大誠電訊科技有限公司

T S Telecom Technologies Limited

Stock Code: 8003

Annual Report 2008

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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.

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

CONTENT

CORPORATE PROFILE

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

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

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

FINANCIAL HIGHLIGHTS

	2008 HK$'000	2007 HK$'000	2006 HK$'000	2005 HK$'000	2004 HK$'000
Turnover	**20,222**	22,198	23,187	54,998	49,263
Gross profit	**(9,905)**	12,753	11,542	14,219	18,680
Loss before tax	**(4,558)**	(11,693)	(13,592)	(35,683)	(39,253)
Loss attributable to equity holders of the Company	**(4,690)**	(11,631)	(13,620)	(35,763)	(38,889)
Total assets	**26,358**	34,215	38,498	62,821	104,352
Total liabilities	**18,223**	24,038	23,263	34,681	39,801
Minority interests	**–**	–	–	–	57,519
Net assets	**8,135**	10,177	15,235	28,140	64,494

CHAIRMAN'S STATEMENT

Dear Shareholders:

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

BUSINESS REVIEW

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

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

PROSPECT

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

APPRECIATION

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

Ms. Ng Mui King, Joky
Chairman
Hong Kong, 30 June 2008

RESULTS OF OPERATIONS

For the fiscal year ended 31 March 2008, the Group reported a total turnover of approximately HK$20,222,000 and loss attributable to equity holders of the Company of approximately HK$4,690,000 as compared to a turnover of approximately HK$22,198,000 and a loss of approximately HK$11,631,000 in the previous year.

Our gross margin was 49.0% for the current fiscal year as compared to a gross margin of 57.5% for the last fiscal year.

The Group posted a loss attributable to equity holders of the Company of approximately HK$4,690,000 for the fiscal year, which was 59.7% lower than the net loss attributable to equity holders of the Company incurred for the last fiscal year. The reduction of the net loss was mainly attributable to other revenue and net income on disposal of subsidiaries, together with a decrease in administrative and other operating expenses.

During the current fiscal year, the Group continued to control selling and distribution costs and administrative and other operating expenses tightly. Administrative and other operating expenses declined by 16.6%, as compared with the last fiscal year.

SEGMENT INFORMATION

Sales of telecommunications products accounted for 100% of the turnover of the Group for the year ended 31 March 2008.

Mainland China Market

Business from the Mainland China accounted for 100% of the Group's turnover for the year ended 31 March 2008.

TELECOMMUNICATION PRODUCTS

The turnover and the operating loss of telecommunications products for the current year was approximately HK$20,222,000 and approximately HK$2,631,000, respectively, as compared to the turnover and operating loss of approximately HK$21,655,000 and approximately HK$7,855,000 respectively for the preceding year.

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

LIQUIDITY, FINANCIAL RESOURCES AND CAPITAL STRUCTURE

As at 31 March 2008, the Group's cash balance of approximately HK$824,000 has declined when compared with the cash balance of approximately HK$2,637,000 of last year.

As at 31 March 2008, the Group's net current liabilities were approximately HK$8,283,000, the directors have taken active measures to improve the liquidity and financial position of the Group during the year ended 31 March 2008 and subsequently. On 20 August 2007, the Company disposed of the entire issued share capital of (a) T S Telecom (B.V.I.) Ltd. and its subsidiaries comprised T S International Company Limited, TSTT (Canada) Ltd., T S International Ltd., T S Electric and Power Co., Ltd., T S Telecom (Shenzhen) Co., Ltd., Ying Zhi Xun Telecom Equipment (Shenzhen) Co., Ltd., and (b) T S Bio-Medical (B.V.I.) Ltd. and its subsidiaries comprised T S Bio-Technology Ltd. and T S Bio-Technology (Wuhan) Co., Ltd. and the Advances to Disposal Group upon completion of the Corporate Restructuring to Mr. Lau See Hoi for a cash consideration of HK$3,000,000 pursuant to a sale and purchase agreement entered into on 22 January 2007. On 23 June 2008, the Company entered into a Placing Agreement with the Placing Agent, Sun Hung Kai Financial, pursuant to which the Company has conditionally agreed to place, through the Placing Agent on a best effort basis, up to 67,718,000 Placing Shares at a price of HK$0.30 per Placing Share to the Placees, who together with their ultimate beneficial owner(s) will be Independent Third Parties. On 30 June 2008, Sun Hung Kai Financial have received confirmations from 13 placees in relation to the acquisition of 67,718,000 new shares at the subscription price of HK$0.30 each. The net proceeds from this placement amounts to HK$19,717,400. Therefore, the directors are of the view that the Group will have sufficient working capital for the foreseeable future.

Most of the trading transactions, assets and liabilities of the Group were denominated in Hong Kong dollars and Renminbi. The Group adopted a conservative treasury policy with almost all bank deposits being kept in Hong Kong dollars, or in the local currencies of the operating subsidiaries to minimize exposure to foreign exchange risks. As at 31 March 2008, the Group had no foreign exchange contracts, interest or currency swaps or other financial derivatives for hedging purposes.

GEARING RATIO

The Group's gearing ratio, which was defined as the ratio of total borrowings to shareholders' equity, reduced to 0% from 62.24% of the previous year.

FUTURE PLANS FOR MATERIAL INVESTMENTS

As at 31 March 2008, the Group had not authorized or contracted for any capital expenditure commitments and had no future plans for material investments in capital assets.

MATERIAL ACQUISITION AND DISPOSALS

Except for the disposal of certain subsidiaries completed on 20 August 2007 as aforesaid, the Group did not have any material acquisitions or other disposals of major subsidiaries and affiliated companies for the year ended 31 March 2008.

CONTINGENT LIABILITIES

As at 31 March 2008, the Group did not have any material contingent liabilities.

SUBSEQUENT EVENTS

On 23 June 2008, the Company entered into the Placing Agreement with the Placing Agent, pursuant to which the Company has conditionally agreed to place, through the Placing Agent on a best effort basis, up to 67,718,000 Placing Shares at a price of HK$0.30 per Placing Share to the Placees, who together with ultimate beneficial owner(s) will be Independent Third Parties.

FOREIGN EXCHANGE EXPOSURE

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

EMPLOYEES AND REMUNERATION POLICY

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

PURCHASE, SALE OR REDEMPTION OF SHARES

The Company has not redeemed any of its shares during the year. Neither the Company nor any of its subsidiaries has purchased or sold any of the Company's shares during the year.

BIOGRAPHICAL DETAILS OF DIRECTORS

DIRECTORS

Executive Directors

Ms. Ng Mui King, Joky, aged 45, is the chairman of the Group. Ms. Ng is responsible for the overall strategic direction of the Group. She has over 18 years of experience in telecommunication, import and export trading and accounting, finance and corporate management.

Mr. WONG Kai Tat, aged 55, is primarily responsible for development and implementation of the Group's financial strategies. Mr. Wong joined the Group as an independent non-executive director of the Company in November 1999 and was re-designated as an executive director of the Company in July 2000.

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

Mr. HE Zhi Ming, aged 68, joined the Group as executive director in May 2008. He holds a bachelor degree from the China University of Technology. He has 30 years of experience in the sectors of energy, property investment and corporate management.

Non-executive Directors

Mr. PONG Shing Ngai, aged 60, joined the Group as non-executive director in May 2008. He has over 25 years of experience in trading, information system and corporate management.

Independent Non-executive Directors

Mr. CHUNG Koon Yan, aged 44, joined the Group as independent non-executive director in May 2008. He is a practicing member of The Hong Kong Institute of Certified Public Accountants, a fellow member of The Association of Chartered Certified Accountants and an associate member of The Institute of Chartered Accountants in England and Wales. He graduated from the Hong Kong Polytechnic University with a Master's Degree in Professional Accounting. Mr. Chung Koon Yan is a director of Chiu, Choy & Chung CPA Ltd. and has more than 17 years' experience in accounting, auditing and taxation. Mr. Chung Koon Yan is currently an independent non-executive director of China Financial Leasing Group Limited and Trasy Gold Ex Limited, all of which are listed on The Stock Exchange of Hong Kong Limited.

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

Mr. CHUNG Kam Fai, Raymond, aged 58, joined the Group as independent non-executive director in May 2008. He has over 20 years of experience in telecom, corporate management and finance.

