**4,250**	–
Less than 1 month past due	**–**	–
1 to 3 months past due	**–**	2,924
	4,250	2,924

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

In 2007 receivables that were past due but not impaired relate to a number of independent customers that have a good track record with the Group. Based on past experience, management believes that no impairment allowance is necessary in respect of these balances as there has not been a significant change in credit quality and the balances are still considered fully recoverable. The Group does not hold any collateral over these balances.

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FOR THE YEAR ENDED 31 MARCH 2008

21. PREPAYMENTS, DEPOSITS AND OTHER RECEIVABLES

	Group		Company	
	2008	2007	**2008**	2007
	RMB'000	RMB'000	**RMB'000**	RMB'000
Other receivables	**4,242**	2,765	**–**	–
Less: Impairment	**(573)**	(350)	**–**	–
Other receivables, net	**3,669**	2,415	**–**	–
Deposits	**192**	–	**188**	–
Prepayments	**1,437**	3,915	**1**	20
	5,298	6,330	**189**	20

The movement in the allowance for other receivables during the year is as follows:

	2008	2007
	RMB'000	RMB'000
At 1 April	**350**	350
Impairment loss recognised	**223**	–
At 31 March	**573**	350

Other receivables that were past due but not impaired related to a number of independent debtors that have a good track record with the Group. Based on past experience, the directors of the Company are of the opinion that no allowance for impairment is necessary in respect of these balances as there has not been a significant change in credit quality and the balances are still considered fully recoverable. The Group does not hold any collateral or other credit enhancements over these balances. The factors which the Group considered in determining whether these other receivables were individually impaired include the following:

– Other receivables that have been outstanding for over one year.

The rest of the other receivables, deposits and prepayments are expected to be recovered or recognised as an expense within one year.

22. CASH AND CASH EQUIVALENTS

	2008 RMB'000	2007 RMB'000
Time deposits with bank	**67,517**	12,870
Cash at banks and on hand	**48,839**	37,378
Cash and cash equivalents in the consolidated balance sheet and the consolidated cashflow statement	**116,356**	50,248

Cash and cash equivalents include short-term bank deposits carrying interest at prevailing market rates. The directors consider the carrying value of the amount at the balance sheet date approximates to the fair value.

Included in cash and cash equivalents in the consolidated balance sheet are the following amounts denominated in a currency other than the functional currency of the entity to which they relate:

	2008 '000	2007 '000
Hong Kong Dollars	**HK$87,185**	HK$13,138

23. TRADE PAYABLES

The aging analysis of trade payables is as follows:

	2008 RMB'000	2007 RMB'000
Over one year	**–**	25

24. OTHER PAYABLES AND ACCRUALS

	Group		Company	
	2008	2007	**2008**	2007
	RMB'000	RMB'000	**RMB'000**	RMB'000
Accruals	**475**	442	**348**	291
Accrued benefits	**425**	475	**–**	–
Advances received	**11**	11	**–**	–
Financial guarantees issued	**–**	693	**–**	–
Other payables	**4,045**	3,976	**–**	–
	4,956	5,597	**348**	291

All of the other payables and accruals are expected to be settled or recognised as income within one year or are repayable on demand.

25. FINANCIAL GUARANTEE

As at 31 March 2007, included in other payable and accruals of approximately RMB5,597,000 is a deferred income in relation to a financial guarantee issued of approximately RMB693,000. On 28 December 2006, the Group had given a guarantee to a bank in connection with banking facility granted by the bank to an independent third party. The fair value of financial guarantee at inception is approximately RMB951,000. As at 31 March 2007, such facilities were drawn down by the independent third party to the extent of HK$12,610,000. The maximum liability of the Group under the financial guarantee issued represents the amount drawn down by the independent third party of HK$12,610,000. The management considered that there existed the probability that the Group would be called upon under the financial guarantee, therefore the fair value of the guarantee was recognised as deferred income and amortised in profit or loss using straight-line basis over the term of the guarantee.

The guarantee was released in June 2007 when the independent third party fully repaid the bank loan. The value of financial guarantee contract issued is recognised as other revenue (note 6) during the year.

