TAI SHING

Tai Shing International (Holdings) Limited

(incorporated in the Cayman Islands with limited liability)

Stock Code: 8103

Annual Report

2008

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

GEM has been established as a market designed to accommodate companies to which a high investment risk may be attached. In particular, companies may list on GEM with neither a track record of profitability nor any obligation to forecast future profitability. Furthermore, there may be risks arising out of the emerging nature of companies listed on GEM and the business sectors or countries in which the companies operate. Prospective investors should be aware of the potential risks of investing in such companies and should make the decision to invest only after due and careful consideration. The greater risk profile and other characteristics of GEM mean that it is a market more suited to professional and other sophisticated investors.

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

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

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

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

CONTENTS

CORPORATE INFORMATION

BOARD OF DIRECTORS

Executive Directors
Ms. Li Wenli
Mr. Ho Cho Hang

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

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

COMPANY SECRETARY

Mr. Young Wai Ching, ACCA, AHKSA

QUALIFIED ACCOUNTANT

Mr. Young Wai Ching, ACCA, AHKSA

COMPLIANCE OFFICER

Ms. Li Wenli

AUTHORISED REPRESENTATIVES

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

AUDIT COMMITTEE

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

REMUNERATION COMMITTEE

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

AUDITOR

SHINEWING (HK) CPA Limited

REGISTERED OFFICE

Cricket Square
Hutchins Drive
P.O. Box 2681
Grand Cayman KY1-1111
Cayman Islands

PRINCIPAL PLACE OF BUSINESS IN HONG KONG

24th Floor
Prosperous Commercial Building
54-58 Jardine's Bazaar
Causeway Bay
Hong Kong

LEGAL ADVISER

P.C Woo & Co.

PRINCIPAL BANKER

Hongkong and Shanghai Banking Corporation Limited

PRINCIPAL SHARE REGISTRAR

Butterfield Bank (Cayman) Limited
Butterfield House
68 Fort Street
George Town
Grand Cayman
Cayman Islands

HONG KONG BRANCH SHARE REGISTRAR

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

STOCK CODE

08103

WEBSITE

www.taishingintl.com

CHAIRMAN'S STATEMENT

BUSINESS REVIEW

During the year under review, the Group recorded a consolidated turnover of approximately HK$52.8 million which represented a decrease of approximately 18.4% as compared with that of the corresponding year. The decrease is principally due to the keen competition within the industry arising from the increase in the number of small scale system development solution providers in the sector.

Beijing Tongfang is principally engaged in research, development and provision of integrated management information system for power plants and banks. During the year under review, contracts completed included management information system provided to Guangzhou Zhujiang LNG Power Plant, Datang Sanmenxia Electric Power Co, Ltd., Zhanjiang Power Supply Bureau and Yunfu Power Supply Bureau of Guangdong Power Grid Corporation.

Throughout the year, the Group has continued to focus on the business development of Beijing Tongfang. However, due to the keen competition within the industry, the revenue generated by Beijing Tongfang has gradually declined and the business segment has only recoded marginal profit for the year under review. In view of this and leveraging on its technical expertise in the system integration sector, the Group has extended to carry out the security and surveillance business in the PRC during the year through its associated company, Tai Shing (Hong Kong) Limited.

BUSINESS OUTLOOK

Under the keen market competition environment and with a view to extending the Group's business, the Directors have identified to pursue further in the security and surveillance industry (the "SSI") in the PRC as it is expected that demand for SSI related products and services will continue to grow in the near future.

Looking ahead, apart from the provision of integrated management information system, the Group will further explore and dedicate resources to its strategic investments in the SSI in the PRC so as to improving the overall performance of the Group.

I would like to thank the Board of Directors and all the Company's employees for their contribution and dedication to the business development of the Group.

Sincerely yours,
Luk Yat Hung
Chairman

Hong Kong, 26 June 2008

MANAGEMENT DISCUSSION AND ANALYSIS

FINANCIAL PERFORMANCE

During the year ended 31 March 2008, the Group recorded a turnover of HK$52.8 million (2007: HK$64.7million) representing a decrease of approximately 18.4% as compared with the turnover for the year ended 31 March 2007. The decrease was principally caused by the keen competition within the industry. As a result of the general increase in overheads, the general and administrative expenses were approximately HK$13.4 million as compared to HK$10.0 million of the previous corresponding year, representing an increase of approximately 34%. Other operating expenses were increased to HK$10.7 million (2007: HK$4.1 million) which was mainly due to the increase in provision of trade and other receivable of approximately HK$3.5 million and recognised impairment loss on intangible asset of approximately HK$2.9 million. Loss attributable to the shareholders amounted to approximately HK$19.9 million (2007: loss of HK$2.5 million).

LIQUIDITY, FINANCIAL RESOURCES AND CAPITAL STRUCTURE

As at 31 March 2008, shareholders' funds of the Group amounted to approximately HK$16.5 million (2007: HK$24.3 million). Current assets amounted to approximately HK$86.5 million (2007: HK$61.8 million), of which approximately HK$15.7 million (2007: HK$10.1 million) were cash and cash equivalents. Current liabilities were approximately HK$75.2 million (2007: HK$47.2 million) mainly comprised of trade and other payables, amounts due to customers for contract work and receipts in advance. Total borrowings of the Group as at 31 March 2008 were HK$8.9 million (2007: nil) which were unsecured short-term bank loan with an effective interest rate of 8.019% (2007: nil).

On 14 December 2007, the Company issued 18,195,000 new ordinary shares of HK$0.05 each in the Company at a price of HK$0.562 per share to independent third parties raising net proceeds of approximately HK$9.47 million for working capital of the Group. The new shares issued rank pari passu with other shares in issue in all respect. Save for the abovementioned, during the year under review, there was no material changes on the capital structure of the Company. The Group further confirms that, as at 31 March 2008, it does not have impending capital expenditure commitments.

GEARING RATIO

The gearing ratio calculated on the basis of total liabilities over the total shareholders' fund as at 31 March 2008 was 455% (2007: 194%).

FOREIGN CURRENCY EXPOSURE

During the year ended 31 March 2008, the Group experienced only immaterial exchange rate fluctuations, as the Group's operations were mainly denominated in Hong Kong dollars and Renminbi. As the risk on exchange rate difference considered being minimal, the Group did not employ any financial instruments for hedging purposes.

MANAGEMENT DISCUSSION AND ANALYSIS

NEW PRODUCTS AND SERVICES

Throughout the year, apart from focusing on the business development of Beijing Tongfang, the Group has extended to carry out the security and surveillance business in the PRC through its associated company, Tai Shing (Hong Kong) Limited,

SIGNIFICANT INVESTMENTS, MATERIAL ACQUISITIONS AND DISPOSAL OF SUBSIDIARIES

Pursuant to a directors' resolution of Acon Enterprises Limited ("Acon") (formerly a wholly-owned subsidiary of the Company) passed on 1 February 2008, 7,000 new ordinary shares ("New Shares") in Acon were issued and allotted to the Company and independent third parties. Upon the allotment of the New Shares of Acon, the Company's holding of equity interests in Acon was diluted to 25.5% and the Company has deemed to have disposed of 74.5% interest in Acon and its subsidiary (the "Acon Group") and Acon Group became associates of the Group.

Save for the abovementioned, as at 31 March 2008 and up to the date of this report, the Group did not have any other significant investments, material acquisitions or disposal of subsidiaries.

FUTURE PLANS FOR MATERIAL INVESTMENTS OR CAPITAL ASSETS

As at 31 March 2008, the Group had no known plans for material investments or capital assets.

SEGMENT INFORMATION

The Group is principally engaged in two business segments. The Group presents its segmental information based on the nature of the products and services provided.

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

- systems development; and
- professional services.

Turnover generated from PRC represented over 90% of the total turnover of the Group for the year ended 31 March 2008 and 2007.

MANAGEMENT DISCUSSION AND ANALYSIS

EMPLOYEES AND REMUNERATION POLICIES

As at 31 March 2008, the Group had hired 4 and 178 (2007: a total of 230) employees in Hong Kong and PRC respectively including the executive directors of the Company. Total staff costs including directors' remuneration for the year under review amounting to approximately HK$21.9 million (2007: HK$19.2 million). The increase was mainly due to the general rise in wages and salaries for the PRC employees in the information technology sector. The Group's remuneration policies are in line with the prevailing market practices and are determined on the basis of performance and experience of individual employees.

The Group had not made any changes to its remuneration policy and no bonuses were granted to any of its executive directors or employees for the year ended 31 March 2008.

The Company has conditionally adopted a new share option scheme on 22 October 2003 to replace the old share option scheme adopted on 26 August 2000. Pursuant to both schemes, the directors and employees of the Company and its subsidiaries may be granted options to subscribe for shares of the Company. During the year ended 31 March 2008, no option was granted under both the old and new share option schemes.

CHARGES ON GROUP'S ASSETS AND CONTINGENT LIABILITIES

Details of charges on the Group's assets and contingent liabilities are set out in note 38 to the financial statements.

DIRECTORS AND SENIOR MANAGEMENT PROFILE

EXECUTIVE DIRECTORS

Ms. Li Wenli, aged 37, chief executive officer and Compliance Officer. Ms. Li graduated from Hebei University of Technology with a bachelor degree in computer science and engineering and holds a master degree in economics with Peking University. Prior to joining the Group, Ms. Li held senior positions with China Textile Machinery Co., Ltd. and Shanghai Guojia Industrial Co., Ltd., companies listed in The Shanghai Stock Exchange. She is a director and vice general manager of Beijing Tongfang Electronic Science & Technology Co., Ltd., a wholly-owned subsidiary of the Company.

Mr. Ho Cho Hang, aged 54, joined the Group in January 2006. He has over 25 years of experience in administration and securities broking with two leading securities houses.

NON-EXECUTIVE DIRECTOR

Mr. Luk Yat Hung, aged 48, non-executive Chairman, joined the Group in July 2003. Mr. Luk is a member of Chartered Association of Certified Accountants of the United Kingdom and a fellow member of Hong Kong Institute of Certified Public Accountants with a master degree in business administration with Oklahoma City University, the United States of America. Mr. Luk has over 20 years of working experience with a number of international conglomerates performing functions of chief financial officer.

INDEPENDENT NON-EXECUTIVE DIRECTORS

Mr. Chung Shui Ming, Timpson, *GBS, JP*, aged 56, joined the Group as an independent non-executive Director in July 2003 and he is also the chairman of the audit committee of the Company. Mr. Chung holds a Master of Business Administration degree and is a fellow member of Hong Kong Institute of Certified Public Accountants and the Association of Chartered Certified Accountants. He is a member of the National Committee of the Chinese People's Political Consultative Conference and the Chairman of the Council of the City University of Hong Kong. Mr. Chung is also an independent non-executive director of China Netcom Group Corporation (Hong Kong) Limited, Glorious Sun Enterprises Limited, The Miramar Hotel & Investment Co. Limited and Nine Dragons Paper (Holdings) Limited, (four companies are all listed on the Stock Exchange). Formerly, Mr. Chung was the Chairman of the Hong Kong Housing Society and the Chief Executive of the Hong Kong Special Administrative Region Government Land Fund Trust.

Professor Ip Ho Shing, Horace, aged 51, joined the Group as an independent non-executive Director in July 2003 and he is a member of the audit committee of the Company. Professor Ip graduated from the University of London with a Bachelor of Science degree in Applied Physics and a Doctorate degree in Image Processing. He is the Chair Professor of the Department of Computer Science and a director of the Centre for Innovative Applications of Internet and Multimedia Technologies - AIMtech Centre of the City University of Hong Kong.