CORPORATE INFORMATION

BOARD OF DIRECTORS

Executive Directors

Ms. Ng Mui King, Joky
  Chairman
Mr. Wong Kai Tat,
Mr. He Zhi Ming

Non-executive Director

Mr. Pong Shing Ngai

Independent Non-Executive Directors

Mr. Chung Koon Yan
Ms. Hui Sin Man, Alice
Mr. Chung Kam Fai, Raymond

COMPANY SECRETARY

Mr. Li Xian Hong

AUTHORISED REPRESENTATIVES

Mr. Wong Kai Tat
Mr. Li Tak Lai

COMPLIANCE OFFICER

Mr. Wong Kai Tat

QUALIFIED ACCOUNTANT

Mr. Li Xian Hong (ACCA)

AUDIT COMMITTEE

Mr. Chung Koon Yan
Ms. Hui Sin Man, Alice
Mr. Chung Kam Fai, Raymond

REMUNERATION COMMITTEE

Ms. Hui Sin Man, Alice
Mr. Chung Kam Fai, Raymond
Ms. Ng Mui King, Joky (Mr. Wong Kai Tat as her alternate)

REGISTERED OFFICE

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

HEAD OFFICE AND PRINCIPAL PLACE OF BUSINESS

Suites 1803–1804
18/F, Chinachem Tower
34–37 Connaught Road
Central, Hong Kong

PRINCIPAL BANKERS

Wing Lung Bank Ltd., Hong Kong

PRINCIPAL SHARE REGISTRAR AND TRANSFER OFFICE

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

HONG KONG BRANCH SHARE REGISTRARS AND TRANSFER OFFICE

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

AUDITORS

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

LEGAL ADVISER

As to Cayman Islands Law:

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

As to Hong Kong Law:

Hasting & Co.
5th Floor
Gloucester Tower, The Landmark
11 Pedder Street, Central
Hong Kong

STOCK CODE

8003

WEB SITE OF THE COMPANY

http://www.tstelecom.com

CORPORATE GOVERNANCE PRACTICES

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

Under the code provision A.2.1, the roles of chairman and chief executive officer should be separate and should not be performed by the same individual. There is no division of roles of chairman and chief executive officer of the Company that both offices are held by Mr. Lau See Hoi, who resigned from both posts on 2 October 2007. The Company considers that the combination of the roles of chairman and chief executive officer can effectively formulate and implement the Company's strategies. The Company considers that under the supervision of its Board and its Independent Non-executive Directors, a balancing mechanism exists so that the interests of the shareholders are adequately and fairly represented.

DIRECTORS' SECURITIES TRANSACTIONS

The Company has adopted a code of conduct regarding directors' securities transactions on terms no less exacting than the required standard of dealings as set out in Rules 5.48 to 5.67 of the GEM Listing Rules. Having made specific enquiry of all directors, the Company's directors have complied with such code of conduct and the required standard of dealings and its code of conduct regarding securities transactions by the Directors throughout the year ended 31 March 2008.

BOARD OF DIRECTORS

The board of Directors comprises of three executive Directors, namely, Ms. Ng Mui King, Joky acting as chairman of the board, Mr. He Zhi Ming and Mr. Wong Kai Tat; one non-executive Director, Mr. Pong Shing Ngai; three independent non-executive Directors, namely, Mr. Chung Koon Yan, Ms. Hui Sin Man, Alice and Mr. Chung Kam Fai, Raymond.

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

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

BOARD MEETING

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

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

Directors	Attendance
Executive Directors	
Ms. Ng Mui King, Joky *(Chairman appointed on 2 October 2007)*	9/17
Mr. Lau See Hoi *(Chairman and Chief Executive Officer, resigned both posts on 2 October 2007)*	8/17
Mr. Wong Kai Tat	17/17
Independent non-executive Directors	
Mr. Sze Tsai Ping, Michael	10/17
Ms. Hui Sin Man, Alice	16/17
Mr. Kwan Kai Cheong	9/17

CHAIRMAN AND CHIEF EXECUTIVE OFFICER

Under A.2.1 of the Code, "the roles of chairman and chief executive officer should be separate and should not be performed by the same individual". Mr. Lau See Hoi concurrently takes up the posts of chairman and chief executive officer of the Company and he resigned both posts on 2 October 2007.

REMUNERATION COMMITTEE

A remuneration committee was established on 11 November 2005 with written terms of reference in accordance with the code provision B.1.1 of the Code of Corporate Governance Practices. The remuneration committee comprises one executive director, namely, Mr. Lau See Hoi (Mr. Wong Kai Tat as his alternate) and the two independent non-executive directors, namely Mr. Sze Tsai Ping, Michael and Mr. Kwan Kai Cheong (chairman of the remuneration committee). On 2 October 2007, Mr. Lau See Hoi resigned from the post. Mr. Sze Tsai Ping, Michael and Mr. Kwan Kai Cheong resigned from the post on 23 January 2008. Ms. Ng Mui King, Joky (Mr. Wong Kai Tat as her alternate), Mr. Chung Kam Fai Raymond and Ms. Hui Sin Man, Alice (chairman of the remuneration committee) were appointed to the committee on 30 June 2008.

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

The remuneration committee held 2 meetings during the year under review. Details of the attendance of the remuneration committee meetings are as follows:

Members	Attendance
Mr. Kwan Kai Cheong (Chairman)	2/2
Mr. Sze Tsai Ping, Michael	1/2
Mr. Lau See Hoi	2/2

AUDITORS' REMUNERATION

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

Services rendered	HK$'000
Audit services	300

AUDIT COMMITTEE

The audit committee comprises three independent non-executive directors, namely Mr. Sze Tsai Ping, Michael (chairman of the audit committee), Ms. Hui Sin Man, Alice, and Mr. Kwan Kai Cheong. Mr. Kwan Kai Cheong and Mr. Sze Tsai Ping, Michael have resigned from the committee on 23 January 2008. Mr. Chung Koon Yan (chairman of the committee), Mr. Chung Kam Fai, Raymond were appointed to the committee on 30 June 2008. On 11 November 2005, the Company adopted new terms of reference for the audit committee to include such duties as are stipulated in code provision C.3.3 of the CG Code.

The audit committee held 2 meetings during the year under review. Details of the attendance of the audit committee meetings are as follows:

Members	Attendance
Mr. Sze Tsai Ping, Michael (Chairman)	1/2
Ms. Hui Sin Man, Alice	2/2
Mr. Kwan Kai Cheong	2/2

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

NOMINATION OF DIRECTORS

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

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

DIRECTORS' RESPONSIBILITY FOR THE FINANCIAL STATEMENTS

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

The statements of the external auditors of the Company, Patrick Ng & Company, about their reporting responsibilities on the financial statements of the Group is set out in the Independent Auditors' Report on page 23 of this report.

INTERNAL CONTROL

The Board is responsible for the Group's internal control system and for reviewing its effectiveness. During the year ended 31 March 2008, the Board has not identified any material deficiencies and considered the Group's internal control system is effective and adequate.

INVESTOR RELATIONS

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

PUBLIC FLOAT

The board's knowledge of the public float is based on information publicly available to the Company. As at the date of this report, over 25% of the total issued share capital of the Company was held by the public.

THE BOARD'S STATEMENT

The Company believes that good corporate governance reflects a high quality of management and operations of the Group's operations and business. Good corporate governance can safeguard the proper use of funds and effective allocation of resources which in turn, protect the interests of the shareholders. The management recognises the importance of a good corporate governance practice and will use its best endeavours to maintain, strengthen and improve the standard and quality of the Group's corporate governance.

REPORT OF THE DIRECTORS

The directors submit their report together with the audited accounts of T S Telecom Technologies Limited (the "Company") and its subsidiaries (collectively the "Group") for the year ended 31 March 2008.

PRINCIPAL ACTIVITIES AND GEOGRAPHICAL ANALYSIS OF OPERATIONS

The principal activity of the Company is investment holding. The activities of the subsidiaries are set out in note 34 to the financial statements.

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

RESULTS AND APPROPRIATIONS

The results of the Group for the year are set out in the consolidated income statement on page 25.

The directors do not recommend the payment of a dividend.

RESERVES

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

DONATIONS

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

PROPERTY, PLANT AND EQUIPMENT

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

PRINCIPAL PROPERTIES

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

BORROWINGS

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

FIVE YEAR FINANCIAL SUMMARY

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

SHARE CAPITAL

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

PURCHASE, SALE OR REDEMPTION OF SHARES

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

DISTRIBUTABLE RESERVES

At 31 March 2008, the Company did not have any reserves available for distribution to shareholders of the Company.