26. AMOUNT DUE TO A SHAREHOLDER

	2008	2007
	RMB'000	RMB'000
Mr. Ye Jinxing	**1**	1

The amount due to a shareholder is unsecured, interest free and has no fixed term of repayment.

27. AMOUNTS DUE FROM/(TO) SUBSIDIARIES

The amounts due were unsecured, interest free and have no fixed terms of repayment.

28. AMOUNT DUE TO AN ASSOCIATE

In 2007, the amount due was unsecured, interest free and has no fixed term of repayment. The amount was fully repaid in 2008.

29. OBLIGATIONS UNDER A FINANCE LEASE

Group and Company

	Minimum lease payments		Present value of minimum lease payments	
	2008	2007	**2008**	2007
	RMB'000	RMB'000	**RMB'000**	RMB'000
Amounts payable:				
Within one year	**7**	–	**4**	–
After 1 year but within 5 years	**26**	–	**22**	–
	33	–	**26**	–
Less: Finance charges	**(7)**	–		
Present value of finance lease payables	**26**	–		
Less: Portion classified as current liabilities	**(7)**	–		
Non-current portion	**19**	–		

The finance lease payables are secured by a computer equipment of the Group with net book value of approximately RMB25,000. The remaining lease payments are due within five years. The interest rate is fixed at 5.5% per annum. There was no finance lease payable in 2007. No arrangement have been entered into for contingent rental payment for both 2007 and 2008.

NOTES TO THE FINANCIAL STATEMENTS

FOR THE YEAR ENDED 31 MARCH 2008

30. DEFERRED TAXATION

The components of deferred tax liabilities recognised in the consolidated balance sheets are as follows:

	2008	2007
	RMB'000	RMB'000
Beginning balance of the year	**416**	459
Deferred tax assets	**(23)**	(43)
Closing balance of the year	**393**	416

31. SHARE CAPITAL

	2008		2007	
	Number of shares	**RMB**	Number of shares	RMB
Authorised:				
Ordinary shares of HK$0.1 each	**2,000,000,000**	**212,000,000**	2,000,000,000	212,000,000
Ordinary, issued and fully paid:				
At beginning of the year	**255,000,000**	**27,030,000**	255,000,000	27,030,000
Issue of new shares *(Note 1)*	**51,000,000**	**4,947,000**	–	–
At end of the year	**306,000,000**	**31,977,000**	255,000,000	27,030,000

Note 1: On 4 September 2007, 51,000,000 shares of HK$0.1 each of the Company were issued through a conditional placing offer in Hong Kong with a placing agent for a cash consideration of HK$2.3 per share, totalling HK$117,300,000 (approximately RMB105,700,000).

NOTES TO THE FINANCIAL STATEMENTS

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32. SHARE OPTIONS

EQUITY-SETTLED SHARE OPTION SCHEMES

Pursuant to an ordinary resolution passed on 13 May 2004, the Company adopted a share option scheme ("Old Share Option Scheme") pursuant to which the directors of the Company were authorised to grant share options to full-time employees (including executive directors) of the Company or any of its subsidiaries to subscribe for shares in the Company.

On 23 July 2004, the Old Share Option Scheme was terminated and a new share option scheme ("New Share Option Scheme") was adopted. The purpose of the New Share Option Scheme is to enable the Company to grant option to eligible participants in order to reward or provide incentives to its employees or any person who has contributed or will contribute to the Group. The New Share Option Scheme shall continue in force for the period commencing from 23 July 2004 and expiring at the close of business on the tenth anniversary thereof, after such period no further options will be granted but the provisions of the New Share Option Scheme shall remain in full force and effect in respect of any options granted before its expiry or termination but not yet exercised.

Under the New Share Option Scheme, the directors of the Company may offer to any employees who has contributions to the Group including directors of the Company or any of its subsidiaries share options to subscribe for shares in the Company in accordance with the terms of the New Share Option Scheme.