DIRECTORS AND SENIOR MANAGEMENT PROFILE

Mr. Yan Yonghong, aged 41, joined the Group in September 2004. Mr. Yan graduated from Tsinghua University with a Bachelor of Science degree in Electronic Engineering and holds a Doctorate degree in Computer Science and Engineering with Oregon Graduate Institute of Science and Engineering, the United States of America. Mr. Yan had been a principal engineer of Intel Corporation and an associate professor of Oregon Health and Science University. Currently, he is appointed by the Chinese Academy of Sciences as a professor and an instructor of doctorate students. He is also appointed by the Chinese government as a member of the vetting committee of National Science Foundation of China.

Mr. Peng Lijun, aged 41, joined the Group in December 2004. Mr. Peng graduated from Jianghan Petroleum University major in architectural civil engineering. Mr. Peng has extensive experience in the industries of petroleum and civil engineering. Currently, he is appointed by Xinjiang YouBang Engineering Construction Co. Ltd. and Kelamayi YouBang Real Estate Developing Co. Ltd. as the president.

SENIOR MANAGEMENT

Mr. Young Wai Ching, aged 39, qualified accountant and company secretary, joined the Group in July 2003. Mr. Young is a practising member of Hong Kong Institute of Certified Public Accountants and a member of Chartered Association of Certified Accountants of the United Kingdom. He has over 15 years working experience in an accounting firm in Hong Kong performing auditing and management functions. Mr. Young is also the Qualified Accountant of the Company.

CORPORATE GOVERNANCE REPORT

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

CODE ON CORPORATE GOVERNANCE PRACTICES

The Company has complied with the code provisions set out in the Code on Corporate Governance Practices (the "Code") contained in Appendix 15 of the GEM Listing Rules (the "Listing Rules") throughout the year ended 31 March 2008.

SECURITIES TRANSACTIONS BY DIRECTORS

The Company has adopted a code of conduct regarding securities transactions by directors on terms no less exacting than the required standard of dealings as set out in 5.48 to 5.67 of the Listing Rules. Having made specified enquiry with the Directors, all the Directors confirmed that they have complied with the required standard of dealings for the year ended 31 March 2008.

BOARD OF DIRECTORS

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

As at 31 March 2008, the Board comprised 7 Directors, including the Non-executive Chairman, the Chief Executive Officer, 1 Executive Director, and 4 Independent Non-executive Directors. One of the Independent Non-executive Director has appropriate professional qualifications, or accounting or related financial management expertise. Biographical details of the Directors are set out on page 7.

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

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

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

CORPORATE GOVERNANCE REPORT

In the financial year ended 31 March 2008 the Board held 4 regular meetings, and the attendance records of the meetings are set out below:

	Attended
Non-executive Chairman	
Mr. Luk Yat Hung	4/4
Executive Directors	
Ms. Li Wenli *(Chief Executive Officer)*	4/4
Mr. Ho Cho Hang	4/4
Independent Non-executive Directors	
Mr. Chung Shui Ming, Timpson	4/4
Professor Ip Ho Shing, Horace	4/4
Mr. Yan Yonghong	3/4
Mr. Peng Lijun	3/4

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

REMUNERATION OF DIRECTORS

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

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

During the year, the remuneration committee held 1 meeting. Details of the attendance of the remuneration committee meeting are set out below:

Name of Member	Attendance
Professor Ip Ho Shing, Horace	1/1
Mr. Chung Shui Ming, Timpson	1/1

CORPORATE GOVERNANCE REPORT

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

NOMINATION OF DIRECTORS

The Company has not established a nomination committee. A board meeting was held on 26 June 2008 for nomination of Directors. The attendance records of the meeting are set out below:

	Attendance
Non-executive Chairman	
Mr. Luk Yat Hung	1/1
Executive Directors	
Ms. Li Wenli	1/1
Mr. Ho Cho Hang	1/1
Non-executive Directors	
Mr. Chung Shui Ming, Timpson	1/1
Professor Ip Ho Shing, Horace	1/1
Mr. Yan Yonghong	0/1
Mr. Peng Lijun	1/1

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

DIRECTORS' RESPONSIBILITY FOR THE FINANCIAL STATEMENTS AND INTERNAL CONTROL

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

The Directors' responsibilities in the preparation of the financial statements and the auditor's responsibilities are set out in the Independent Auditor's Report.

The Board has overall responsibility for the establishment, maintenance and review of the Group's system of internal control. The Board has conducted a review of the system of internal control of the Group, and made suggestions to improve the system. The Board is satisfied that the internal control system of the Group, after implementing the suggested improvements, will be effective.

CORPORATE GOVERNANCE REPORT

AUDIT COMMITTEE

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

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

The Audit Committee held 4 meetings in the financial year ended 31 March 2008. The attendance records of the Audit Committee meetings are set out below:

Name of Member	Attended
Mr. Chung Shui Ming, Timpson *(Chairman)*	4/4
Professor Ip Ho Shing, Horace	4/4
Mr. Yan Yonghong	3/4
Mr. Peng Lijun	3/4

For 2007/08, the Audit Committee reviewed with senior management and the auditors of the Company their audit findings, the accounting principles and practices adopted by the Company, legal and regulatory compliance, and financial reporting matters (including the unaudited quarterly and interim results and audited financial statements for the year ended 31 March 2008).

The audited consolidated results of the Group for the year ended 31 March 2008 have been reviewed by the Audit Committee.

AUDITOR'S REMUNERATION

For the financial year ended 31 March 2008, the auditor of the Company received approximately HK$450,000 for audit services.

DIRECTORS' REPORT

The board of directors (the "Directors") of Tai Shing International (Holdings) Limited ("the Company") has the pleasure in presenting their report together with the audited financial statements of the Company and its subsidiaries (collectively the "Group") for the year ended 31 March 2008.

PRINCIPAL ACTIVITIES AND SEGEMENT INFORMATION

The principal activity of the Company is investment holding and the activities of the subsidiaries are set out in note 40 to the financial statements.

An analysis of the Group's performance for the year ended 31 March 2008 by business and geographical segments are set out in note 11 to the financial statements.

RESULTS

The results of the Group for the year ended 31 March 2008 are set out in the consolidated income statement on page 23.

PLANT AND EQUIPMENT

Details of the movements in plant and equipment of the Group during the year ended 31 March 2008 are set out in note 18 to the financial statements.

SHARE CAPITAL

Details of the movements in share capital of the Group during the year ended 31 March 2008 are set out in note 32 to the financial statements.

RESERVES

Details of the movements in reserves of the Group during the year under review are set out in the consolidated statement of changes in equity on page 25.

DISTRIBUTABLE RESERVES

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

As at 31 March 2008, in the opinion of the Directors of the Company, the Company's reserves available for distribution to shareholders was approximately HK$13.9 million.

DIRECTORS' REPORT

MAJOR CUSTOMERS AND SUPPLIERS

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

For the year, the aggregate percentage of sales attributable to the Group's five largest customers accounted for approximately 27% of the total sales of the Group and the largest customer included therein amounted to approximately 6%.

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

DIVIDENDS

The Directors do not recommend the payment of any final dividend for the year ended 31 March 2008.

RETIREMENT BENEFITS SCHEME

Details of the Group's retirement benefits scheme for the year ended 31 March 2008 are set out in note 16 to the financial statements.

RELATED PARTY TRANSACTIONS

Details of the Group's related party transactions are set out in note 37 to the financial statements.

DIRECTORS

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

Non-executive Directors
Mr. Luk Yat Hung

Executive Directors
Ms. Li Wenli
Mr. Ho Cho Hang

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

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

RETIREMENT OF DIRECTORS

Subject to the retirement by rotation provisions in the articles of association and the requirements of the Code on Corporate Governance Practices as set out in Appendix 15 of the GEM Listing Rules, Mr. Chung Shui Ming, Timpson and Professor Ip Ho Shing, Horace will retire by rotation accordingly, and being eligible, offer themselves for re-election.

DIRECTORS' REPORT

DIRECTORS' SERVICE CONTRACTS

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

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

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

DIRECTORS' REMUNERATION

Details of the Directors' remuneration are set out in note 17 to the financial statements.

DIRECTORS' AND CHIEF EXECUTIVE'S INTERESTS IN SECURITIES

As at 31 March 2007, the relevant interests or short positions of the Directors and chief executive of the Company in the shares, underlying shares and debentures of the Company or any of its associated corporations (within the meaning of Part XV of the Securities and Futures Ordinance (Chapter 571, the Laws of Hong Kong) ("SFO")) which were required to be notified to the Company and the Stock Exchange pursuant to Divisions 7 and 8 of Part XV of the SFO (including interests or short positions which they have taken or deemed to have under such provisions of the SFO), or which are required, pursuant to Section 352 of the SFO, to be entered in the register maintained by the Company referred to therein, or which are required, pursuant to the required standard of dealing by the Directors under the GEM Listing Rules relating to securities transactions by the Directors, to be notified to the Company and the Stock Exchange, were as follows:

LONG POSITIONS IN THE SHARES OF THE COMPANY

Name of Director	**Nature of Shares Interested**	**Number of Shares Interested**	**Approximate Percentage of issued share capital**
Mr. Luk Yat Hung *(Note)*	Corporate	21,542,476	19.73%
Mr. Ho Cho Hang	Personal	1,100,000	1.01%

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

DIRECTORS' REPORT

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

As at 31 March 2008, no long positions of the Directors and chief executive in the underlying shares of equity derivatives and debentures of the Company and its associated corporations were recorded in the register or as otherwise notified to the Company and the Stock Exchange pursuant to Rule 5.46 of the GEM Listing Rules.

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

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

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

SUBSTANTIAL SHAREHOLDERS

So far as is known to the Directors of the Company, as at 31 March 2008, the following persons who had an interest or short position in the shares of the Company as recorded in the register required to be kept under Section 336 of the SFO:-

Name of Shareholders	*Note*	**Number of shares held**	**Approximate Percentage of shareholding**
Wide Source Group Ltd.	*1*	21,542,476	19.73%
Mr. Luk Yat Hung	*2*	21,542,476	19.73%
Resuccess Investments Limited	*3*	15,890,000	14.55%
Tongfang Co. Limited	*4*	15,890,000	14.55%
Tsinghua Holdings Company Ltd.	*5*	15,890,000	14.55%
Best Jade Ltd.	*6*	7,190,000	6.58%
Ms. Li Luyuan	*7*	7,190,000	6.58%

DIRECTORS' REPORT

Notes:

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

2. Mr. Luk Yat Hung will be taken to be interested in 21,542,476 shares in the Company as a result of him being beneficially interested in 100% of the issued share capital of Wide Source which in turn holds 21,542,476 shares in the Company.

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

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

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

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

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

LONG POSITIONS IN UNDERLYING SHARES OF THE COMPANY

As at 31 March 2008, no long positions of other persons or substantial shareholders in the underlying shares of equity derivatives of the Company and its associated corporations were recorded in the register.

SHORT POSITIONS IN SHARES OF THE COMPANY

As at 31 March 2008, no short positions of other persons or substantial shareholders in the shares of the Company and its associated corporations were recorded in the register.

SHORT POSITIONS IN UNDERLYING SHARES OF THE COMPANY

As at 31 March 2008, no short positions of other persons or substantial shareholders in the underlying shares of equity derivatives of the Company and its associated corporations were recorded in the register.

Save as disclosed above, as at 31 March 2008, the Directors were not aware of any other person who has an interest or short position in the shares or underlying shares (including interest in options, if any) of the Company as recorded in the register required to be kept under Section 336 of the SFO.