PRE-EMPTIVE RIGHTS

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

SHARE OPTIONS

The Company

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

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

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

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

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

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

No option had been granted since the date of adoption of the 2002 Share Option Scheme up to 28 February 2008. The following table discloses movements of the Company's share options granted under the 2002 Share Option Scheme for the year ended 31 March 2008:

Grantee	Date of grant	Exercise price HK$	Exercise period	Outstanding as at 1 April 2007 '000	Granted during the year '000	Exercised during the year '000	Outstanding as at 31 March 2008 '000
Directors							
Ms. NG Mai King, Joky	29/2/2008	0.319	29/2/2008 to 2/8/2012	–	338	–	338
Mr. WONG Kai Tat	29/2/2008	0.319	29/2/2008 to 2/8/2012	–	3,380	–	3,380
Ms. HUI Sin Man, Alice	29/2/2008	0.319	29/2/2008 to 2/8/2012	–	338	–	338
Sub-total				–	4,056	–	4,056
Employees	29/2/2008	0.319	29/2/2008 to 2/8/2012	–	3,380	–	3,380
Total				–	7,436	–	7,436

The closing share price immediately before the date on which the share options were granted was HK$0.29.

The fair value of the share options granted during the year was HK$0.095 per option and the Group recognized a share option expense of approximately HK$706,420 during the year ended 31 March 2008.

The fair value of equity-settled share options granted during the year was estimated as at the date of grant, using the Binomial option pricing model, taking into account the terms and conditions upon which the share options were granted. The following table lists the inputs into the model used for the year ended 31 March 2008:

Expected volatility:	60.39%
Risk-free interest rate:	1.888%
Expected life of option:	4.43 years

The expected volatility reflects the assumption that the historical volatility is indicative of future trends, which may also not necessarily be the actual outcome. No other feature of the share options granted was incorporated into the measurement of fair value.

DIRECTORS

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

Executive directors

Ms. Ng Mui King, Joky	(appointed on 2 October 2007)
Mr. Wong Kai Tat	
Mr. He Zhi Ming	(appointed on 9 May 2008)
Mr. Lau See Hoi	(resigned on 2 October 2007)

Non-executive directors

Mr. Pong Shing Ngai	(appointed on 9 May 2008)

Independent non-executive directors

Mr. Chung Koon Yan	(appointed on 9 May 2008)
Ms. Hui, Sin Man, Alice	
Mr. Chung Kam Fai, Raymond	(appointed on 9 May 2008)
Mr. Sze Tsai Ping, Michael	(resigned on 23 January 2008)
Mr. Kwan Kai Cheong	(resigned on 23 January 2008)

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

BIOGRAPHICAL DETAILS OF DIRECTORS AND SENIOR MANAGEMENT

Biographical details of the current directors and senior management are set out on page 8.

DIRECTORS' SERVICE CONTRACTS

Mr. Lau See Hoi has entered into a service agreement with the Company for a fixed term of two years and six months commencing from 1 July 2004, which shall be renewable for another two years and six months at the discretion of the Company and shall continue thereafter until the service agreement is terminated by either party giving to the other not less than six months' written notice. On 28 September 2006, Mr. Lau's term of service is renewed for one year and seven months to 31 July 2008. However Mr. Lau tendered his resignation as director on 2 October 2007.

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

Each of the three independent non-executive directors have entered into appointment letters with the Company. Mr. Sze Tsai Ping, Michael has been appointed for a term of one year commencing from 3 August 2007. Ms Hui Sin Man, Alice has been appointed for a term of one year commencing from 30 September 2007. Mr. Kwan Kai Cheong has been appointed for a term of one year commencing from 10 March 2007. Both Mr. Sze Tsai Ping, Michael and Kwan Kai Cheong resigned as independent non-executive directors on 23 January 2008.

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

DIRECTORS' INTERESTS IN CONTRACTS AND CONNECTED TRANSACTIONS

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

(i) The licence agreement dated 12 July 2005 was entered into between T.S. (Holdings) Company Limited ("T S Holdings"), a related company in which a director, Mr. Lau See Hoi, of the Company has a beneficial interest, and the Company. Under the licence agreement, the Company will be licensed to use the premises at Suite 2802, Two Exchange Square, 8 Connaught Place, Central, Hong Kong at a monthly licence fee of approximately HK$70,000, subject to a rent-free period of 92 days between 1 March 2005 and 31 May 2005, for the period between 1 June 2005 and 29 February 2008. The office premise were leased to T S Holdings under a leasing agreement dated 15 March 2005 entered into between T S Holdings and the landlord, an independent third party. The license fee is calculated based on the total of monthly rental and related estate management fee payable to the independent third party. For the year ended 31 March 2008, licence fees amounting to approximately HK$771,000 were paid to T S Holdings.

(ii) T S Bio-Technology Limited ("T S Bio-Technology") entered into a Service Agreement on 29 November 2005 for a term of three years commencing from 1 December 2005, which will expire on 30 November 2008, with T S Telecom Ltd. ("T S Telecom"), a substantial shareholder of the Company of which the directors were, among others, Mr. Lau See Hoi and Mr. Wong Kai Tat. Mr. Wong has resigned as director of T S Telecom on 31 March 2007. Under the agreement, T S Telecom shall be appointed as its Management' Marketing and Research agents to look after the North America market. T S Telecom shall assist it to set up a sales office in Canada, manage the operation of the sales office and report to it from time to time and provide it the marketing research information relating to its biotechnology products at an annual service fee not exceeding HK$1,600,000 payable monthly in arrear and the set up fee not exceeding CAD100,000 (equivalent to HK$699,100). For the year ended 31 March 2008, service fees amounting to approximately HK$14,000 were paid to T S Telecom.

(iii) On 22 January 2007, the Company (as Vendor) and Mr. Lau See Hoi (as Purchaser) entered into a Sale and Purchase Agreement pursuant to which the Company has conditionally agreed to dispose of and Purchaser has conditionally agreed to acquire the entire issued share capital of (a) T S Telecom (B.V.I.) Ltd. and its subsidiaries comprised T S International Company Limited, TSTT (Canada) Ltd., T S International Ltd., T S Electric and Power Co., Ltd., T S Telecom (Shenzhen) Co., Ltd., Ying Zhi Xun Telecom Equipment (Shenzhen) Co., Ltd., and (b) T S Bio-Medical (B.V.I.) Ltd. and its subsidiaries comprised T S Bio-Technology Ltd. and T S Bio-Technology (Wuhan) Co., Ltd. (as Disposal Group) and the Advances to Disposal Group upon completion of the Corporate Restructuring for a cash consideration of HK$3,000,000. The transaction was completed on 20 August 2007.

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

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

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

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

As at 31 March 2008, the interests and short positions of the Directors and Chief Executive of the Company in the shares, the underlying shares and debentures of the Company or any of its associated corporations (within the meaning of Part XV of the SFO) which were notified to the Company and the Stock Exchange pursuant to Divisions 7 and 8 of Part XV of the SFO (including interests or short positions which they were taken or deemed to have under such provisions of the SFO) and required to be entered in the register maintained by the Company pursuant to section 352 of the SFO or which were notified to the Company and the Stock Exchange pursuant to the required standard of dealings by Directors as in Rule 5.46 of the GEM Listing Rules, were as follows:

Long position in shares of the Company

	Number of ordinary shares of HK$0.1 each					
Director	Personal interest	Family interest	Corporate interest	Other interest	Total number of shares	Approximate percentage holding of shares %
Ms. Ng Mui King, Joky *(Note 1)*	–	–	168,960,000	–	168,960,000	49.90

Note:

1. These shares are held by Gold City Assets Holdings Ltd, a substantial shareholder of the Company, which is owned as to 100% by Ms. Ng Mui King, Joky.

Long position in shares of associated corporation

Director	Associated corporation	Nature of interest	Total number of shares	Approximate percentage holding of shares %
Ms. Ng Mui King, Joky	Gold City Assets Holdings Ltd	Personal	100	100

As at 31 March 2008 and save as disclosed above, none of the Directors and the Chief Executive of the Company or their associates had any interests or short positions in the shares or underlying shares of the Company or its associated corporations (within the meaning of Part XV of the SFO) as recorded in the register required to be kept under section 352 of the SFO, or as otherwise notified to the Company and the Stock Exchange pursuant to the required standard of dealings by Directors as in Rule 5.46 of the GEM Listing Rules.

DIRECTORS' RIGHTS TO ACQUIRE SHARES

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

INTEREST DISCLOSABLE UNDER THE SFO AND SUBSTANTIAL SHAREHOLDERS

As at 31 March 2008, the interest of the shareholders in the shares and underlying shares of the Company or any of its associated corporations (within the meaning of Part XV of the SFO) which were notified to the Company and the Stock Exchange pursuant to Divisions 2 and 3 of Part XV of the SFO and required to be entered in the register maintained by the Company pursuant to section 336 of the SFO were as follows:

Long position in shares of the Company

Name shareholder	Capacity	Total number of shares of HK$0.1 each	Approximate percentage holding of shares %
Gold City Assets Holdings Ltd *(Note 1)*	Beneficial owner	168,960,000	49.90
Ms. Ng Mui King, Joky *(Note 1)*	Interest of a controlled corporation	168,960,000	49.90

Note:

1. These shares are held by Gold City Assets Holdings Ltd which is owned as to 100% by Ms. Ng Mui King, Joky, a substantial shareholder of the Company.