The maximum number of shares in respect of which share options may be granted under the New Share Option Scheme shall not, when aggregated with any shares subject to any other schemes, exceed such number of shares as represents 10% of the issued shares as at the date of approval of the New Share Option Scheme which shall be equivalent to 51,000,000 shares. The Company may seek approval from the shareholders in a general meeting to refresh the New Share Option Scheme. However, the total number of shares which may be issued upon exercise of all share options to be granted under all of the schemes of the Company or its subsidiaries under the limit must not exceed 10% of the shares in issue as at the date of approval of the New Share Option Scheme.

The exercise price is determined by the directors of the Company, and shall not be less than the highest of (i) the closing price of the Company's shares on the date of grant, (ii) the average closing price of the shares for the five business days immediately preceding the date of grant, and (iii) the nominal value of the Company's shares.

On 26 March 2008, the Company granted options to subscribe for 4,500,000 shares to its directors and 20,700,000 shares to its employees under the New Share Option Scheme. Options granted must be taken up within 21 days of the date of grant, upon payment of HK$1 by each of the grantees. The options may be exercised at any time after the date of grant of the share options to the fifth anniversary of the date of grant.

32. SHARE OPTIONS (Continued)

EQUITY-SETTLED SHARE OPTION SCHEMES (Continued)

The following table discloses movements of the Company's share options granted under the New Share Option Scheme and movements in such holdings:

Category of grantee	Exercise price per share HK$	Date of grant	Exercisable period	Number of shares issuable under options: At 1 April 2007	Granted during the year	At 31 March 2008
Directors	2.2 (equivalent to RMB1.98)	26 March 2008	26 March 2008 to 25 March 2013	–	4,500,000	4,500,000
Employees	2.2 (equivalent to RMB1.98)	26 March 2008	26 March 2008 to 25 March 2013	–	20,700,000	20,700,000
				–	25,200,000	25,200,000

a) *The number and weighted average exercise price of share options outstanding are as follows:*

	2008			2007		
	Weighted average exercise price		Number of shares issuable under options	Weighted average exercise price		Number of shares issuable under options
	HK$	(Equivalent to RMB)	'000	HK$	(Equivalent to RMB)	'000
Outstanding at beginning of the year	–	–	–	–	–	–
Granted during the year	2.2	1.98	25,200	–	–	–
Outstanding at end of the year	2.2	1.98	25,200	–	–	–
Exercisable at end of the year	2.2	1.98	25,200	–	–	–

The options outstanding at 31 March 2008 had an weighted average exercise price of HK$2.2 (equivalent to RMB1.98) and a weighted average remaining contractual life of 5 years. There was no option outstanding as at 31 March 2007.

32. SHARE OPTIONS (Continued)

EQUITY-SETTLED SHARE OPTION SCHEMES (Continued)

b) *Fair value of share options and assumptions*

The fair value of services received in return for share options granted are measured by reference to the fair value of share options granted. The estimate of the fair value of the services received is measured based on a binomial model. The contractual life of the option is used as an input into this model. Expectations of early exercise are incorporated into the binomial model.

	26 March 2008
Fair value of share options and assumptions	HK$0.192 (equivalent to RMB0.173)
Inputs into the binomial model:	
Share price at grant date	HK$2.2
Exercise price	HK$2.2
Expected volatility	41.75%
Expected life	5 years
Risk-free interest rate	1.954%
Expected dividend per share	–