DIRECTORS' INTERESTS IN CONTRACTS

No contracts of significance in relation to the Group's business to which any member of the Group was a party and in which a Director of the Group had a material interest, whether directly or indirectly, subsisted at the end of the year ended 31 March 2008 or at any time during such period.

DIRECTORS' COMPETING INTERESTS

As of 31 March, 2008, none of the Directors, the substantial shareholders or the management shareholders of the Company or their respective associates (as defined under the GEM Listing Rules) had any business or interest in a business which competes or may compete with the business of the Group.

DIRECTORS' REPORT

SHARE OPTION SCHEME

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

(a) Purpose of the Scheme

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

(b) Participants of the Scheme

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

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

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

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

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

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

(c) Basis for Determining the Subscription Price

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

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

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

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

DIRECTORS' REPORT

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

(d) Maximum Numbers Available for Issue

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

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

As at 31 March 2008, the total number of shares available for issue under the New Scheme was 10,919,000 shares representing 10% of the issued share capital of the Company.

(e) Maximum Entitlement of Each Participant

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

(f) Time of Exercise of Option

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

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

(g) Remaining Life of the Scheme

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

No option has been granted by the Company under both of the Old Scheme and the New Scheme during the year under review or outstanding as at 31 March 2008.

Save as disclosed herein, as at 31 March 2008, none of the Directors, chief executive, substantial shareholders or management shareholders or their respective associates (as defined under the GEM Listing Rules) had any right to subscribe for the shares of the Group.

DIRECTORS' REPORT

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

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

Save as disclosed above, as at 31 March 2008, none of the Directors, chief executive or their associates had any interests or rights to subscribe for any securities of the Company or any of its associate corporations as defined in the SDI Ordinance.

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

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

From the date of listing since 8 September 2000 up to the year ended 31 March 2008, neither the Company nor any of its subsidiaries had purchased, sold or redeemed any of the Company's listed securities.

FIVE-YEAR SUMMARY

A summary of results and of the assets and liabilities of the Group for the last five financial years is set out on page 68 of this report.

PRE-EMPTIVE RIGHTS

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

AUDITOR

The financial statements for the two financial years ended 31 March 2006 and 2007 were audited by RSM Nelson Wheeler. SHINEWING (HK) CPA Limited was first appointed as auditor of the Company in April 2008 after the resignation of RSM Nelson Wheeler.

A resolution to re-appoint SHINEWING (HK) CPA Limited will be put at the forthcoming annual general meeting.

On behalf of the Board

Li Wenli
Chief Executive Officer

Hong Kong, 26 June 2008

INDEPENDENT AUDITOR'S REPORT

信永中和 ShineWing

SHINEWING (HK) CPA Limited
16/F., United Centre
95 Queensway, Hong Kong

SHINEWING (HK) CPA Limited
TO THE SHAREHOLDERS OF TAI SHING INTERNATIONAL (HOLDINGS) LIMITED
(incorporated in the Cayman Islands with limited liability)

We have audited the consolidated financial statements of Tai Shing International (Holdings) Limited (the "Company") and its subsidiaries (collectively referred to as the "Group") set out on pages 23 to 67, which comprise the consolidated balance sheet as at 31st March 2008, 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 CONSOLIDATED FINANCIAL STATEMENTS

The directors of the Company are responsible for the preparation and the true and fair presentation of these consolidated 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 the consolidated 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 consolidated financial statements based on our audit and to report our opinion solely to you, as a body, and for no other purpose. We do not assume responsibility towards or accept liability to any other person for the contents of this report. 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 consolidated financial statements are free from material misstatement.

An audit involves performing procedures to obtain audit evidence about the amounts and disclosures in the consolidated financial statements. The procedures selected depend on the auditor's judgment, including the assessment of the risks of material misstatement of the consolidated 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 consolidated financial statements in order to design

INDEPENDENT AUDITOR'S REPORT *(Continued)*

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 consolidated 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 Group as at 31st March 2008 and of the Group's loss and cash flows for the year then ended in accordance with Hong Kong Financial Reporting Standards and have been properly prepared in accordance with the disclosure requirements of the Hong Kong Companies Ordinance.

SHINEWING (HK) CPA Limited
Certified Public Accountants
Ip Yu Chak
Practising Certificate Number: P04798

Hong Kong, 26 June 2008

CONSOLIDATED INCOME STATEMENT

For the year ended 31st March 2008

	Notes	2008 HK$'000	2007 HK$'000
Turnover	8	**52,835**	64,706
Cost of services		**(50,528)**	(52,981)
Gross profit		**2,307**	11,725
Other operating income	8	**6,410**	6,896
Selling and distribution expenses		**(3,622)**	(6,604)
Administrative expenses		**(13,351)**	(10,035)
Other operating expenses	9	**(10,736)**	(4,066)
Finance costs	10	**(333)**	—
Share of results of associates		**(1)**	—
Loss before taxation		**(19,326)**	(2,084)
Income tax expense	12	**(527)**	(380)
Loss for the year	13	**(19,853)**	(2,464)
Loss per share-basic	15	**HK(20.59) cents**	HK(2.70) cents

CONSOLIDATED BALANCE SHEET

As at 31st March 2008

	Notes	2008 HK$'000	2007 HK$'000
Non-current assets			
Plant and equipment	18	**5,270**	6,894
Intangible asset	19	**—**	2,804
Interests in associates	20	**5**	—
		5,275	9,698
Current assets			
Inventories	21	**—**	181
Trade and other receivables	22	**50,437**	35,916
Amounts due from customers for contract work	23	**17,452**	14,076
Tax recoverable		**168**	228
Financial assets at fair value through profit or loss	24	**574**	328
Pledged bank deposits	25	**2,210**	926
Bank balances and cash	25	**15,651**	10,146
		86,492	61,801
Current liabilities			
Amounts due to customers for contract work	23	**10,450**	8,171
Trade and other payables	26	**33,517**	31,957
Receipts in advance	27	**12,123**	2,149
Warranty provision	28	**490**	858
Amount due to a substantial shareholder	29	**9,427**	4,028
Amounts due to associates	30	**282**	—
Bank borrowing	31	**8,946**	—
		75,235	47,163
Net current assets		**11,257**	14,638
Net assets		**16,532**	24,336
Capital and reserves			
Share capital	32	**5,460**	4,550
Reserves		**11,072**	19,786
Total equity		**16,532**	24,336

Approved and authorised for issue by the Board of Directors on 26 June 2008:

Li Wenli
Director

Ho Cho Hang
Director

CONSOLIDATED STATEMENT OF CHANGES IN EQUITY

For the year ended 31st March 2008

	Share capital HK$'000	Share premium HK$'000	General reserve (Note a) HK$'000	Capital reserve (Note b) HK$'000	Exchange translation reserve HK$'000	Accumulated profits (losses) HK$'000	Total HK$'000
At 1st April 2006	4,550	14,049	466	1,200	235	4,603	25,103
Exchange difference arising on translation of overseas operation	—	—	—	—	1,697	—	1,697
Loss for the year	—	—	—	—	—	(2,464)	(2,464)
Transfer	—	—	758	—	—	(758)	—
Total recognised income and expenses for the year	—	—	758	—	1,697	(3,222)	(767)
At 31st March 2007	4,550	14,049	1,224	1,200	1,932	1,381	24,336
Exchange difference arising on translation of overseas operation	—	—	—	—	2,283	—	2,283
Loss for the year	—	—	—	—	—	(19,853)	(19,853)
Transfer	—	—	680	—	—	(680)	—
Total recognised income and expenses for the year	—	—	680	—	2,283	(20,533)	(17,570)
Issue of shares upon placement of shares	910	9,320	—	—	—	—	10,230
Share issue expenses	—	(464)	—	—	—	—	(464)
At 31st March 2008	5,460	22,905	1,904	1,200	4,215	(19,152)	16,532

Notes:

(a) General reserve

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

(b) Capital reserve

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

CONSOLIDATED CASH FLOW STATEMENT

For the year ended 31st March 2008

	2008 HK$'000	2007 HK$'000
OPERATING ACTIVITIES		
Loss before taxation	**(19,326)**	(2,084)
Adjustments for:		
Interest income	**(120)**	(116)
Interest expense	**333**	—
Deemed gain on disposal of subsidiaries	**(30)**	—
Depreciation	**1,899**	1,899
Fair value losses (gains) on financial assets at fair value through profit or loss	**188**	(12)
Gain on disposal of financial assets at fair value through profit or loss	**(390)**	(405)
(Gain) loss on disposal of plant and equipment	**(182)**	73
Impairment loss recognised in respect of intangible asset	**2,945**	—
Impairment loss recognised in respect of other receivables	**3,603**	886
Impairment loss recognised in respect of trade receivables	**4,000**	3,180
Provision for warranty, net	**(105)**	707
Reversal of impairment loss in respect of trade receivables	**(516)**	(63)
Reversal of impairment loss in respect of other receivables	**(1,062)**	(1,960)
Share of results of associates	**1**	—
Write down of inventories	**190**	—
Operating cash flow before movements in working capital	**(8,572)**	2,105
Increase in inventories	**—**	(41)
Increase in trade and other receivables	**(14,921)**	(3,795)
(Increase) decrease in amounts due from/to customers for contract work	**(483)**	8,197
Decrease in financial assets at fair value through profit or loss	**—**	1,816
Decrease in trade and other payables	**(1,079)**	(1,720)
Increase (decrease) in receipts in advance	**9,759**	(1,618)
Decrease in warranty provision	**(328)**	(132)
Increase in amount due to a substantial shareholder	**4,996**	582
Cash (used in) generated from operations	**(10,628)**	5,394
PRC Enterprise Income Tax paid	**(467)**	(484)
NET CASH (USED IN) FROM OPERATING ACTIVITIES	**(11,095)**	4,910

CONSOLIDATED CASH FLOW STATEMENT *(Continued)*

For the year ended 31st March 2008

	Note	2008 HK$'000	2007 HK$'000
INVESTING ACTIVITIES			
(Increase) decrease in pledged bank deposits		**(1,842)**	1,694
Purchase of financial assets at fair value through profit or loss		**(1,482)**	—
Purchases of plant and equipment		**(662)**	(1,001)
Disposal of subsidiaries (net of cash and cash equivalents)	34	**(3)**	—
Proceeds from disposal of financial assets at fair value through profit or loss		**1,481**	—
Proceeds from disposal of plant and equipment		**1,057**	—
Interest received		**120**	116
Development costs paid		**—**	(2,804)
NET CASH USED IN INVESTING ACTIVITIES		**(1,331)**	(1,995)
FINANCING ACTIVITIES			
Proceeds from issue of shares, net of expenses		**9,766**	—
New bank borrowing raised		**8,946**	—
Finance costs paid		**(333)**	—
NET CASH FROM FINANCING ACTIVITIES		**18,379**	—
NET INCREASE IN CASH AND CASH EQUIVALENTS		**5,953**	2,915
CASH AND CASH EQUIVALENTS AT THE BEGINNING OF THE YEAR		**10,704**	5,779
EFFECT OF FOREIGN EXCHANGE RATE CHANGES		**(1,006)**	2,010
CASH AND CASH EQUIVALENTS AT THE END OF THE YEAR		**15,651**	10,704
ANALYSIS OF CASH AND CASH EQUIVALENTS			
Bank balances and cash		**15,651**	10,146
Bank deposits with a short maturity of less than three months when acquired		**—**	558
		15,651	10,704

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

For the year ended 31st March 2008

1. GENERAL

The Company is incorporated in the Cayman Islands as an exempted company with limited liability. The shares of the Company are listed on the Growth Enterprise Market (the "GEM") of The Stock Exchange of Hong Kong Limited (the "Stock Exchange").