Save as disclosed above, as at 31 March 2008, the Directors are not aware of any other person who had an interest or short position in the shares or underlying shares of the Company which would fall to be disclosed to the Company under Divisions 2 and 3 of Part XV of the SFO, or, who was expected, directly or indirectly, to be interested in 5% or more of the nominal value of any class of share capital carrying rights to vote in all circumstances at general meetings of any other member of the Group.

COMPETING INTEREST

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

MAJOR CUSTOMERS AND SUPPLIERS

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

Sales	
– the largest customer	33%
– five largest customers combined	75%
Purchases	
– the largest supplier	2%
– five largest suppliers combined	7%

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

CODE OF SECURITIES FOR SECURITIES TRANSACTIONS BY DIRECTORS

The Company has adopted the code of conduct for securities transactions by Directors set out in Rules 5.48 to 5.67 of the GEM Listing Rules as its own code of conduct regarding securities transactions by Directors. The Company confirms that, having made special enquiry from all Directors, the Directors have complied with the required standard of dealings and its code of conduct regarding securities transactions by Directors for the year ended 2008.

AUDIT COMMITTEE

The Company has established an audit committee with written terms of reference in compliance with the GEM Listing Rules. As at 31 March 2008, the audit committee comprised of one independent non-executive directors, Ms. Hui Sin Man. The primary duties of the audit committee are to review and supervise the financial reporting process and internal control system of the Group and to review the Company's annual reports and financial statements, and interim and quarterly reports and the connected transactions. The audit committee has met two times for the financial year ended 31 March 2008.

AUDITORS

The accounts for the period from 1 April 2007 to 31 March 2008 have been audited by Messrs. Patrick Ng & Company, which retired upon serving out its term of appointment. A resolution for the reappointment of Messrs. Patrick Ng & Company as auditors of the Company will be proposed at the forthcoming Annual General Meeting. The accounts for the year ended 31 March 2007 were audited by Messers. Patrick Ng & Company.

On behalf of the Board
Ng Mui King, Joky
Chairman

Hong Kong, 30 June 2008

INDEPENDENT AUDITORS' REPORT

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

We have audited the consolidated financial statements of T S Telecom Technologies Limited (the "Company") and its subsidiaries (collectively referred to as the "Group") set out on pages 25 to 70, which comprise the consolidated and company balance sheets as at 31 March 2008, and the consolidated income statement, the consolidated statement of changes in equity and the consolidated cash flow statement for the year then ended, and a summary of significant accounting policies and other explanatory notes.

DIRECTORS' RESPONSIBILITY FOR THE FINANCIAL STATEMENTS

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

AUDITORS' RESPONSIBILITY

Our responsibility is to express an opinion on these financial statements based on our audit. This report is made solely to you, as a body, and for no other purpose. We do not assume responsibility towards or accept liability to any other person for the contents of the report.

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

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

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

OPINION

In our opinion, the consolidated financial statements give a true and fair view of the state of affairs of the Group and of the Company as at 31 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.

PATRICK NG & COMPANY
Certified Public Accountants

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

30 June 2008

CONSOLIDATED INCOME STATEMENT

For the year ended 31 March 2008

	Notes	2008 HK$'000	2007 HK$'000
Turnover	*5(a)*	**20,222**	22,198
Cost of sales		**(10,317)**	(9,445)
Gross profit		**9,905**	12,753
Other revenue and net income	*5(b)*	**10,064**	4,110
Selling and distribution costs		**(1,370)**	(575)
Administrative and other operating expenses		**(23,488)**	(28,163)
Loss from operations		**(4,889)**	(11,875)
Finance costs	*6*	**(372)**	(468)
Share of results of associate		**703**	650
Loss before tax	*7*	**(4,558)**	(11,693)
Income tax	*8*	**(132)**	62
LOSS FOR THE YEAR		**(4,690)**	(11,631)
Loss attributable to equity holders of the Company		**(4,690)**	(11,631)
Dividend	*10*	**–**	–
Loss per share	*11*		
– Basic		**1.39 cents**	3.55 cents
– Diluted		**N/A**	N/A

CONSOLIDATED BALANCE SHEET

As at 31 March 2008

	Notes	2008 HK$'000	2007 HK$'000
NON-CURRENT ASSETS			
Property, plant and equipment	*13*	**131**	111
Prepaid lease payments	*14*	**–**	–
Interests in associate	*16*	**16,287**	13,634
		16,418	13,745
CURRENT ASSETS			
Inventories	*18*	**1,427**	725
Trade and other receivables	*19*	**7,473**	980
Amount due from related company	*20(a)*	**216**	216
Cash and bank deposits	*21*	**824**	643
		9,940	2,564
Assets classified as held for sale	*22*	**–**	17,906
		9,940	20,470
CURRENT LIABILITIES			
Bank and other loans	*23*	**–**	(1,000)
Trade and other payables	*24*	**(7,357)**	(4,667)
Amount due to directors	*25*	**(9,138)**	(2,389)
Amount due to related company	*20(b)*	**(1,728)**	–
		(18,223)	(8,056)
Liabilities associated with assets classified as held for sale	*22*	**–**	(15,982)
		(18,223)	(24,038)
NET CURRENT LIABILITIES		**(8,283)**	(3,568)
NET ASSETS		**8,135**	10,177
CAPITAL AND RESERVES			
Share capital	*26*	**33,860**	33,860
Reserves	*27*	**(25,725)**	(23,683)
EQUITY		**8,135**	10,177

Approved and authorised for issue by the board of directors on 30 June 2008

NG Mui King, Joky
Director

WONG Kai Tat
Director

BALANCE SHEET

As at 31 March 2008

	Notes	2008 HK$'000	2007 HK$'000
NON-CURRENT ASSETS			
Property, plant and equipment	*13*	**97**	–
Investment in subsidiaries	*15*	**1**	1
Amount due from subsidiaries	*17*	**13,835**	2
		13,933	3
CURRENT ASSETS			
Trade and other receivables	*19*	**265**	19
Amount due from related company	*20(a)*	**216**	216
Cash and bank deposits	*21*	**29**	5
		510	240
Assets classified as held for sale	*22*	**–**	111
		510	351
CURRENT LIABILITIES			
Bank and other loans	*23*	**–**	(1,000)
Trade and other payables	*24*	**(2,103)**	(2,132)
Amount due to directors	*25*	**(9,138)**	(2,389)
Amount due to related company	*20(b)*	**(1,728)**	–
		(12,969)	(5,521)
NET CURRENT LIABILITIES		**(12,459)**	(5,170)
NET ASSETS/(LIABILITIES)		**1,474**	(5,167)
CAPITAL AND RESERVES			
Share capital	*26*	**33,860**	33,860
Reserves	*27*	**(32,386)**	(39,027)
EQUITY/(DEFICIT)		**1,474**	(5,167)

Approved and authorised for issue by the board of directors on 30 June 2008

NG Mui King, Joky	**WONG Kai Tat**
Director	*Director*

CONSOLIDATED STATEMENT OF CHANGES IN EQUITY

For the year ended 31 March 2008

	Share capital HK$'000	Share premium HK$'000	Share options reserve HK$'000	PRC statutory reserves HK$'000	Merger difference HK$'000	Translation reserve HK$'000	Accumulated losses HK$'000	Total HK$'000
At 1 April 2006	28,220	96,616	–	7,808	(250)	715	(117,874)	15,235
Exchange differences arising on translation of foreign operations	–	–	–	196	–	455	–	651
Net income/(expenses) recognized directly in equity	–	–	–	196	–	455	–	651
Loss for the year	–	–	–	–	–	–	(11,631)	(11,631)
Total recognised income and expense for the year	–	–	–	–	–	–	(11,631)	(11,631)
Issue of ordinary shares	5,640	282	–	–	–	–	–	5,922
At 31 March 2007	33,860	96,898	–	8,004	(250)	1,170	(129,505)	10,177
At 1 April 2007	33,860	96,898	–	8,004	(250)	1,170	(129,505)	10,177
Exchange differences arising on translation of foreign operations	–	–	–	–	–	1,942	–	1,942
Net income/(expenses) recognised directly in equity	–	–	–	–	–	1,942	–	1,942
Loss for the year	–	–	–	–	–	–	(4,690)	(4,690)
Total recognised income and expense for the year	–	–	–	–	–	–	(4,690)	(4,690)
Recognition of equity-settled share-based payments	–	–	706	–	–	–	–	706
Share of associate's changes in equity not recognised in profit or loss	–	–	–	–	–	–	–	–
Transfer on disposal of foreign operations	–	–	–	(4,196)	–	–	4,196	–
	–	–	706	(4,196)	–	–	4,196	706
At 31 March 2008	33,860	96,898	706	3,808	(250)	3,112	(129,999)	8,135