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33. RESERVES

Group

	Share premium (note i) RMB'000	Contributed surplus (note ii) RMB'000	Capital reserve (note iii) RMB'000	Share-based com-pensation reserve (note iv) RMB'000	Statutory common reserve (note v) RMB'000	Statutory welfare reserve (note vi) RMB'000	Foreign currency translation reserve (note vii) RMB'000	Retained profits/ (accumulated losses) RMB'000	Total RMB'000
At 31 March 2006 and 1 April 2006	13,483	933	115	–	3,241	1,621	(403)	14,425	33,415
Currency translation differences	–	–	–	–	–	–	(836)	–	(836)
Loss for the year	–	–	–	–	–	–	–	(5,745)	(5,745)
Transfer to/(from) reserve	–	–	–	–	1,621	(1,621)	–	–	–
At 31 March 2007 and 1 April 2007	13,483	933	115	–	4,862	–	(1,239)	8,680	26,834
Placing of new shares	108,834	–	–	–	–	–	–	–	108,834
Share issuing expenses	(4,562)	–	–	–	–	–	–	–	(4,562)
Equity settled share-based transaction	–	–	–	4,654	–	–	–	–	4,654
Currency translation differences	–	–	–	–	–	–	(8,409)	–	(8,409)
Loss for the year	–	–	–	–	–	–	–	(12,432)	(12,432)
Transfer to/(from) reserve	–	–	–	–	–	–	–	–	–
At 31 March 2008	117,755	933	115	4,654	4,862	–	(9,648)	(3,752)	114,919

NOTES TO THE FINANCIAL STATEMENTS

FOR THE YEAR ENDED 31 MARCH 2008

33. RESERVES (Continued)

Company

	Share premium (note i) RMB'000	Contributed surplus (note ii) RMB'000	Capital reserve (note iii) RMB'000	Share-based com-pensation reserve (note iv) RMB'000	Statutory common reserve (note v) RMB'000	Statutory welfare reserve (note vi) RMB'000	Foreign currency translation reserve (note vii) RMB'000	Accumulated losses RMB'000	Total RMB'000
At 1 April 2006 and 1 April 2006	13,059	(19,080)	–	–	–	–	(321)	(6,009)	(12,351)
Currency translation difference	–	–	–	–	–	–	(660)	–	(660)
Loss for the year	–	–	–	–	–	–	–	(1,551)	(1,551)
At 31 March 2007 and 1 April 2007	13,059	(19,080)	–	–	–	–	(981)	(7,560)	(14,562)
Placing of new shares	108,834	–	–	–	–	–	–	–	108,834
Share issuing expenses	(4,562)	–	–	–	–	–	–	–	(4,562)
Equity settled share-based transaction	–	–	–	4,654	–	–	–	–	4,654
Currency translation difference	–	–	–	–	–	–	(8,867)	–	(8,867)
Loss for the year	–	–	–	–	–	–	–	(7,026)	(7,026)
At 31 March 2008	117,331	(19,080)	–	4,654	–	–	(9,848)	(14,586)	78,471

33. RESERVES (Continued)

i) SHARE PREMIUM

The application of the share premium account is governed by Section 48B of the Hong Kong Companies Ordinance.

ii) CONTRIBUTED SURPLUS

The contributed surplus represents the excess of the fair value of the shares of the subsidiaries acquired pursuant to the reorganisation referred to note 33, over the nominal value of the Company's shares issued in exchange therefor.

iii) CAPITAL RESERVE

The capital reserve arose as a result of the increase in registered capital of the Group's subsidiary, Jiangxi A & K, in May and October 1997, which represents the excess of the net assets of Jiangxi A & K over the nominal value of the share capital after the capital verification report was issued.

iv) SHARE-BASED COMPENSATION RESERVE

The share-based compensation reserve represents the fair value of the actual or estimated number of unexercised share options granted to employees of a subsidiary recognised in accordance with the accounting policy adopted for share-based payments set out in note 32.

v) STATUTORY COMMON RESERVE

In accordance with the PRC accounting regulations and the articles of the association of Jiangxi A & K in the PRC, it is required to appropriate at least 10% of profit after tax after offsetting prior year's losses to the statutory common reserve fund. Thereafter, any further appropriation can be made at the directors' discretion.

The common reserve fund can be utilised to offset prior years' losses, or to increase the capital on the condition that the common reserves fund shall be maintained at a minimum of 50% of the registered capital after such increase.