The addresses of the registered office and principal place of business of the Company are disclosed in the Corporate Information section to the Annual Report.

The consolidated financial statements are presented in Hong Kong dollars ("HK$"), and the functional currency of the Company is Renminbi ("RMB").

As the Company is listed in Hong Kong, the directors of the Company consider that it is appropriate to present the consolidated financial statements in HK$.

The principal activity of the Company is investment holding and the principal activities of its subsidiaries are set out in note 40.

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

In the current year, the Group has applied, for the first time, the following new standard, amendment and interpretations ("new HKFRSs") issued by the Hong Kong Institute of Certified Public Accountants ("HKICPA"), which are effective for the Group's financial year beginning 1st April 2007.

Hong Kong Accounting Standard ("HKAS") 1 (Amendment)	Capital Disclosures
HKFRS 7	Financial Instruments: Disclosures
HK(IFRIC)-Interpretation ("INT") 7	Applying the Restatement Approach under HKAS 29 Financial Reporting in Hyperinflationary Economies
HK(IFRIC)-INT 8	Scope of HKFRS 2
HK(IFRIC)-INT 9	Reassessment of Embedded Derivatives
HK(IFRIC)-INT 10	Interim Financial Reporting and Impairment
HK(IFRIC)-INT 11	HKFRS 2: Group and Treasury Share Transactions

The adoption of the new HKFRSs had no material effect on how the results and financial position for the current or prior accounting periods have been prepared and presented. Accordingly, no prior period adjustment has been required.

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

For the year ended 31st March 2008

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

The Group has not early applied the following new and revised standards, amendment and interpretations that have been issued but are not yet effective.

HKAS 1 (Revised)	Presentation of Financial Statements[1]
HKAS 1 (Amendment)	Presentation of Financial Statements — Puttable Financial Instruments and Obligations Arising on Liquidation[1]
HKAS 23 (Revised)	Borrowing Cost[1]
HKAS 27 (Revised)	Consolidated and Separate Financial Statements[4]
HKAS 32 (Amendment)	Financial Instruments: Presentation[1]
HKFRS 2 (Amendment)	Share-based Payment — Vesting Conditions and Cancellations[1]
HKFRS 3 (Revised)	Business Combination[4]
HKFRS 8	Operating Segments[1]
HK(IFRIC)-INT 12	Service Concession Arrangements[2]
HK(IFRIC)-INT 13	Customer Loyalty Programmes[3]
HK(IFRIC)-INT 14	HKAS 19 — The Limit on a Defined Benefit Asset, Minimum Funding Requirements and their Interaction[2]

[1] Effective for annual periods beginning on or after 1st January 2009.
[2] Effective for annual periods beginning on or after 1st January 2008.
[3] Effective for annual periods beginning on or after 1st July 2008.
[4] Effective for annual periods beginning on or after 1st July 2009.

The directors of the Company anticipate that the application of these standards or interpretations will have no material impact on the results and the financial position of the Group.

3. SIGNIFICANT ACCOUNTING POLICIES

The consolidated financial statements have been prepared on the historical cost basis except for certain financial instruments, which are measured at fair values, as explained in the accounting policies set out below.

The consolidated financial statements have been prepared in accordance with HKFRSs issued by the HKICPA. In addition, the consolidated financial statements include applicable disclosures required by the Rules Governing the Listing of Securities on the GEM of the Stock Exchange and by the Hong Kong Companies Ordinance.

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

For the year ended 31st March 2008

3. SIGNIFICANT ACCOUNTING POLICIES *(Continued)*

(a) Basis of consolidation

The consolidated financial statements incorporate the financial statements of the Company and entities (including special purpose entities) controlled by the Company (its subsidiaries). Control is achieved where the Company has the power to govern the financial and operating policies of an entity so as to obtain benefits from its activities.

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

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

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

(b) Investments in subsidiaries

Investments in subsidiaries are included in the Company's balance sheet at cost less any identified impairment loss.

(c) Investments in associates

An associate is an entity over which the investor has significant influence and that is neither a subsidiary nor an interest in a joint venture.

The results and assets and liabilities of associates are incorporated in these financial statements using the equity method of accounting. Under the equity method, investments in associates are carried in the consolidated balance sheet at cost as adjusted for post-acquisition changes in the Group's share of the net assets of the associates, less any identified impairment loss. When the Group's share of losses of an associate equals or exceeds its interest in that associate (which includes any long-term interests that, in substance, form part of the Group's net investment in the associate), the Group discontinues recognising its share of further losses. An additional share of losses is provided for and a liability is recognised only to the extent that the Group has incurred legal or constructive obligations or made payments on behalf of that associate.

Any excess of the Group's share of the net fair value of the identifiable assets, liabilities and contingent liabilities over the cost of acquisition, after reassessment, is recognised immediately in profit or loss.

Where a group entity transacts with an associate of the Group, profits and losses are eliminated to the extent of the Group's interest in the relevant associate.

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

For the year ended 31st March 2008

3. SIGNIFICANT ACCOUNTING POLICIES *(Continued)*

(c) Investments in associates *(Continued)*

In the Company's balance sheet, investments in associates are stated at costs, as reduced by any identified impairment loss. The results of associates are accounted for by the Company on the basis of dividends received and receivable during the year.

(d) Intangible assets

Research and development expenditures

Expenditure on research activities is recognised as an expense in the period in which it is incurred.

Intangible assets internally generated

An internally-generated intangible asset arising from development expenditure is recognised only if it is anticipated that the development costs incurred on a clearly-defined project will be recovered through future commercial activity. The resultant asset is amortised on a straight-line basis over its useful life, and carried at cost less subsequent accumulated amortisation and any accumulated impairment losses.

The amount initially recognised for internally-generated intangible asset is the sum of the expenditure incurred from the date when the intangible asset first meets the recognition criteria. Where no internally-generated intangible asset can be recognised, development expenditure is charged to profit or loss in the period in which it is incurred.

Subsequent to initial recognition, internally-generated intangible asset is reported at cost less accumulated amortisation and accumulated impairment losses, on the same basis as intangible assets acquired separately.

(e) Plant and equipment

Plant and equipment are stated at cost less subsequent accumulated depreciation and accumulated impairment losses.

Depreciation is provided to write off the cost of items of plant and equipment over their estimated useful lives and after taking into account their estimated residual value, using the straight-line method.

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

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

For the year ended 31st March 2008

3. SIGNIFICANT ACCOUNTING POLICIES *(Continued)*

(f) Systems development contracts

Where the outcome of a systems development contracts can be estimated reliably, revenue and costs are recognised by reference to the stage of completion of the contract activity at the balance sheet date, as measured by the proportion that contract costs incurred for work performed to date bear to the estimated total contract costs, except where this would not be representation of the state of completion. Variations in contract work, claims and incentive payments are included to the extent that they have been agreed with the customer.

Where the outcome of a systems development contracts cannot be estimated reliably, contract revenue is recongised to the extent of contract costs incurred that it is probable will be recoverable. Contract costs are recognised as expenses in the period in which they are incurred.

When it is probable that total contract costs will exceed total contract revenue, the expected loss is recongised as an expense immediately.

Where contract costs incurred to date plus recognised profits less recognised losses exceed progress billings, the surplus is shown as amounts due from customers for contract work. For contracts where progress billings exceed contract costs incurred to date plus recongised profits less recognised losses, the surplus is shown as amounts due to customers for contract work. Amounts received before the related work is performed are included in the consolidated balance sheet, as a liability, as receipts in advance. Amounts billed for work performed but not yet paid by the customers are included in the consolidated balance sheet under trade and other receivables.

(g) Financial instruments

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

Financial assets

The Group's financial assets are classified into one of the two categories, including financial assets at fair value through profit or loss ("FVTPL") and loans and receivables. All regular way purchases or sales of financial assets are recognised and derecognised on a trade date basis. Regular way purchases or sales are purchases or sales of financial assets that require delivery of assets within the time frame established by regulation or convention in the marketplace.

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

For the year ended 31st March 2008

3. SIGNIFICANT ACCOUNTING POLICIES *(Continued)*

(g) Financial instruments *(Continued)*

Effective interest method

The effective interest method is a method of calculating the amortised cost of a financial asset and of allocating interest income over the relevant period. The effective interest rate is the rate that exactly discounts estimated future cash receipts (including all fees on points paid or received that form an integral part of the effective interest rate, transaction costs and other premiums or discounts) through the expected life of the financial asset, or, where appropriate, a shorter period.

Income is recognised on an effective basis for debt instruments other than those financial assets designated as at FVTPL, of which interest income is included in net gains or losses.

Financial assets at fair value through profit or loss

Financial assets at FVTPL has two subcategories, including financial assets held for trading and those designated at FVTPL on initial recognition.

A financial asset is classified as held for trading if:

- it has been acquired principally for the purpose of selling in the near future; or
- it is a part of an identified portfolio of financial instruments that the Group manages together and has a recent actual pattern of short-term profit-taking; or
- it is a derivative that is not designated and effective as a hedging instrument.

A financial asset other than a financial asset held for trading may be designated as at FVTPL upon initial recognition if:

- such designation eliminates or significantly reduces a measurement or recognition inconsistency that would otherwise arise; or
- the financial asset forms part of a group of financial assets or financial liabilities or both, which is managed and its performance is evaluated on a fair value basis, in accordance with the Group's documented risk management or investment strategy, and information about the grouping is provided internally on that basis; or
- it forms part of a contract containing one or more embedded derivatives, and HKAS 39 permits the entire combined contract (asset or liability) to be designated as at FVTPL.

At each balance sheet date subsequent to initial recognition, financial assets at FVTPL are measured at fair value, with changes in fair value recognised directly in profit or loss in the period in which they arise. The net gain or loss recognised in profit or loss excludes any dividend or interest earned on the financial assets.

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

For the year ended 31st March 2008

3. SIGNIFICANT ACCOUNTING POLICIES *(Continued)*

(g) Financial instruments *(Continued)*

Loans and receivables

Loans and receivables are non-derivative financial assets with fixed or determinable payments that are not quoted in an active market. At each balance sheet date subsequent to initial recognition, loans and receivables (including trade and other receivables, pledged bank deposits and bank balances) are carried at amortised cost using the effective interest method, less any identified impairment losses (see accounting policy on impairment loss on financial assets below).

Impairment loss of financial assets

Financial assets, other than those at FVTPL, are assessed for indicators of impairment at each balance sheet date. Financial assets are impaired where there is objective evidence that, as a result of one or more events that occurred after the initial recognition of the financial asset, the estimated future cash flows of the financial assets have been impacted.

Objective evidence of impairment could include:

- significant financial difficulty of the issuer or counterparty; or
- default or delinquency in interest or principal payments; or
- it becoming probable that the borrower will enter bankruptcy or financial re-organisation.

For certain categories of financial asset, such as trade and other receivables, assets that are assessed not to be impaired individually are subsequently assessed for impairment on a collective basis. Objective evidence of impairment for a portfolio of receivables could include the Group's past experience of collective payments, an increase in the number of delayed payments in the portfolio past the credit period, observable changes in national or local economic conditions that correlate with default on receivables.

For financial assets carried at amortised cost, an impairment loss is recognised in profit or loss when there is objective evidence that the asset is impaired, and is measured as the difference between the asset's carrying amount and the present value of the estimated future cash flows discounted at the original effective interest rate.