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

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

CONSOLIDATED CASH FLOW STATEMENT

For the year ended 31 March 2008

	2008 HK$'000	2007 HK$'000
CASH FLOWS FROM OPERATING ACTIVITIES		
Loss before tax	**(4,558)**	(11,693)
Adjustments for:		
Interest income	**(17)**	(259)
Interest expenses	**368**	468
Depreciation and amortisation	**511**	1,351
Share of results of associate	**(703)**	(650)
Gain on disposal of property, plant and equipment and leasehold interests in land	**–**	(2,252)
Gain on disposal of subsidiaries	**(9,217)**	–
Equity-settled share-based payment expenses	**706**	–
Reversal of engineering service fee over-provided	**–**	(1,546)
Reversal of impairment loss of trade and other receivables	**–**	(53)
Impairment loss of inventories	**1,817**	1,256
Impairment loss of trade and other receivables	**1,697**	209
Operating loss before movements in working capital	**(9,396)**	(13,169)
Increase in inventories	**(1,615)**	(3,003)
(Increase)/decrease in trade and other receivables	**(7,273)**	1,178
Increase in amount due from related company	**(1,570)**	–
Increase in trade and other payables	**5,950**	1,246
Increase in amount due to directors	**9,513**	2,027
Increase in amount due to related company	**1,606**	–
Cash used in operations	**(2,785)**	(11,721)
Tax (paid)/refunded	**(143)**	8
NET CASH USED IN OPERATING ACTIVITIES	**(2,928)**	(11,713)
CASH FLOWS FROM INVESTING ACTIVITIES		
Interest received from bank deposits	**17**	259
Dividend received from associate	**–**	1,257
Proceeds from sale of property, plant and equipment and leasehold interests in land	**–**	5,705
Purchase of property, plant and equipment	**(124)**	(280)
Disposal of subsidiaries *(note 30)*	**(163)**	–
NET CASH GENERATED FROM/(USED IN) INVESTING ACTIVITIES	**(270)**	6,941
CASH FLOWS FROM FINANCING ACTIVITIES		
New loans raised from banks and other financial institution	**2,809**	5,337
Repayment of loans	**(1,000)**	(6,404)
Proceeds from issue of ordinary shares	**–**	5,922
Interest paid	**(368)**	(468)
NET CASH GENERATED FROM FINANCING ACTIVITIES	**1,441**	4,387
NET DECREASE IN CASH AND CASH EQUIVALENTS	**(1,757)**	(385)
CASH AND CASH EQUIVALENTS AT BEGINNING OF THE YEAR	**2,590**	3,420
EFFECT OF FOREIGN EXCHANGE RATE CHANGES	**(9)**	(445)
CASH AND CASH EQUIVALENTS AT END OF THE YEAR	**824**	2,590
ANALYSIS OF CASH AND CASH EQUIVALENTS		
Cash and bank deposits	**824**	2,637
Bank overdraft	**–**	(47)
	824	2,590

As at 31 March 2008, the Group had cash and bank deposits denominated in Renminbi of approximately HK$795,000 (2007: HK$2,628,000). The remittance of these funds out of the PRC is subject to the exchange control restrictions imposed by the PRC government.

1. GENERAL INFORMATION

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

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

The Company is an investment holding company. The principal activities of the Company and its subsidiaries (collectively referred to as the "Group") are investment holding as well as the assembly, distribution and integration of telecommunications products.

2. APPLICATION OF NEW AND REVISED HONG KONG FINANCIAL REPORTING STANDARDS

In the current year, the Group has applied a number of new standard, amendment and interpretations (the "new HKFRSs") issued by the Hong Kong Institute of Certified Public Accountants ("HKICPA"), which are relevant to its operations and are effective for accounting periods beginning on or after 1 April 2007. The adoption of the new HKFRSs has no significant effect on the Group's accounting policies and amounts reported for the current and prior accounting periods in these financial statements.

The Group has not early applied the following new and revised standards or interpretations that have been issued but are not yet effective. The directors are in the process of making an assessment of the expected impact of these new and revised standards or interpretations upon initial application and so far consider that the application of these new standards or interpretations will have no material impact on the results and the financial position of the Group.

HKAS 1 (Revised)	Presentation of Financial Statements (3)
HKAS 23	Borrowing Costs (3)
HKFRS 8	Operating Segments (3)
HK(IFRIC)-Int 12	Service Concession Arrangements (1)
HK(IFRIC)-Int 13	Customer Loyalty Programmes (2)
HK(IFRIC)-Int 14	HKAS 19-The Limit on a Defined Benefit Asset, Minimum Funding Requirements and their Interaction (1)

(1) Effective for annual periods beginning on or after 1 January 2008
(2) Effective for annual periods beginning on or after 1 July 2008
(3) Effective for annual periods beginning on or after 1 January 2009

3. SIGNIFICANT ACCOUNTING POLICIES

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

3. SIGNIFICANT ACCOUNTING POLICIES (Continued)

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

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

(a) Basis of consolidation

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

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

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

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

Minority interests in the net assets of consolidated subsidiaries are identified separately from the Group's equity therein. Minority interests in the net assets consist of the amount of those interests at the date of the original business combination and the minority's share of changes in equity since the date of the combination. Losses applicable to the minority in excess of the minority's interest in the subsidiary's equity are allocated against the interests of the Group except to the extent that the minority has a binding obligation and is able to make an additional investment to cover the losses.

(b) Business combinations

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

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

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

3. SIGNIFICANT ACCOUNTING POLICIES (Continued)

(c) Goodwill

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

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

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

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

(d) Investment in subsidiaries

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

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

(e) Investment in associates and jointly controlled entities

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

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

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

3. SIGNIFICANT ACCOUNTING POLICIES (Continued)

(e) Investment in associates and jointly controlled entities (Continued)

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

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

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

(f) Non-current assets held for sale

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

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

(g) Revenue recognition

Revenue, which is measured at the fair value of the consideration received or receivable, is recognised when it is probable that the economic benefits will flow to the Group and the revenue can be measured reliably, on the following bases:

(i) Sales income are recognised when goods are delivered and title has passed.

(ii) Service income is recognised when services are provided.

(iii) 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.

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

3. SIGNIFICANT ACCOUNTING POLICIES (Continued)

(h) Property, plant and equipment

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

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

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

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

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

(i) Intangible assets (other than goodwill)

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

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

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

Both the period and method of amortisation are reviewed annually.

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

3. SIGNIFICANT ACCOUNTING POLICIES (Continued)

(j) Leases

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

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

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

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

(k) Foreign currencies

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

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

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

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

3. SIGNIFICANT ACCOUNTING POLICIES (Continued)

(k) Foreign currencies (Continued)

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

(l) Borrowing costs

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

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

(m) Employee benefits

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

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

Share options granted to employees are accounted for in accordance with the policies set out in note 3(s)(i)(1).

(n) Income taxes

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

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

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

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

3. SIGNIFICANT ACCOUNTING POLICIES (Continued)

(n) Income taxes (Continued)

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

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

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

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

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

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

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

Impairment losses recognised in an interim financial report prepared in compliance with "HKAS 34 Interim Financial Reporting" are not reversed at the end of the financial year to which the interim period relates even if no loss, or a smaller loss, would have been recognised had the impairment been assessed only at the end of that financial year.

(p) Inventories

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

3. SIGNIFICANT ACCOUNTING POLICIES (Continued)

(q) 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 and financial liabilities at fair value through profit or loss) are added to or deducted from the fair value of the financial assets or financial liabilities, as appropriate, on initial recognition. Transaction costs directly attributable to the acquisition of financial assets or financial liabilities at fair value through profit or loss are recognised immediately in profit or loss.

(i) Financial assets

The Group's financial assets are classified into one of the four categories, including financial assets at fair value through profit or loss, loans and receivables, held-to-maturity investments and available-for-sale financial assets. All regular way purchases or sales of financial assets are recognized 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. The accounting policies adopted in respect of each category of financial assets are set out below.