33. RESERVES (Continued)

vi) STATUTORY WELFARE RESERVE

In accordance with the company law of the PRC and the articles of association of Jiangxi A & K in the PRC, it is required to appropriate 5% to 10% of their statutory profit after tax under PRC General Accepted Accounting Principles after offsetting prior years' losses to the statutory welfare reserve. Such reserve can be used for collective employees benefits, but cannot be used to pay for employees' welfare expenses. However, according to the announcement number 67 of the Ministry of Finance of the PRC on 15 March 2006, pursuant to the Company Law of PRC Sec 167, the reserves previously allocated to statutory welfare reserve will be transferred to the statutory common reserve on 1 January 2006. Following the announcement, no subsequent profit distribution to the statutory welfare reserve was needed and the balance standing to the credit of this reserve was transferred to the Statutory Common Reserve.

vii) EXCHANGE FLUCTUATION RESERVE

The exchange reserve comprises all foreign exchange differences arising from the translation of the financial statements of subsidiaries operating outside Hong Kong. The reserve is dealt with in accordance with the accounting policy set out in note 2(s).

34. RETIREMENT BENEFIT COSTS

The group has implemented a provident fund scheme for its staff in Hong Kong in compliance with the requirements of the Mandatory Provident Fund Schemes Ordinance (the "MPF Ordinance") effective from 1 December 2000. The Group contributed according to the minimum requirements of the MPF Ordinance (i.e., 5% of staff's relevant income with an upper monthly limit of HK$1,000) and the contributions are charged to the income statement.

As stipulated by rules and regulations in the PRC, the Group contributed to a state-sponsored retirement plan for its employees in the PRC at a rate of 10% of the basic salaries of its employees, and has no further obligations for the actual pension payments or post-retirement benefits beyond the annual contributions. The relevant government agencies are responsible for the entire pension obligation payable to all retired employees.

NOTES TO THE FINANCIAL STATEMENTS

FOR THE YEAR ENDED 31 MARCH 2008

35. COMMITMENTS

i) OPERATING LEASE COMMITMENTS

The Group leases certain of its office premises under operating lease arrangements. Leases for office premises are negotiated for a lease term of 2 years. The terms of the lease require the lessee to pay security deposits.

At each balance sheet date, the Group had future aggregate minimum lease payments under non-cancellable operating leases which fall due as follows:

	2008	2007
	RMB'000	RMB'000
Within one year	**725**	323
In the second to fifth year inclusive	**350**	126
	1,075	449

ii) CAPITAL COMMITMENTS

The Group's capital commitment in respect of property, plant and equipment outstanding at the year end, contracted but not provided for in the financial statements amounts to approximately RMB450,000 (2007: Nil).

36. RELATED PARTY TRANSACTIONS

In addition to the transactions and balances disclosed elsewhere in these financial statements, the Group entered into the following significant transactions with related parties:

Compensation of key management personnel of the Group

	2008	2007
	RMB'000	RMB'000
Salaries, allowances and other benefits	**5,934**	676
Retirement scheme contributions	**25**	17
	5,959	693

Note: Further details of pension scheme contributions and directors' emoluments are included in note 13 to the financial statements.

NOTES TO THE FINANCIAL STATEMENTS

FOR THE YEAR ENDED 31 MARCH 2008

37. ACQUISITION OF SUBSIDIARIES

On 26 February 2008, the Company's wholly-owned subsidiary, A&K Software BVI, acquired 100% equity interest (the "Acquisition") in Famous Rise International Limited ("Famous Rise"). Famous Rise is a limited company incorporated at the British Virgin Islands on 19 July 2007 and consists of two wholly-owned subsidiaries known as eJet Group Limited and 北京捷通易信科技發展有限公司 (The "Famous Rise Group"). The Famous Rise Group is engaged in the provision of software solutions and services, including the design, invention, research, development, improvement, marketing, and sales of software with applications.

The consideration for the Acquisition is RMB27,000,000 (equivalent to approximately HK$30,000,000). From date of acquisition to 31 March 2008, the revenue and consolidated loss of the Famous Rise Group contributed approximately RMB8,019,000 and RMB2,008,000 respectively to the consolidated result of the Group for the year ended 31 March 2008. Had the acquisition occurred on 1 April 2007, the revenue and consolidated loss of the Group for the year ended 31 March 2008 would have been approximately RMB9,117,000 and RMB12,432,000 respectively. The pro forma information is for illustrative purposes only and is not necessarily an indication of revenue and results of the Group that actually would have been achieved had the acquisition been completed on 1 April 2007, nor is it intended to be a projection of future results.