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

For the year ended 31st March 2008

3. SIGNIFICANT ACCOUNTING POLICIES *(Continued)*

(g) Financial instruments *(Continued)*

Impairment loss of financial assets (Continued)

For financial assets carried at cost, the amount of the impairment loss is measured as the difference between the asset's carrying amount and the present value of the estimated future cash flows discounted at the current market rate of return for a similar financial asset. Such impairment loss will not be reversed in subsequent periods.

The carrying amount of the financial asset is reduced by the impairment loss directly for all financial assets with the exception of trade and other receivables, where the carrying amount is reduced through the use of an allowance account. Changes in the carrying amount of the allowance account are recognised in profit or loss. When an amount due from customers for contract work or trade and other receivables are considered uncollectible, it is written off against the allowance account. Subsequent recoveries of amounts previously written off are credit to profit or loss.

For financial assets measured at amortised cost, if, in a subsequent period, the amount of impairment loss decreases and the decrease can be related objectively to an event occurring after the impairment losses was recognised, the previously recognised impairment loss is reversed through profit or loss to the extent that the carrying amount of the asset at the date the impairment is reversed does not exceed what the amortised cost would have been had the impairment not been recognised.

Financial liabilities and equity

Financial liabilities and equity instruments issued by a group entity are classified according to the substance of the contractual arrangements entered into and the definitions of a financial liability and an equity instrument.

An equity instrument is any contract that evidences a residual interest in the assets of the group after deducting all of its liabilities. The Group's financial liabilities are generally classified as other financial liabilities.

Effective interest method

The effective interest method is a method of calculating the amortised cost of a financial liability and of allocating interest expense over the relevant period. The effective interest rate is the rate that exactly discounts estimated future cash payments through the expected life of the financial liability, or, where appropriate, a shorter period.

Interest expense is recognised on an effective interest basis.

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

For the year ended 31st March 2008

3. SIGNIFICANT ACCOUNTING POLICIES *(Continued)*

(g) Financial instruments *(Continued)*

Other financial liabilities

Other financial liabilities including trade and other payables, receipts in advance, amount due to a substantial shareholder and amounts due to associates are subsequently measured at amortised cost, using the effective interest method.

Equity instruments

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

Derecognition

Financial assets are derecognised when the rights to receive cash flows from the assets expire or, the financial assets are transferred and the Group has transferred substantially all the risks and rewards of ownership of the financial assets. On derecognition of a financial asset, the difference between the asset's carrying amount and the sum of the consideration received and receivable and the cumulative gain or loss that had been recognised directly in equity is recognised in profit or loss.

Financial liabilities are derecognised when the obligation specified in the relevant contract is discharged, cancelled or expired. The difference between the carrying amount of the financial liability derecognised and the consideration paid and payable is recognised in profit or loss.

(h) Inventories

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

(i) Provisions

Provisions are recognised when the Group has a present obligation as a result of a past event, and it is probable that the Group will be required to settle that obligation. Provisions are measured at the directors' best estimate of the expenditure required to settle the obligation at the balance sheet date, and are discounted to present value where the effect is material.

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

For the year ended 31st March 2008

3. SIGNIFICANT ACCOUNTING POLICIES *(Continued)*

(j) Impairment losses on tangible and intangible assets with finite useful lives

At each balance sheet date, the Group reviews the carrying amounts of its tangible and intangible assets to determine whether there is any indication that those assets have suffered an impairment loss. If the recoverable amount of an asset is estimated to be less than its carrying amount, the carrying amount of the asset is reduced to its recoverable amount. An impairment loss is recognised as an expense immediately.

Where an impairment loss subsequently reverses, the carrying amount of the asset is increased to the revised estimate of its recoverable amount, but so that the increased carrying amount does not exceed the carrying amount that would have been determined had no impairment loss been recognised for the asset in prior years. A reversal of an impairment loss is recognised as income immediately.

(k) Revenue recognition

Revenue is measured at the fair value of the consideration received or receivable and represents amounts receivable for goods sold in the normal course of business, net of discounts and sales related taxes.

i) Systems development

Revenue arising from the provision of systems development, maintenance and installation as well as consultancy services is recognised when the underlying services are rendered which is estimated by apportionment over the expected duration of each engagement. When the outcome of a systems development contract cannot be estimated reliably, revenue is recognised only to the extent of contract costs incurred that is probable to be recoverable.

ii) Professional service income

Professional service fees represent fees for the provision of information technology engineering and technical support services and are recognised when the underlying professional services are rendered.

iii) Interest income

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

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

For the year ended 31st March 2008

3. SIGNIFICANT ACCOUNTING POLICIES *(Continued)*

(l) Taxation

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

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

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

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

Deferred tax is calculated at the tax rates that are expected to apply in the period when the liability is settled or the asset realised. Deferred tax is charged or credited to profit or loss, except when it relates to items charged or credited directly to equity, in which case the deferred tax is also dealt with in equity.

(m) Foreign currencies

In preparing the financial statements of each individual group entity, transactions in currencies other than the functional currency of that entity (foreign currencies) are recorded in the respective functional currency (i.e. the currency of the primary economic environment in which the entity operates) at the rates of exchanges prevailing on the dates of the transactions. At each balance sheet date, monetary items denominated in foreign currencies are retranslated at the rates prevailing on the balance sheet date. Non-monetary items carried at fair value that are denominated in foreign currencies are retranslated at the rates prevailing on the date when the fair value was determined. Non-monetary items that are measured in terms of historical cost in a foreign currency are not retranslated.

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

For the year ended 31st March 2008

3. SIGNIFICANT ACCOUNTING POLICIES *(Continued)*

(m) Foreign currencies *(Continued)*

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

For the purposes of presenting the consolidated financial statements, the assets and liabilities of the Group's foreign operations are translated into the presentation currency of the Group (i.e. HK$) at the rate of exchange prevailing at the balance sheet date, and their income and expenses are translated at the average exchange rates for the year, unless exchange rates fluctuate significantly during the period, in which case, the exchange rates prevailing at the dates of transactions are used. Exchange differences arising, if any, are recognised as a separate component of equity (the exchange translation reserve). Such exchange differences are recognised in profit or loss in the period in which the foreign operation is disposed of.

(n) Leasing

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

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

(o) Retirement benefit costs

Payments to mandatory provident fund scheme and the defined contribution schemes are charged as an expense when employees have rendered service entitling them to the contributions.

(p) Borrowing costs

All borrowing costs are recognised as and included in finance costs in the consolidated income statement in the period in which they are incurred.

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

For the year ended 31st March 2008

4. CRITICAL ACCOUNTING JUDGMENTS AND KEY SOURCES OF ESTIMATION UNCERTAINTY

In the application of the Group's accounting policies, which are described in note 3, the directors of the Company are required to make judgments, estimates and assumptions about the carrying amounts of assets and liabilities that are not readily apparent from other sources. The estimates and associated assumptions are based on historical experience and other factors that are considered to be relevant. Actual results may differ from these estimates. The estimate and underlying assumptions are reviewed on an ongoing basis.

Critical judgments in applying the entity's accounting policies

Revenue and profit recognition

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

Key sources of estimation uncertainty

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

Depreciation of plant and equipment

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

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

For the year ended 31st March 2008

4. CRITICAL ACCOUNTING JUDGMENTS AND KEY SOURCES OF ESTIMATION UNCERTAINTY *(Continued)*

Key sources of estimation uncertainty *(Continued)*

Income taxes

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

Warranty provision

The Group makes warranty provision based on information available prior to the issuance of the consolidated financial statements indicating that it is probable that the Group will be required to settle the present obligations. As disclosed in note 28, the Group estimates the provision based on past experience. The actual settlement of these warranty costs may differ from the estimation used by management. If the costs are settled for an amount greater than management's estimation, a future charge to consolidated income statement will result. Likewise, if the costs are settled for an amount that is less than the estimation, a future credit to consolidated income statement will result.

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

For the year ended 31st March 2008

4. CRITICAL ACCOUNTING JUDGMENTS AND KEY SOURCES OF ESTIMATION UNCERTAINTY *(Continued)*

Key sources of estimation uncertainty *(Continued)*

Impairment loss recognised in respect of trade and other receivables

The Group performs ongoing credit evaluations of its customers and other receivables and adjusts credit limits based on payment history and the customer's and other receivables' current credit-worthiness, as determined by the review of their current credit information. The Group continuously monitors collections and payments from its customers and other receivables and maintains a provision for estimated credit losses based upon its historical experience and any specific collection issues that its has been identified. Credit losses have historically been within the Group's expectations and the Group will continue to monitor the collections from customers and other receivables and maintain an appropriate level of estimated credit losses.

Impairment loss recognised in respect of intangible asset — development costs

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

5. CAPITAL RISK MANAGEMENT

The Group manages its capital to ensure that entities in the Group will be able to continue as a going concern while maximising the return to stakeholders through optimisation of the debt and equity balance.

The capital structure of the Group consists of debt, cash and cash equivalents and equity attributable to equity holders of the Company, comprising issued share capital and reserves. The directors of the Company review the capital structure on a regular basis. As a part of this review, the directors of the Company consider the cost of capital and the associated risks, and take appropriate actions to adjust the Group's capital structure. The overall strategy of the Group remained unchanged during the two years ended 31st March 2007 and 2008.

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

For the year ended 31st March 2008

6. FINANCIAL INSTRUMENTS

Categories of financial instruments

	2008	2007
	HK$'000	HK$'000
Financial assets at fair value through profit or loss	**574**	328
Loans and receivables (including cash and cash equivalents)	**68,298**	46,988
Financial liabilities at amortised cost	**64,295**	38,134

7. FINANCIAL RISK MANAGEMENT OBJECTIVES AND POLICIES

The Group's major financial instruments include financial assets at fair value through profit or loss, trade and other receivables, trade and other payables, receipts in advance, amount due to a substantial shareholder, amounts due to associates, pledged bank deposits and bank balances and cash. Details of these financial instruments are disclosed in respective notes. The risks associated with these financial instruments and 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.

Currency risk

Currency risk refers to the risk associated with movements in foreign currency rates which will affect the Group's financial results and its cashflow. The management considers the Group is not exposed to significant foreign currency risk as the majority of its operations and transactions are in the People's Republic of China (the "PRC") with their functional currency of RMB.

For the year ended 31st March 2008 and 2007, the Group mainly earns revenue in RMB and incurs costs in Hong Kong dollars and RMB. Although, the Group currently does not have any foreign currency hedging policies, it manages its currency exposure by ensuring that the revenue earned in RMB are used to pay for RMB denominated costs. Funds raised from financing activities which are mainly in Hong Kong dollars are used to pay for Hong Kong dollar expenses.

The directors do not expect the appreciation of the RMB against the Hong Kong dollars to have any material adverse effect on the operation of the Group.

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

For the year ended 31st March 2008

7. FINANCIAL RISK MANAGEMENT OBJECTIVES AND POLICIES *(Continued)*

Interest rate risk

The Group is also exposed to cash flow interest rate risk in relation to its variable-rate pledged bank deposits and bank borrowing (see note 31 for details of this borrowing) for the year ended 31st March 2008. It is the Group's policy to keep its pledged bank deposits and bank borrowing at floating rate of interests so as to minimise the fair value interest rate risk.

The Group's exposure to interest rates on financial assets and liabilities are detailed in the liquidity risk management section of this note. The Group's cash flow interest rate risk is mainly concentrated on the fluctuation of the base rate published by the People's Bank of China arising from the Group's RMB pledged bank deposits and bank borrowing.