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

Financial assets at fair value through profit or loss has two subcategories, including financial assets held for trading and those designated as at fair value through profit or loss 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 and 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 fair value through profit or loss 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 fair value through profit or loss.

3. SIGNIFICANT ACCOUNTING POLICIES (Continued)

(q) Financial instruments (Continued)

(i) Financial assets (Continued)

(1) Financial assets at fair value through profit or loss (Continued)

At each balance sheet date subsequent to initial recognition, financial assets at fair value through profit or loss 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 on loss recognised in profit or loss includes any dividend or interest earned on the financial assets.

(2) 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 receivables, loan receivables, other receivables and bank balances) are carried at amortised cost using the effective interest method, less any identified impairment losses.

(3) Held-to-maturity investments

Held-to-maturity investments are non-derivative financial assets with fixed or determinable payments and fixed maturities that the Group's management has the positive intention and ability to hold to maturity. At each balance sheet date subsequent to initial recognition, held-to-maturity investments are measured at amortised cost using the effective interest method, less any identified impairment losses.

(4) Available-for-sale financial assets

Available-for-sale financial assets are non-derivatives that are either designated or not classified as financial assets at fair value through profit or loss, loans and receivables or held-tomaturity investments. At each balance sheet date subsequent to initial recognition, available-for-sale financial assets are measured at fair value. Changes in fair value are recognised in equity, until the financial asset is disposed of or is determined to be impaired, at which time, the cumulative gain or loss previously recognised in equity is removed from equity and recognised in profit or loss.

For available-for-sale equity investments that do not have a quoted market price in an active market and whose fair value cannot be reliably measured and derivatives that are linked to and must be settled by delivery of such unquoted equity instruments, they are measured at cost less any identified impairment losses at each balance sheet date subsequent to initial recognition.

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 recognized directly in equity is recognised in profit or loss.

3. SIGNIFICANT ACCOUNTING POLICIES (Continued)

(q) Financial instruments (Continued)

(ii) Financial liabilities

The Group's financial liabilities are generally classified into financial liabilities at fair value through profit or loss and other financial liabilities. The accounting policies adopted in respect of financial liabilities and equity instruments are set out below.

(1) Financial liabilities at fair value through profit or loss

Financial liabilities at fair value through profit or loss has two subcategories, including financial liabilities held for trading and those designated as at fair value through profit or loss on initial recognition.

A financial liability is classified as held for trading if:

- it has been acquired principally for the purpose of repurchasing in the near future; or

- it is a part of and 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 liability other than a financial liability held for trading may be designated as at fair value through profit or loss upon initial recognition if:

- such designation eliminates or significantly reduces a measurement or recognition inconsistency that would otherwise arise; or

- the financial liability forms part of a group of financial assets or financial liabilities or both, which is managed and its performance i s 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 fair value through profit or loss.

At each balance sheet date subsequent to initial recognition, financial liabilities at fair value through profit or loss 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 recognized in profit and loss includes any interest paid on the financial liability.

(2) Other financial liabilities

Other financial liabilities (including bank and other borrowings, trade and other payables) are subsequently measured at amortized cost, using the effective interest method.

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

3. SIGNIFICANT ACCOUNTING POLICIES (Continued)

(q) Financial instruments (Continued)

(iii) Convertible bonds

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

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

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

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

(iv) Equity instruments

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

Repurchase of the Company's own equity instruments is recognised and deducted directly in equity. No gain or loss is recognised in profit or loss on purchase, sale, issue or cancellation of the Company's own equity instruments.

(r) Financial guarantees, provisions and contingent liabilities

A financial guarantee contract is a contract that requires the issuer to make specified payments to reimburse the holder for a loss it incurs because a specified debtor fails to make payment when due in accordance with the original or modified terms of a debt instrument. The Group has asserted to regard financial guarantee contracts as insurance contracts and elect to apply "HKFRS 4 Insurance Contracts" to account for such contracts. The election applies to all existing contracts and new contracts on a contract-by-contract basis and is irrevocable for each contract elected.

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

3. SIGNIFICANT ACCOUNTING POLICIES (Continued)

(r) Financial guarantees, provisions and contingent liabilities (Continued)

Present obligation is disclosed as a contingent liability where it is not probable that an outflow of economic benefits will be required to settle the obligation or the amount of the obligation cannot be measured with sufficient reliably. Possible obligation that arises from past events and whose existence will only be confirmed by the occurrence or non-occurrence of one or more future event(s) is also disclosed as a contingent liability unless the probability of outflow of economic benefits is remote.

(s) Share-based payment transactions

(i) Equity-settled share-based payment transactions

(1) Share options granted to employees

For share options granted to employees, the fair value of services received determined by reference to the fair value of share options granted at the grant date is expensed on a straight-line basis over the vesting period, with a corresponding increase in equity (share options reserve).

At each balance sheet date, the Group revises its estimates of the number of options that are expected to ultimately vest. The effect of the change in estimate, if any, is recognised in profit or loss with a corresponding adjustment to share options reserve.

At the time when the share options are exercised, the amount previously recognised in share options reserve will be transferred to share premium. When the share options are forfeited after the vesting date or are still not exercised at the expiry date, the amount previously recognised in share options reserve will be transferred to retained profits.

(2) Share options granted to suppliers

For share options granted to suppliers in exchange for goods or services, they are measured at the fair value of the goods or services received. The fair values of the goods or services are recognised as expenses immediately, unless the goods or services qualify for recognition as assets. Corresponding adjustments have been made to equity (share options reserve).

(ii) Cash-settled share-based payment transactions

For cash-settled share-based payments, the Group measures the goods or services acquired and the liability incurred at the fair value of the liability. At each balance sheet date, the liability is remeasured at its fair value until the liability is settled, with any changes in fair value recognized in profit or loss.

3. SIGNIFICANT ACCOUNTING POLICIES (Continued)

(t) Related parties

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

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

(ii) The party is an associate;

(iii) The party is a jointly controlled entity;

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

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

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

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

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

(u) Segment reporting

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

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

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

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

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

4. CRITICAL ACCOUNTING JUDGMENTS AND ESTIMATES

(a) Judgments

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

(i) Impairment of assets

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

(ii) Income taxes

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

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

(b) Estimation uncertainty

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

(i) Impairment test of assets

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

4. CRITICAL ACCOUNTING JUDGMENTS AND ESTIMATES (Continued)

(b) Estimation uncertainty (Continued)

(ii) Income taxes

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

(iii) Depreciation of property, plant and equipment

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

5. REVENUE

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

	2008	2007
	HK$'000	HK$'000
Sales of goods, net of discounts and value-added tax	**20,222**	22,198

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

	2008	2007
	HK$'000	HK$'000
Bank interest income	**17**	259
Gain on disposal of property, plant and equipment and leasehold interests in land	**–**	2,252
Gain on disposal of subsidiaries *(note 30)*	**9,217**	–
Sundry income	**164**	–
Other service income	**666**	–
Reversal of engineering service fee over-provided	**–**	1,546
Reversal of impairment loss of trade and other receivables	**–**	53
	10,064	4,110

6. FINANCE COSTS

	2008 HK$'000	2007 HK$'000
Interest on secured bank loans wholly repayable within 5 years	**4**	306
Interest on other secured loans wholly repayable within 5 years	**368**	162
	372	468

7. LOSS BEFORE TAX

Loss before tax has been arrived at after charging:–

	2008 HK$'000	2007 HK$'000
Staff costs (including directors' remuneration)		
– Included in selling and distribution costs	**378**	173
– Included in administrative expenses	**6,506**	12,814
Equity-settled share-based payments	**706**	–
	7,590	12,987
Inventories recognised as an expense		
– Carrying amount of inventories sold	**10,317**	8,896
– Impairment loss of inventories	**1,817**	1,256
	12,134	10,152
Auditors' remuneration	**300**	300
Research and development costs	**–**	549
Depreciation and amortisation	**511**	1,351
Operating lease rentals in respect of land and buildings	**948**	1,539
Impairment loss of trade and other receivables	**1,697**	209
Net foreign exchange loss	**–**	76

8. INCOME TAX

	2008 HK$'000	2007 HK$'000
Current tax:		
Hong Kong	–	54
Other jurisdictions	(132)	8
Deferred tax	–	–
Tax income/(expense) for the year	(132)	62

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

	2008 HK$'000	2007 HK$'000
Loss before tax and before share of results of associate	(5,261)	(12,343)
Notional tax on profit/(loss) before tax, calculated at the tax rates applicable to profit in the jurisdictions concerned	1,386	1,765
Tax effect of expenses not deductible and tax loss not recognised	(3,131)	(2,804)
Tax effect of utilisation of tax loss not previously unrecognised	–	1,047
Tax effect of income not taxable	1,613	–
Tax over-provided in previous year(s)	–	65
Tax under-provided in previous year(s)	–	(11)
Tax income/(expense) for the year	(132)	62

Hong Kong profits tax is calculated at the rate of 17.5% (2007: 17.5%) on the estimated assessable profit for the year. Taxation for other jurisdictions is calculated at the rates prevailing in the relevant jurisdictions.