The fair value of the net assets acquired in the transaction, and goodwill on acquisition, are as follows:

	Carrying amounts	**Fair value adjustment**	**Recognised values**
	RMB'000	RMB'000	RMB'000
Cash and cash equivalents	1,129	–	1,129
Prepayments	27	–	27
Intangible assets acquired on acquisition*	–	18,899	18,899
	1,156	18,899	20,055
Goodwill arising on acquisition *(Note 17)*			6,945
			27,000
Satisfies by			
Cash consideration			27,000

* The intangible assets consist of signed customer contracts and the contractual rights enter into a co-operation agreement in respect of the provision of forensic investigation services in a forensic centre.

The intangible assets were valued at approximately RMB18,899,000 by independent qualified valuer, Asset Appraisal Limited, under the Income Capitalisation Approach at the date of acquisition.

Goodwill arose in the business combination because the cost of the combination included amount in relation to the benefits of expected synergy, revenue growth and future market development. These benefits are not recognised separately from goodwill as the future economic benefits arising from them cannot be reliably measured.

NOTES TO THE FINANCIAL STATEMENTS

FOR THE YEAR ENDED 31 MARCH 2008

37. ACQUISITION OF SUBSIDIARIES (Continued)

An analysis of the net inflow of cash and cash equivalents in respect of the acquisition of Famous Rise Group is as follows:

	RMB'000
Cash consideration	(27,000)
Cash and cash equivalents acquired	1,129
Net outflow of cash and cash equivalents in respect of the acquisition of Famous Rise Group	(25,871)

38. NON-CASH TRANSACTIONS

i) There was a deposit from customer of RMB27,000 transferred to the Group as a result of the acquisition of the subsidiary, Famous Rise International Limited. Such deposit from customer was subsequently taken up as an expense during the year. This was a non-cash transaction.

ii) During the year ended 31 March 2008, the Group entered into finance lease arrangements in respect of assets with a total capital value of RMB28,000 at the inception of the lease.

NOTES TO THE FINANCIAL STATEMENTS

FOR THE YEAR ENDED 31 MARCH 2008

39. SEGMENT INFORMATION

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

Business segments

The Group comprises the following main business segments:

Self-developed educational software
Application software
Self-developed internet learning card

	Self-developed educational software		Application software		Self-developed interest learning card		Consolidated	
	2008 RMB'000	2007 RMB'000	**2008 RMB'000**	2007 RMB'000	**2008 RMB'000**	2007 RMB'000	**2008 RMB'000**	2007 RMB'000
Revenue								
External sales	**–**	16	**8,019**	–	**1,098**	3,866	**9,117**	3,882
Inter-segment sales	**–**	–	**–**	–	**–**	–	**–**	–
Total revenue	**–**	16	**8,019**	–	**1,098**	3,866	**9,117**	3,882
Result								
Segment result	**–**	7	**111**	–	**483**	1,591	**594**	1,598
Unallocated corporate income and expenses							**(13,962)**	(7,449)
Operating loss							**(13,368)**	(5,851)
Interest expense	**–**	–	**–**	–	**(1)**	–	**(1)**	–
Interest income	**–**	–	**–**	–	**1,889**	375	**1,889**	375
Value added tax refunds on sale of self-developed education software	**90**	–	**–**	–	**–**	–	**90**	–
Share of profits less losses of associates	**–**	–	**–**	–	**(78)**	(308)	**(78)**	(308)
Taxation	**–**	–	**(987)**	–	**23**	39	**(964)**	39
Loss for the year							**(12,432)**	(5,745)
Other information								
Capital expenses	**–**	–	**(19)**	–	**(210)**	(117)	**(229)**	(117)
Depreciation	**–**	–	**–**	–	**(175)**	(262)	**(175)**	(262)
Amortisation of intangible assets	**–**	–	**(1,060)**	–	**–**	–	**(1,060)**	–
Impairment of								
– trade receivable	**–**	–	**–**	–	**(2,924)**	(4,212)	**(2,924)**	(4,212)
– other receivable	**–**	–	**–**	–	**(223)**	–	**(223)**	–
Significant non-cash expenses (other than depreciation and amortisation)	**–**	–	**(27)**	–	**–**	–	**(27)**	–
Assets								
Segment assets	**–**	–	**5,032**	–	**127,409**	59,884	**132,441**	59,884
Investments in associates	**–**	–	**–**	–	**732**	2,311	**732**	2,311
Unallocated corporate assets	**–**	–	**–**	–	**–**	–	**20,874**	–
Consolidated total assets							**154,047**	62,195
Liabilities								
Segment liabilities	**–**	–	**988**	–	**5,770**	7,915	**6,758**	7,915
Unallocated corporate liabilities	**–**	–	**–**	–	**–**	–	**393**	416
							7,151	8,331