Sensitivity analysis

The sensitivity analysis below has been determined based on the exposure to interest rates for non-derivate instruments at the balance sheet date. For variable-rate pledged bank deposits and bank borrowing, the analysis is prepared assuming the amount of asset and liability outstanding at the balance sheet date was outstanding for the whole year.

If interest rates have been 50 basis points higher/lower and all other variables were held constant, the Group's loss for the year ended 31st March 2008 would increase/decrease by approximately HK$34,000 (2007: decrease/increase by approximately HK$5,000). This is mainly attributable to the Group's exposure to interest rates on its variable-rate bank borrowing.

Credit risk

As at 31st March 2008, the Group's maximum exposure to credit risk which will cause a financial loss to the Group due to failure to discharge an obligation by the counterparties is arising from the carrying amount of the respective recognised financial assets as stated in the consolidated balance sheet.

In order to minimise the credit risk, the management of the Group has delegated a team responsible for determination of credit limits, credit approvals and other monitoring procedures to ensure that follow-up action is taken to recover overdue debts. In addition, the Group reviews the recoverable amount of each individual trade debt at each balance sheet date to ensure that adequate impairment losses are made for irrecoverable amounts. In this regard, the directors of the Company consider that the Group's credit risk is significantly reduced.

The Group does not have any other significant concentration of credit risk. Trade receivables consist of a large number of customers, spreading across diverse geographical areas.

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

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

For the year ended 31st March 2008

7. FINANCIAL RISK MANAGEMENT OBJECTIVES AND POLICIES *(Continued)*

Liquidity risk

In the management of the liquidity risk, the Group monitors and maintains a level of cash and cash equivalents deemed adequate by the management to finance the Group's operations and mitigate the effects of fluctuations in cash flows.

The following table details the Group's remaining contractual maturity for its financial liabilities. For non-derivatives financial liabilities, the table has been drawn up based on the undiscounted cash flows of financial liabilities based on the earliest date on which the Group can be required to pay. The table includes both interest and principal cash flows.

Liquidity risk tables

	Weighted average effective interest rate	Carrying amount at 31st March	Within 1 year or on demand	Total undiscounted cash flows
	%	HK$'000	HK$'000	HK$'000
2008				
Non-derivative financial liabilities				
Trade and other payables	—	33,517	33,517	33,517
Receipts in advance	—	12,123	12,123	12,123
Amount due to a substantial shareholder	—	9,427	9,427	9,427
Amounts due to associates	—	282	282	282
Bank borrowing	8.019	8,946	9,305	9,305
		64,295	64,654	64,654
2007				
Non-derivative financial liabilities				
Trade and other payables	—	31,957	31,957	31,957
Receipts in advance	—	2,149	2,149	2,149
Amount due to a substantial shareholder	—	4,028	4,028	4,028
		38,134	38,134	38,134

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

For the year ended 31st March 2008

8. TURNOVER AND OTHER OPERATING INCOME

Turnover represents the net amounts received and receivable for services provided and net of sales tax and revenue arising from system development contracts during the year.

An analysis of the Group's turnover for the year are as follows:

	2008	2007
	HK$'000	HK$'000
Turnover		
Systems development	**51,160**	60,985
Professional service fees	**1,675**	3,721
	52,835	64,706
Other operating income		
Gain on disposal of financial assets at fair value through profit or loss	**390**	405
Gain on disposal of plant and equipment	**182**	—
Fair value gains on financial assets at fair value through profit or loss	**—**	12
Value added tax refund (Note)	**3,741**	4,089
Deemed gain on disposal of subsidiaries	**30**	—
Reversal of impairment loss in respect of trade receivables	**516**	63
Reversal of impairment loss in respect of other receivables	**1,062**	1,960
Interest income	**120**	116
Sundry income	**369**	251
	6,410	6,896

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

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

For the year ended 31st March 2008

9. OTHER OPERATING EXPENSES

	2008	2007
	HK$'000	HK$'000
Impairment loss recognised in respect of trade receivables	4,000	3,180
Impairment loss recognised in respect of other receivables	3,603	886
Impairment loss recognised in respect of intangible asset	2,945	—
Fair value losses on financial assets at fair value through profit or loss	188	—
	10,736	4,066

10. FINANCE COSTS

	2008	2007
	HK$'000	HK$'000
Interest on bank borrowing due within one year	333	—

11. SEGMENT INFORMATION

(a) Primary reporting format — business segments

For management purposes, the Group is currently organised into two operating divisions — systems development and professional services. These divisions are the basis on which the Group reports its primary segment information.

Principal activities are as follows:

Systems development — Provision of systems development, maintenance and installation as well as consulting service

Professional services — Provision of information technology engineering and technical support services

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

For the year ended 31st March 2008

11. SEGMENT INFORMATION *(Continued)*

(a) Primary reporting format — business segments *(Continued)*

	Systems development		Professional services		Consolidated	
	2008 HK$'000	2007 HK$'000	**2008 HK$'000**	2007 HK$'000	**2008 HK$'000**	2007 HK$'000
TURNOVER						
Revenue from external customers	**51,160**	60,985	**1,675**	3,721	**52,835**	64,706
RESULT						
Segment results	**(8,083)**	1,745	**677**	1,497	**(7,406)**	3,242
Interest income					**120**	116
Unallocated income and expenses					**(11,706)**	(5,442)
					(18,992)	(2,084)
Share of results of associates					**(1)**	—
Finance costs					**(333)**	—
Income tax expense					**(527)**	(380)
Loss for the year					**(19,853)**	(2,464)
ASSETS						
Segment assets	**69,903**	55,103	**1,377**	3,563	**71,280**	58,666
Interests in associates					**5**	—
Unallocated corporate assets					**20,482**	12,833
Total assets					**91,767**	71,499
LIABILITIES						
Segment liabilities	**48,257**	29,682	**647**	939	**48,904**	30,621
Unallocated corporate liabilities					**26,331**	16,542
Total liabilities					**75,235**	47,163
Other segment information						
Capital expenditure	**642**	3,653	**20**	149	**662**	3,802
Unallocated capital expenditure					**—**	3
					662	3,805
Depreciation	**883**	796	**25**	120	**908**	916
Unallocated depreciation					**991**	983
					1,899	1,899
Loss on disposal of plant and equipment	**—**	57	**—**	10	**—**	67
Unallocated (gain) loss on disposal of plant and equipment					**(182)**	6
					(182)	73
Impairment losses recognised in respect of trade and other receivables	**4,407**	3,902	**—**	—	**4,407**	3,902
Unallocated impairment losses recognised in respect of trade and other receivables					**3,196**	164
					7,603	4,066
Impairment losses recognised in respect of intangible asset	**2,945**	—	**—**	—	**2,945**	—

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

For the year ended 31st March 2008

11. SEGMENT INFORMATION *(Continued)*

(b) Secondary reporting format — geographical segments

For the two years ended 31st March 2008 and 2007, over 90% of the Group's revenue and assets are derived from customers and operations based in the PRC and accordingly, no further analysis of the Group's geographical segments is disclosed.

12. INCOME TAX EXPENSE

	2008	2007
	HK$'000	HK$'000
PRC Enterprise Income Tax		
Current tax	**527**	375
Under-provision in previous years	**—**	5
	527	380

(i) Hong Kong Profits Tax has not been provided for in the consolidated financial statements as there was no estimated assessable profit derived from Hong Kong in both years ("Tax Holdings").

(ii) Taxation arising in other jurisdictions is calculated at the rates prevailing in the relevant jurisdictions.

(iii) In accordance with the relevant regulations, approvals from relevant local tax bureaus and Foreign Enterprise Income Tax Law in the PRC, Beijing Tongfang qualified as an advanced technology enterprise and is subject to a preferential Enterprise Income Tax rate of 10% (2007: 10%) which was effective from 1st January 2007 to 31st December 2009.

For the period from 1st January 2004 to 31st December 2006, Beijing Tongfang was subject to PRC Enterprise Income Tax at 15% on its taxable income and is granted a 50% relief ("Tax Holidays").

(iv) On 16th March 2007, the PRC promulgated the Law of the People's Republic of China on enterprise income tax (the "New Law"). On 6th December 2007, the State Council of the PRC issued Implementation Regulations of the New Law. Pursuant to the New Law and Implementation Regulations, the Enterprise Income Tax for both domestic and foreign-invested enterprises will be unified at 25% effective from 1st January 2008. There will be a transitional period for the PRC subsidiary that are currently entitled to preferential tax treatments granted by the relevant tax authorities. PRC subsidiary currently subject to an Enterprise Income Tax rate lower than 25% will continue to enjoy the lower tax rate and be gradually transitioned to the new unified rate of 25% within five years after 1st January 2008. The tax rate applicable to the PRC subsidiary is subject to the approval by the tax authority.

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

For the year ended 31st March 2008

12. INCOME TAX EXPENSE *(Continued)*

The income tax expense for the year can be reconcilied to the loss before taxation per the consolidated income statement as follows:

	2008	2007
	HK$'000	HK$'000
Loss before taxation	**(19,326)**	(2,084)
Tax at the applicable tax rate of 10% (2007: 10%)	**(1,933)**	(208)
Tax effect of income subject to Tax Holidays	**—**	(110)
Tax effect of income not taxable	**(460)**	(622)
Tax effect of expenses not deductible for tax purposes	**2,198**	746
Under-provision in previous years	**—**	5
Utilisation of tax losses previously not recognised	**(128)**	(178)
Deferred tax assets in respect of tax losses and other temporary differences not recognised	**850**	746
Tax effect of different tax rates in other regions of PRC	**—**	1
Income tax expense	**527**	380

The Group's activities are substantially carried out in the PRC. In preparation of the above reconciliation, the PRC Enterprise Income Tax rate of 10% (2007: 10%) has been taken as the applicable tax rate.

Details of the deferred taxation is set out in note 33.

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

For the year ended 31st March 2008

13. LOSS FOR THE YEAR

Loss for the year has been arrived at after charging:

	2008 HK$'000	2007 HK$'000
Auditor's remuneration	450	800
Depreciation	1,899	1,899
Exchange loss	156	6
Loss on disposal of plant and equipment	—	73
Operating lease charges in respect of land and buildings	2,079	2,278
Research and development expenditure	504	499
Staff costs (excluding directors' emoluments (Note 16))		
Wages, salaries and other benefits	19,313	17,535
Retirement benefits scheme contributions	2,181	1,209
	21,494	18,744
Write down of inventories	190	—

14. DIVIDENDS

No dividend was paid or proposed during the year ended 31st March 2008, nor has any dividend been proposed since the balance sheet date (2007: Nil).

15. LOSS PER SHARE-BASIC

The calculation of basic loss per share is based on the Group's loss attributable to equity holders of the Company of approximately HK$19,853,000 (2007: loss of approximately HK$2,464,000) and based on the weighted average number of 96,414,000 (2007: 90,995,000) ordinary shares in issue during the year.

There were no dilutive potential shares in issue during the two years ended 31st March 2008 and 2007. Accordingly, no diluted loss per share has been presented for both years.