No deferred tax liabilities have been recognised in the financial statements as the Group and the Company did not have material taxable temporary differences as at 31 Mach 2008 and 2007.

No deferred tax asset has been recognised in the financial statements in respect of tax losses available to offset future profits due to the unpredictability of future profit streams against which the asset can be utilised. The unrecognised deferred tax asset of the Group in respect of deductible temporary difference attributable to unused tax losses at the balance sheet date amounted to approximately HK$4,276,000 (2007: HK$12,009,000).

9. DIRECTORS' AND FIVE HIGHEST PAID EMPLOYEES' EMOLUMENTS

(i) Directors' emoluments

The emoluments paid or payable to each of the 9 (2007: 5) directors are as follows:–

2008

	Fees HK$'000	Salaries and other benefits HK$'000	Share-based payments HK$'000	Retirement scheme contributions HK$'000	Total HK$'000
Executive directors:					
Mr. LAU See Hoi (Resigned on 2 October 2007)	–	1,829	–	7	1,836
Mr. WONG Kai Tat, Dickson	–	3,164	321	30	3,515
Ms. NG Mui King, Joky (Appointed on 2 October 2007)	–	331	32	6	369
Mr. ZHANG Fang Hong (Appointed on 2 October 2007 and retired on 28 December 2007)	–	–	–	–	–
Non-executive directors:					
Mr. XIONG Jian Rui (Appointed on 2 October 2007 and retired on 28 December 2007)	–	–	–	–	–
Mr. WU Zhu Ping (Appointed on 2 October 2007 and retired on 28 December 2007)	–	–	–	–	–
Independent non-executive directors:					
Mr. SZE Tsai Ping, Michael (Resigned on 23 January 2008)	207	–	–	10	217
Mr. KWAN Kai Cheong (Resigned on 23 January 2008)	207	–	–	10	217
Ms. HUI Sin Man, Alice	248	–	32	12	292
Total	662	5,324	385	75	6,446

9. DIRECTORS' AND FIVE HIGHEST PAID EMPLOYEES' EMOLUMENTS (Continued)

(i) Directors' emoluments (Continued)

2007

	Fees HK$'000	Salaries and other benefits HK$'000	Share-based payments HK$'000	Retirement scheme contributions HK$'000	Total HK$'000
Executive directors:					
Mr. LAU See Hoi	–	2,313	–	12	2,325
Mr. WONG Kai Tat	–	2,295	–	30	2,325
Independent non-executive directors:					
Mr. SZE Tsai Ping, Michael	233	–	–	12	245
Ms. HUI Sin Man, Alice	233	–	–	12	245
Mr. KWAN Kai Cheong	233	–	–	12	245
	699	4,608	–	78	5,385

(ii) Of the 5 individuals with the highest emoluments in the Group, 4 (2007: 4) were directors of the Company whose emoluments are set out above. The emoluments of the 1 (2007: 1) non-director highest paid individual(s) are as follows:–

	2008 HK$'000	2007 HK$'000
Salaries and other benefits	**251**	333
Retirement scheme contributions	**6**	12
Share-based payments	**321**	–
	578	345

The emoluments of the 1 (2007: 1) non-director highest paid individual(s) fell within the following band:–

	Number of individual(s)	
	2008	2007
Within HK$1,000,000	**1**	1

10. DIVIDEND

No dividend has been paid during the year nor proposed for the year (2007: Nil).

11. LOSS PER SHARE

The basic loss per share is calculated based on the loss attributable to equity holders of the Company of approximately HK$4,690,000 (2007: approximately HK$11,631,000) and the weighted average number of 338,596,000 (2007: 338,596,000) ordinary shares in issue during the year.

Diluted loss per share has not been disclosed as (i) the share options outstanding during the year ended 31 March 2008 had no dilutive effect; and (ii) there were no dilutive potential ordinary shares in issue for the year ended 31 March 2008.

12. BUSINESS AND GEOGRAPHICAL SEGMENTS

(a) Business segments

The following operations are the basis on which the Group reports its primary segment information. There are no sales or other transactions between these business segments.

Income statement for the year ended 31 March 2008

	Telecommunication products HK$'000	Others HK$'000	Total HK$'000
Turnover	20,222	–	20,222
Segment results	(2,631)		(2,631)
Unallocated interest income			1
Unallocated corporate income			9,249
Unallocated corporate expenses			(11,508)
Operating loss			(4,889)
Finance costs			(372)
Share of results of associate			703
Loss before tax			(4,558)
Income tax			(132)
Loss for the year			(4,690)

12. BUSINESS AND GEOGRAPHICAL SEGMENTS (Continued)

(a) Business segments (Continued)

Balance sheet as at 31 March 2008

	Telecommunication products HK$'000	Total HK$'000
Assets:		
Segment assets	9,464	9,464
Interests in associate		16,287
Unallocated corporate assets		607
Total assets		26,358
Liabilities:		
Segment liabilities	5,722	5,722
Unallocated corporate liabilities		12,501
Total liabilities		18,223

Other information for the year ended 31 March 2008

	Telecommunication products HK$'000	Others HK$'000	Total HK$'000
Capital expenditure	3	121	124
Depreciation and amortisation	81	24	105
Provision for impairment loss of trade and other receivables	1,697	–	1,697
Provision for impairment loss of inventories	1,817	–	1,817

12. BUSINESS AND GEOGRAPHICAL SEGMENTS (Continued)

(a) Business segments (Continued)

Income statement for the year ended 31 March 2007

	Telecommunication products HK$'000	Others HK$'000	Total HK$'000
Turnover	21,655	543	22,198
Segment results	(7,855)	(2,568)	(10,423)
Unallocated interest income			259
Unallocated corporate expenses			(1,711)
Operating loss			(11,875)
Finance costs			(468)
Share of results of associate			650
Loss before tax			(11,693)
Income tax			62
Loss for the year			(11,631)

Balance sheet as at 31 March 2007

	Telecommunication products HK$'000	Total HK$'000
Assets:		
Segment assets	19,302	19,302
Interests in associate		13,634
Unallocated corporate assets		1,279
Total assets		34,215
Liabilities:		
Segment liabilities	18,107	18,107
Unallocated corporate liabilities		5,931
Total liabilities		24,038

12. BUSINESS AND GEOGRAPHICAL SEGMENTS (Continued)

(a) Business segments (Continued)

Other information for the year ended 31 March 2007

	Telecommunication products HK$'000	Others HK$'000	Total HK$'000
Capital expenditure	81	199	280
Depreciation and amortisation	1,121	230	1,351
Provision for impairment loss of trade and other receivables	209	–	209
Provision for impairment loss of inventories	1,256	–	1,256

(b) Geographical segments

The Group's major operations are based in the People's Republic of China ("PRC"), including Hong Kong. In determining the Group's geographical segments, revenue is attributed to the segments based on the location of the customers and assets are attributed to the segments based on the location of the assets. As over 90% of the Group's turnover is derived from customers based in and over 90% of the Group's assets are located in the PRC, no geographical segment information is presented.

13. PROPERTY, PLANT AND EQUIPMENT

The Group

	Buildings HK$'000	Leasehold improvements HK$'000	Furniture and equipment HK$'000	Motor vehicles HK$'000	Total HK$'000
Cost:					
At 1 April 2006	5,980	619	27,807	4,353	38,759
Additions	–	–	149	131	280
Disposals	(2,082)	(136)	(430)	(721)	(3,369)
Exchange differences	150	8	239	52	449
Classified as held for sale	(4,048)	(491)	(27,562)	(3,485)	(35,586)
At 31 March 2007 and 1 April 2007	–	–	203	330	533
Additions	–	18	106	–	124
Exchange differences	–	–	–	1	1
At 31 March 2008	–	18	309	331	658
Depreciation and impairment:					
At 1 April 2006	719	470	26,074	3,584	30,847
Provided for the year	95	115	615	422	1,247
Eliminated on disposals	(270)	(301)	(423)	(644)	(1,638)
Exchange differences	18	8	199	32	257
Classified as held for sale	(562)	(292)	(26,304)	(3,133)	(30,291)
At 31 March 2007 and 1 April 2007	–	–	161	261	422
Provided for the year	–	4	33	68	105
Exchange differences	–	–	–	–	–
At 31 March 2008	–	4	194	329	527
Carrying amount:					
At 31 March 2008	–	14	115	2	131
At 31 March 2007	–	–	42	69	111

Buildings, before classified as held for sale, with a carrying amount of approximately HK$3,485,000 had been pledged as part of the security in respect of banking facilities granted to the Group as mentioned in note 30.