39. SEGMENT INFORMATION (Continued)

Geographical segments

The Group participates in two principal economic environments, Hong Kong and PRC.

In presenting information on the basis of geographical segments, segment revenue is based on the geographical location of customers. Segment assets and capital expenditure are based on the geographical location of the assets.

	Hong Kong		PRC	
	2008	2007	**2008**	2007
	RMB'000	RMB'000	**RMB'000**	RMB'000
Revenue from external customers	**–**	–	**9,117**	3,882
Carrying amount of segment assets	**81,343**	16,429	**51,098**	43,455
Additions to property, plant, equipment	**188**	–	**41**	117

40. SUBSEQUENT EVENTS

On 13 May 2008, a wholly-owned subsidiary of A&K Educational Software Holding Limited (the "Company") entered into a letter of intent with each of the two potential vendors for the possible acquisition of companies ("Possible Acquisition") which will in turn invest in the business of application software relating to certain electricity supply, sale and production system in the PRC. The consideration for the Possible Acquisition would be satisfied by the Company with a combination of cash, issue of new shares of the Company (the "Shares") and/or convertible note at an issue price and/or conversion price (as the case may be) of not less than HK$2.30 per Shares. The terms (including consideration) of the Possible Acquisition are not yet agreed among the parties.

41. PARENT AND ULTIMATE CONTROLLING PARTY

The directors consider that the Company does not have a parent company or a controlling party.

42. COMPARATIVE FIGURES

Certain comparative figures have been adjusted to conform with the current year's presentation.

As a result of adopting HKFRS 7, Financial instruments: Disclosures, and the amendments to HKAS 1, Presentation of financial statements: Capital disclosures, certain comparative figures have been adjusted to conform with changes in disclosures in the current year and to show separately comparative amounts in respect of items disclosed for the first time in 2007. Further details of these developments are disclosed in note 2(b).

FIVE YEAR SUMMARY

FOR THE YEAR ENDED 31 MARCH 2008

The consolidated income statements of the Group for the financial years 2004 to 2008 and the consolidated balance sheets of the Group as at 31 March 2004, 2005, 2006, 2007 and 2008 are as follows:

	Year ended 31 March				
	2004	2005	2006	2007	**2008**
	RMB'000	RMB'000	RMB'000	RMB'000	**RMB'000**
Results					
Turnover	15,006	15,704	10,448	3,882	**9,117**
Profit/(loss) before taxation	11,358	9,579	2,954	(5,784)	**(11,468)**
Taxation	(1,076)	(936)	(409)	39	**(964)**
Profit/(loss) attributable to shareholders	10,282	8,643	2,545	(5,745)	**(12,432)**

	As at 31 March				
	2004	2005	2006	2007	**2008**
	RMB'000	RMB'000	RMB'000	RMB'000	**RMB'000**
Assets and liabilities					
Total assets	31,256	62,717	69,106	62,195	**154,047**
Total liabilities	(3,042)	(4,427)	(8,661)	(8,331)	**(7,151)**
Shareholders' funds	28,214	58,290	60,445	53,864	**146,896**