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

For the year ended 31st March 2008

16. STAFF COSTS (EXCLUDING DIRECTORS' EMOLUMENTS)

	2008 HK$'000	2007 HK$'000
Wages and salaries and other benefits	**19,313**	17,535
Retirement benefits scheme contributions	**2,181**	1,209
	21,494	18,744

Hong Kong

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

PRC, other than Hong Kong

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

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

For the year ended 31st March 2008

17. DIRECTORS' AND EMPLOYEES' EMOLUMENTS

(a) Directors' emoluments

The emoluments paid or payable to each of the seven (2007: seven) directors were as follows:

For the year ended 31st March 2008

		Other emoluments		
	Fees	**Salaries and other benefits**	**Retirement benefits scheme contributions**	**Total**
	HK$'000	HK$'000	HK$'000	HK$'000
Executive directors:				
Ms. Li Wenli	30	—	—	30
Mr. Ho Cho Hang	120	—	—	120
Non-executive director:				
Mr. Luk Yat Hung	—	—	—	—
Independent non-executive directors:				
Mr. Chung Shui Ming, Timpson	120	—	—	120
Professor Ip Ho Shing, Horace	120	—	—	120
Mr. Peng Lijun	30	—	—	30
Mr. Yan Yonghong	30	—	—	30
	450	—	—	450

For the year ended 31st March 2007

		Other emoluments		
	Fees	**Salaries and other benefits**	**Retirement benefits scheme contributions**	**Total**
	HK$'000	HK$'000	HK$'000	HK$'000
Executive directors:				
Ms. Li Wenli	30	—	—	30
Mr. Ho Cho Hang	120	—	—	120
Non-executive director:				
Mr. Luk Yat Hung	—	—	—	—
Independent non-executive directors:				
Mr. Chung Shui Ming, Timpson	120	—	—	120
Professor Ip Ho Shing, Horace	120	—	—	120
Mr. Peng Lijun	30	—	—	30
Mr. Yan Yonghong	30	—	—	30
	450	—	—	450

No directors waived or agreed to waive any emoluments during the two years ended 31st March 2008 and 2007.

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

For the year ended 31st March 2008

17. DIRECTORS' AND EMPLOYEES' EMOLUMENTS *(Continued)*

(b) Senior management's emoluments

Of the five individuals with the highest emoluments in the Group, none (2007: none) were directors of the Company whose emoluments are set out in the above.

For the year ended 31st March 2008, the emoluments of the five (2007: five) highest paid individuals were as follows:

	2008	2007
	HK$'000	HK$'000
Salaries and other benefits	**1,101**	1,054
Retirement benefits scheme contributions	**93**	88
	1,194	1,142

Their emoluments fall within the following band:

	Number of individuals	
	2008	2007
Nil — HK$1,000,000	**5**	5

(c) No emoluments have been paid by the Group to the directors or the five highest paid individuals as an inducement to join or upon joining the Group or as compensation for loss of office during the two years ended 31st March 2008 and 2007.

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

For the year ended 31st March 2008

18. PLANT AND EQUIPMENT

	Leasehold improvements HK$'000	Furniture and fixtures HK$'000	Computer and office equipment HK$'000	Motor vehicles HK$'000	Total HK$'000
COST					
At 1st April 2006	1,354	42	3,499	4,593	9,488
Exchange realignment	78	—	195	266	539
Additions	—	—	1,001	—	1,001
Disposals	—	—	(221)	—	(221)
At 31st March 2007	1,432	42	4,474	4,859	10,807
Exchange realignment	144	—	478	347	969
Additions	—	—	662	—	662
Disposals	—	—	(18)	(1,386)	(1,404)
At 31st March 2008	1,576	42	5,596	3,820	11,034
ACCUMULATED DEPRECIATION					
At 1st April 2006	362	22	899	716	1,999
Exchange realignment	29	—	73	61	163
Provided for the year	279	9	900	711	1,899
Eliminated on disposals	—	—	(148)	—	(148)
At 31st March 2007	670	31	1,724	1,488	3,913
Exchange realignment	88	—	240	153	481
Provided for the year	293	4	915	687	1,899
Eliminated on disposals	—	—	(11)	(518)	(529)
At 31st March 2008	1,051	35	2,868	1,810	5,764
CARRYING VALUES					
At 31st March 2008	525	7	2,728	2,010	5,270
At 31st March 2007	762	11	2,750	3,371	6,894

The above items of plant and equipment are depreciated on a straight-line basis over the estimated useful lives less their residual values as follows:

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

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

For the year ended 31st March 2008

19. INTANGIBLE ASSET

	Development costs (internally generated) HK$'000
COST	
Addition and at 31st March 2007	2,804
Exchange realignment	141
At 31st March 2008	2,945
AMORTISATION AND IMPAIRMENT	
Impairment loss recognised in the year and at 31st March 2008	2,945
CARRYING VALUES	
At 31st March 2008	—
At 31st March 2007	2,804

The Group's intangible asset arose from the development of distributed component oriented simulation environment. For the years ended 31st March 2008 and 2007, there was no amortisation on the intangible asset as it was not yet available for use.

The directors of the Company had reviewed the carrying values of the Group's intangible asset as at 31st March 2008. The directors of the Company considered that it is unlikely that the development costs have any future value in use and therefore the carrying amount of these development cost in the amount of approximately HK$2,945,000 were fully impaired.

20. INTERESTS IN ASSOCIATES

	2008 HK$'000	2007 HK$'000
Cost of investment in unlisted associates	**6**	—
Share of post-acquisition loss	**(1)**	—
	5	—

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

For the year ended 31st March 2008

20. INTERESTS IN ASSOCIATES *(Continued)*

As at 31st March 2008, the Group had interests in the following associates:

Name of associate	Form of business structure	Class of shares held	Place of incorporation/ operations	Nominal value of issued ordinary shares capital	Percentage of equity attributable to the Group	Principal activities
Acon Enterprises Limited ("Acon")	Incorporated	Ordinary	British Virgin Islands ("BVI")/ Hong Kong	US$8,000	25.5%	Investment holding
Tai Shing (Hong Kong) Limited ("Tai Shing Hong Kong")	Incorporated	Ordinary	Hong Kong/ Hong Kong	HK$2	25.5%	Research, Development and design of surveillance system

The results of Acon and its wholly-owned subsidiary, Tai Shing Hong Kong, incorporated into the Group's consolidated financial statements are derived from consolidated financial statements made up to 31st December 2007. This was the financial reporting date established when Acon and Tai Shing Hong Kong were incorporated. For the purpose of applying the equity accounting, the consolidated financial statements of Acon for the year ended 31st December 2007 have been used, and appropriate adjustments have been made for the effects of significant transactions between that date and 31st March 2008.

The summarised financial information in respect of the Group's associates is set out below:

	2008 **HK$'000**	2007 HK$'000
Total assets	**331**	—
Total liabilities	**(313)**	—
Net assets	**18**	—
Group's share of net assets of associates	**5**	—
Revenue	**—**	—
Loss for the period	**4**	—
Group's share of results of associates for the year	**1**	—

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

For the year ended 31st March 2008

21. INVENTORIES

	2008 HK$'000	2007 HK$'000
Raw materials	—	181

22. TRADE AND OTHER RECEIVABLES

(a)

	2008 HK$'000	2007 HK$'000
Trade and bills receivables	44,587	27,943
Less: Impairment loss recognised in respect of trade receivables	(11,599)	(7,225)
	32,988	20,718
Retention receivables (Note 23)	4,222	4,905
Prepayments, deposits and other receivables	26,315	19,730
Less: Impairment loss recognised in respect of other receivables	(13,088)	(9,437)
	50,437	35,916

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

An aged analysis of trade and bills receivables, net of impairment loss recognised is as follows:

	2008 HK$'000	2007 HK$'000
0-30 days	6,911	2,585
31-90 days	4,220	1,310
Over 90 days	21,857	16,823
	32,988	20,718

At 31st March 2008, amounts of approximately HK$4,222,000 (2007: HK$3,182,000) included in retention receivables are due for settlement after more than 12 months.

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

For the year ended 31st March 2008

22. TRADE AND OTHER RECEIVABLES *(Continued)*

(b) The movements in provision for impairment losses of trade receivables is as follows:

	2008	2007
	HK$'000	HK$'000
Balance at beginning of the year	**7,225**	3,801
Exchange realignment	**890**	307
Reversal during the year	**(516)**	(63)
Recognised during the year	**4,000**	3,180
Balance at the end of the year	**11,599**	7,225

(c) The movements in provision for impairment losses of other receivables is as follows:

	2008	2007
	HK$'000	HK$'000
Balance at beginning of the year	**9,437**	9,978
Exchange realignment	**1,110**	533
Reversal during the year	**(1,062)**	(1,960)
Recognised during the year	**3,603**	886
Balance at the end of the year	**13,088**	9,437

(d) At 31st March 2008 and 2007, the analysis of trade and bills receivables that were past due but not impaired are as follows:

			Past due but not impaired			
	Total	**Neither past due nor impaired**	**<90 days**	**Over 90 days but less than 1 year**	**Over 1 year but less than 2 years**	**Over 2 years**
	HK$'000	HK$'000	HK$'000	HK$'000	HK$'000	HK$'000
31st March 2008	32,988	3,999	7,132	21,857	—	—
31st March 2007	20,718	209	3,895	12,077	2,583	1,954

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

The Group has provided fully for all trade and other receivables aged over one year.

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

For the year ended 31st March 2008

22. TRADE AND OTHER RECEIVABLES *(Continued)*

Trade and bills 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.

(e) The fair values of the Group's trade and other receivables at the balance sheet date approximated to the corresponding carrying amounts due to their short-term maturities.

23. AMOUNTS DUE FROM (TO) CUSTOMERS FOR CONTRACT WORK

	2008 **HK$'000**	2007 HK$'000
Contracts in progress at the balance sheet date:		
Contract costs incurred plus recognised profits less recognised losses	**163,901**	111,067
Less: Progress billings	**(156,899)**	(105,162)
	7,002	5,905
Analysed for reporting purposes as:		
Amounts due from customers for contract work	**17,452**	14,076
Amounts due to customers for contract work	**(10,450)**	(8,171)
	7,002	5,905

At 31st March 2008, retentions held by customers for contract works amounted to approximately HK$4,222,000 (2007: HK$4,905,000) (Note 22).

24. FINANCIAL ASSETS AT FAIR VALUE THROUGH PROFIT OR LOSS

	2008 **HK$'000**	2007 HK$'000
Equity securities listed in the PRC, at fair value	**574**	328

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

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

For the year ended 31st March 2008

25. PLEDGED BANK DEPOSITS AND BANK BALANCES AND CASH

The Group's bank deposits of approximately HK$2,210,000 (2007: HK$926,000) were pledged to banks to secure performance bond issued for the Group (Note 38(a)).

At 31st March 2008, pledged bank deposits and bank balances and cash comprise of cash held by the Group and short-term bank deposits of approximately HK$15,651,000 (2007: HK$10,704,000) with an original maturity of three months or less.

Bank balances and pledged bank deposits carried interest at average market rates of 0.72% (2007: 0.72%).

At 31st March 2008, the Group's pledged bank deposits and bank balances and cash denominated in RMB amounted to approximately HK$13,538,000 (2007: HK$10,980,000). Conversion of RMB into foreign currencies is subject to the PRC's Foreign Exchange Control Regulations and Administration of Settlement, Sale and Payment of Foreign Exchange Regulations.

The fair values of the Group's pledged bank deposits and bank balances at the balance sheet date approximated to the corresponding carrying amounts due to their short-term maturities.

26. TRADE AND OTHER PAYABLES

	2008 **HK$'000**	2007 HK$'000
Trade payables	**13,909**	12,730
Other payables	**19,608**	19,227
	33,517	31,957

An aged analysis of trade payables is as follows:

	2008 **HK$'000**	2007 HK$'000
0-30 days	**838**	829
31-90 days	**53**	189
Over 90 days	**13,018**	11,712
	13,909	12,730

Included in other payables are amounts in total of approximately HK$356,000 (2007: HK$236,000) representing accrued directors' fees due to the Company's directors.

The fair values of the Group's trade and other payables at the balance sheet date approximated to the corresponding carrying amounts due to their short-term maturities.

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

For the year ended 31st March 2008

27. RECEIPTS IN ADVANCE

Receipts in advance represented advance payments of service fees from customers pursuant to the respective service contracts. The fair values at the balance sheet date approximated to the corresponding carrying amounts due to their short-term maturities.

28. WARRANTY PROVISION

	2008	2007
	HK$'000	HK$'000
At 1st April	**858**	283
Exchange realignment	**65**	32
Utilisation of provision	**(328)**	(164)
Reversal of unused provision	**(379)**	(98)
Provision for the year	**274**	805
At 31st March	**490**	858

The Group provides warranties to its customers on systems development in accordance with the terms and conditions as stipulated in contracts, under which defective works are rectified. The amount of warranty provision is the directors' best estimation of the Group's liability under 1 to 2 year warranty granted based on the past experience of the level of defective works.

29. AMOUNT DUE TO A SUBSTANTIAL SHAREHOLDER

The amount due to a substantial shareholder, Tongfang Co., Ltd. ("Tongfang") is unsecured, non-interest bearing and repayable on demand.

The fair value at the balance sheet date approximated to the corresponding carrying amount due to its short-term maturities.

30. AMOUNTS DUE TO ASSOCIATES

The amounts due to associates are unsecured, non-interest bearing and repayable on demand.

The fair values at the balance sheet date approximated to the corresponding carrying amounts due to their short-term maturities.

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

For the year ended 31st March 2008

31. BANK BORROWING

	2008 HK$'000	2007 HK$'000
Unsecured bank loan, due within one year at variable-rate	**8,946**	—

The effective interest rate on the Group's bank borrowing is 8.019% (2007: Nil).

The Group's bank borrowing is denominated in RMB.

The unsecured bank loans was guaranteed by an independent third party.

The directors of the Company consider that the carrying amounts of bank borrowing at the balance sheet date approximated to its fair values due to its short-term maturity.

32. SHARE CAPITAL

Ordinary shares of HK$0.05 each	**Number of shares**	**HK$'000**
Authorised:		
At 1st April 2006, 31st March 2007 and 31st March 2008	4,000,000,000	200,000
Issued and fully paid:		
At 1st April 2006 and 1st April 2007	90,995,000	4,550
Issue of shares (Note 1)	18,195,000	910
At 31st March 2008	109,190,000	5,460

Notes:

1. On 14th December 2007, pursuant to a placing and subscription agreement, the Company placed out 18,195,000 new ordinary shares of HK$0.05 each in the Company at a price of HK$0.562 per share to independent third parties. A sum of approximately HK$9,766,000 net of placement expenses was raised and used as working capital of the Group.

2. The ordinary shares issued above ranked pari passu with the then existing ordinary shares of the Company in all respects.

33. DEFERRED TAXATION

At 31st March 2008, the Group had unused tax losses of approximately HK$19,215,000 (2007: HK$20,485,000) available for offset against future profits. No deferred tax asset has been recognised in respect of the above unused tax losses due to the unpredictability of future profit streams. The tax losses may be carried forward indefinitely. At 31st March 2007, approximately HK$1,284,000 included in the above unused tax losses will expire after five years from the year of assessment to which they relate to.

At 31st March 2008, the Group also had deductible temporary differences of approximately HK$28,180,000 (2007: HK$19,695,000). No deferred tax asset has been recognised in relation to the above deductible temporary differences as it is not probable that taxable profit will be available against which the deductible temporary differences can be utilised.

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

For the year ended 31st March 2008

34. DEEMED DISPOSAL OF SUBSIDIARIES

Pursuant to a directors' resolution of Acon (formerly a wholly-owned subsidiary of the Company) passed on 1st February 2008, 7,000 new ordinary shares ("New Shares") in Acon were issued and alloted to the Company and independent third parties. Upon the allotment of the New Shares of Acon, the Company's holding of equity interests in Acon was diluted to 25.5% and the Company was deemed to have disposed of 74.5% interests in Acon and its subsidiary (the "Acon Group") and Acon Group became associates of the Group. The net liabilities of Acon Group at the date of deemed disposal were as follows:

	HK$'000
Net liabilities disposed	
Bank balance	3
Other payables	(309)
Net liabilities	(306)
Deemed gain on disposal of subsidiaries	30
Total consideration	(276)
Satisfied by:	
Interests in associates	6
Amounts due to associates	(282)
	(276)
Net cash outflow arising on deemed disposal:	
Bank balance disposed of	(3)
Net outflow of cash and cash equivalents in respect of the deemed disposal of subsidiaries	(3)

The subsidiaries disposed of during the year ended 31st March 2008 had no significant impact on the turnover and results of the Group.

35. MAJOR NON-CASH TRANSACTIONS

During the year ended 31st March 2007, a repayment of amount due to a substantial shareholder of approximately HK$8,681,000 (2008: Nil) was satisfied by transferring the same amount of trade and other receivables.

36. LEASE COMMITMENTS

The Group as lessee

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

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

For the year ended 31st March 2008

36. LEASE COMMITMENTS *(Continued)*

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

	2008	2007
	HK$'000	HK$'000
Within one year	**1,730**	179
In the second to fifth years inclusive	**288**	108
	2,018	287

37. RELATED PARTY TRANSACTIONS

The balances with related parties at the balance sheet date are disclosed elsewhere in the consolidated financial statements.

The key management personnel of the Group comprises all directors of the Company, details of their emoluments are disclosed in Note 17.

38. CONTINGENT LIABILITIES

(a) At 31st March 2008, the Group's bank deposits of approximately HK$2,210,000 (2007: HK$926,000) were pledged to two banks for bank guarantees of approximately HK$2,210,000 (2007: HK$3,203,000) issued to certain customers on the performance of contracts under systems development. At 31st March 2007, a corporate guarantee executed by an investee company of Tongfang was also issued to one of the banks in respect of bank guarantees issued of approximately HK$3,148,000 (2008: Nil).

The directors of the Company consider that it is not probable that a claim will be made against the Group under any of the above bank guarantees.

(b) On 19th April 2006, a High court Action No. 858 of 2006 was commenced by Chan Kar Kui, Wong Calvin Ting Chi, Chan Wai Phan, Chan Man Wan and Kwok King Chuen (the "Plaintiffs") against the Company for specific performance of the agreement entered into between the Plaintiffs and the Company's former director, To Cho Kei, on behalf of the Company, in around May/June 2000 to purchase from the Plaintiffs all their shareholdings in Epplication.Net Limited ("Epplication.Net") at a consideration of HK$6,800,000 being twice of the actual amount that the Plaintiffs expended on Epplication.Net by way of transfer or allotment of the shares of the Company of the equivalent value, or alternatively, damages with interests and costs. The Company has filed a defence denying the allegation as the Company has no record of any agreement for the purchase of the Plaintiffs' shareholdings in Epplication.Net and the Plaintiffs have not produced any documentary evidence to support their claim. The directors of the Company believe that the Company has a strong defence in this action and therefore, no provision for liabilities was made. The Court will hear the Company's application to strike out the Action for Want of Prosecution on 8 July 2008.

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

For the year ended 31st March 2008

39. BALANCE SHEET INFORMATION OF THE COMPANY

	Notes	2008 HK$'000	2007 HK$'000
Non-current assets			
Plant and equipment		**20**	31
Investments in subsidiaries		**11,450**	8
Investments in associates		**6**	—
		11,476	39
Current assets			
Amounts due from subsidiaries	(a)	**2,411**	13,883
Prepayments		**77**	102
Bank balances		**4,323**	16
		6,811	14,001
Current liabilities			
Amounts due to subsidiaries	(a)	**123**	6,379
Amounts due to associates		**282**	—
Other payables		**3,983**	1,050
		4,388	7,429
Net current assets		**2,423**	6,572
Net assets		**13,889**	6,611
Capital and reserves			
Share capital		**5,460**	4,550
Reserves	(b)	**8,439**	2,061
Total equity		**13,889**	6,611

(a) Amounts due from (to) subsidiaries

The amounts are unsecured, non-interest bearing and repayable on demand.

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

For the year ended 31st March 2008

39. BALANCE SHEET INFORMATION OF THE COMPANY *(Continued)*

(b)

	Share premium HK$'000	Capital reserve HK$'000	Accumulated losses HK$'000	Total HK$'000
At 1st April 2006	14,049	1,200	(10,994)	4,255
Loss for the year	—	—	(2,194)	(2,194)
At 31st March 2007	14,049	1,200	(13,188)	2,061
Loss for the year	—	—	(2,478)	(2,478)
Issue of shares upon placement of shares	9,320	—	—	9,320
Share issue expenses	(464)	—	—	(464)
At 31st March 2008	22,905	1,200	(15,666)	8,439

40. SUBSIDIARIES

Details of the subsidiaries held by the Company as at 31st March 2008 are as follows:

Name of subsidiary	Place of incorporation/ establishment and operation	Class of shares held	Issued share capital/ registered capital	Kind of legal entity	Attributable equity interest of the Group	Principal activities
Tongfang Electronic Company Limited	BVI	Ordinary shares	US$65	Limited liability company	100%	Investment holding
Tongfang Electronic (Hong Kong) Company Limited	Hong Kong	Ordinary shares	HK$100,000	Limited liability company	100%	Investment holding
Beijing Tongfang	PRC	Contributed capital	US$4,300,000	Wholly owned foreign enterprise	100%	Research, development and provision of integrated management information system

None of the subsidiaries had any debt securities outstanding at the end of the year or at any time during the year.

41. COMPARATIVE FIGURES

Certain comparative amounts have been reclassified to conform with the current year's presentation.

FIVE YEAR SUMMARY

	For the year ended 31 March				
	2008	2007	2006	2005	2004
	HK$'000	HK$'000	HK$'000	HK$'000	HK$'000
Turnover	**52,835**	64,706	72,556	30,347	18,150
(Loss) Profit before tax	**(19,326)**	(2,084)	14,759	25	(6,605)
Income tax	**(527)**	(380)	(333)	(614)	(327)
(Loss) Profit for the year from continuing operations	**(19,853)**	(2,464)	14,426	(589)	(6,932)
Profit for the year from discontinued operation	**—**	—	129	128	—
(Loss) Profit for the year	**(19,853)**	(2,464)	14,555	(461)	(6,932)
Attributable to:					
Equity holders of the Company	**(19,853)**	(2,464)	11,441	(1,999)	(6,932)
Minority interests	**—**	—	3,114	1,538	—
	(19,853)	(2,464)	14,555	(461)	(6,932)

	At 31 March				
	2008	2007	2006	2005	2004
	HK$'000	HK$'000	HK$'000	HK$'000	HK$'000
Total assets	**91,767**	71,499	74,412	99,877	5,492
Total liabilities	**(75,235)**	(47,163)	(49,309)	(74,895)	(4,482)
	16,532	24,336	25,103	24,982	1,010
Equity attributable to equity holders of the Company	**16,532**	24,336	25,103	10,090	1,010
Minority interests	**—**	—	—	14,892	—
Net assets	**16,532**	24,336	25,103	24,982	1,010

Comparative figures for 2004 have not been restated to reflect the change, details of which are disclosed in note 3 and 4 to the financial statements for the year ended 31 March 2006, as the directors are of the opinion that the benefit derive from fully restated figures would not justify the cost of such restatement.