13. PROPERTY, PLANT AND EQUIPMENT (Continued)

The Company

	Leasehold improvements HK$'000	Furniture and equipment HK$'000	Total HK$'000
Cost:			
At 1 April 2006	–	–	–
Additions	–	–	–
Disposals	–	–	–
At 31 March 2007 and 1 April 2007	–	–	–
Additions	18	103	121
Disposals	–	–	–
At 31 March 2008	18	103	121
Depreciation and impairment:			
At 1 April 2006	–	–	–
Provided for the year	–	–	–
Eliminated on disposals	–	–	–
At 31 March 2007 and 1 April 2007	–	–	–
Provided for the year	4	20	24
Eliminated on disposals	–	–	–
At 31 March 2008	4	20	24
Carrying amount:			
At 31 March 2008	14	83	97
At 31 March 2007	–	–	–

14. PREPAID LEASE PAYMENTS

	The Group	
	2008	2007
	HK$'000	HK$'000
Prepaid lease payments comprise unamortised cost in respect of leasehold interests in land:–		
Located in the PRC		
– Medium-term lease	**–**	–
– Long-term lease	**–**	–
	–	–
At beginning of the year	**–**	4,008
Disposals	**–**	(1,724)
Amortisation for the year	**–**	(104)
Exchange difference	**–**	101
Classified as held for sale *(note 22)*	**–**	(2,281)
At end of the year	**–**	–

Prepaid lease payments, before classified as held for sale, included a carrying amount of approximately HK$2,281,000 in relation to leasehold interests in land pledged as part of the security in respect of banking facilities granted to the Group as mentioned in note 30.

15. INVESTMENT IN SUBSIDIARIES

	The Company	
	2008	2007
	HK$'000	HK$'000
Unlisted equity shares, at cost	**1**	1
Provision for impairment loss	**–**	–
	1	1

Details of principal subsidiaries as at 31 March 2008, which materially affected the Group's results or net assets, are set out in note 36.

16. INTERESTS IN ASSOCIATE

	The Group 2008 HK$'000	2007 HK$'000
Share of net assets	**16,287**	13,634

Particulars of the Group's associate as at 31 March 2008 are as follows:

Name	Place of incorporation/ operation	Registered Capital	Attributable equity interest of the Group 2008	2007	Principal activities
Shanghai Hua Cheng Telecommunication Equipment Co., Ltd. ("Shanghai Hua Cheng")	PRC	USD1,500,000	30%	30%	Manufacture of telecommunication equipment and accessories in the PRC

Shanghai Hua Cheng has adopted 31 December as its financial year end date for local statutory reporting purposes. For the preparation of the consolidated financial statements, management accounts of the associate for each of the 12 months ended 31 March 2008 and 2007 have been used, after making adjustments as appropriate, for compliance with accounting principles generally accepted in Hong Kong.

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

	2008 HK$'000	2007 HK$'000
Results for the year		
Turnover for the year	**59,519**	34,691
Profit for the year	**2,343**	2,168
Group's share of results for the year, after share of tax expense of approximately HK$460,000 (2007: HK$419,000)	**703**	650
Financial position		
Total assets	**63,697**	56,220
Total liabilities	**(9,408)**	(10,755)
Net assets	**54,289**	45,445
Group's share of net assets	**16,287**	13,634

17. AMOUNT DUE FROM SUBSIDIARIES

	The Company	
	2008	2007
	HK$'000	HK$'000
Amount due from subsidiaries	**13,835**	2

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

18. INVENTORIES

	The Group	
	2008	2007
	HK$'000	HK$'000
Raw materials	**817**	687
Work-in-progress	**610**	3,218
Finished goods	**–**	968
	1,427	4,873
Classified as held for sale *(note 22)*	**–**	(4,148)
	1,427	725

19. TRADE AND OTHER RECEIVABLES

	The Group		The Company	
	2008	2007	**2008**	2007
	HK$'000	HK$'000	**HK$'000**	HK$'000
An aged analysis of trade receivables is as follows:–				
Within 3 months	**5,768**	254	**–**	–
Over 3 months but within 1 year	**501**	–	**–**	–
	6,269	254	**–**	–
Other receivables, prepayments and deposits	**1,204**	726	**265**	19
	7,473	980	**265**	19

20. AMOUNT DUE FROM/TO RELATED COMPANY

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

The Group

Name of company	Balance at 31 March 2008 HK$'000	Maximum balance outstanding during the year HK$'000	Balance at 31 March 2007 and 1 April 2007 HK$'000	Maximum balance outstanding during the year HK$'000	Balance at 1 April 2006 HK$'000
T. S. (Holdings) Company Limited	216	216	94#	94#	94#

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

The Company

Name of company	Balance at 31 March 2008 HK$'000	Maximum balance outstanding during the year HK$'000	Balance at 31 March 2007 and 1 April 2007 HK$'000	Maximum balance outstanding during the year HK$'000	Balance at 1 April 2006 HK$'000
T. S. (Holdings) Company Limited	216	216	216	216	216

Mr. Lau See Hoi, who was previously the chairman and chief executive officer of the Company resigned on 2 October 2007, has a beneficial interest in the related company.

20. AMOUNT DUE FROM/TO RELATED COMPANY (Continued)

(b) The amount due to related company is unsecured, non-interest bearing and has no fixed repayment terms.

	The Group		The Company	
	2008	2007	**2008**	2007
	HK$'000	HK$'000	**HK$'000**	HK$'000
T.S. International Limited	**1,728**	–	**1,728**	–

Mr. Lau See Hoi, who was previously the chairman and chief executive officer of the Company resigned on 2 October 2007, has a beneficial interest in the related company.

21. CASH AND BANK DEPOSITS

	The Group		The Company	
	2008	2007	**2008**	2007
	HK$'000	HK$'000	**HK$'000**	HK$'000
Deposits with banks and other financial institutions	**814**	462	**29**	–
Cash in hand	**10**	181	**–**	5
	824	643	**29**	5

22. ASSETS CLASSIFIED AS HELD FOR SALE AND ASSOCIATED LIABILITIES

The Company entered into an agreement on 22 January 2007 with Mr. Lau See Hoi ("Mr. Lau"), who was at that time the chairman and chief executive officer of the Company, under which the Company had conditionally agreed to sell and Mr. Lau had conditionally agreed to purchase the Company's interests in the entire issued share capital of and the advances to a group of subsidiaries (the "Disposal Group"), after completion of a corporate restructuring, at a total consideration of HK$3 million (the "Transaction"). The Transaction was approved by the independent shareholders of the Company at an extraordinary general meeting held on 5 March 2007 and then completed on 20 August 2007. The major classes of assets and liabilities of the Disposal Group classified as held for sale are as follows:–

	The Group		The Company	
	2008	2007	**2008**	2007
	HK$'000	HK$'000	**HK$'000**	HK$'000
Property, plant and equipment	–	5,295	–	–
Prepaid lease payments	–	2,281	–	–
Investment in subsidiaries	–	–	–	111
Inventories	–	4,148	–	–
Trade and other receivables	–	4,188	–	–
Cash and bank deposits	–	1,994	–	–
Assets classified as held for sale	–	17,906	–	111
Bank overdraft	–	(47)	–	–
Bank and other loans	–	(5,287)	–	–
Trade and other payables	–	(9,982)	–	–
Amount due to directors	–	(533)	–	–
Amount due to related company	–	(122)	–	–
Income tax payable	–	(11)	–	–
Liabilities associated with assets classified as held for sale	–	(15,982)	–	–
Net assets of the Disposal Group classified as held for sale	–	1,924	–	111

23. BANK AND OTHER LOANS

	The Group		The Company	
	2008	2007	**2008**	2007
	HK$'000	HK$'000	**HK$'000**	HK$'000
Loans from banks and other financial institution – secured	–	1,000	–	1,000

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

24. TRADE AND OTHER PAYABLES

	The Group		The Company	
	2008	2007	**2008**	2007
	HK$'000	HK$'000	**HK$'000**	HK$'000
An aged analysis of the trade payables is as follows:–				
Within 3 months	**5,169**	249	**–**	–
Over 3 months but within 1 year	**23**	18	**–**	–
Over 1 year	**117**	104	**–**	–
	5,309	371	**–**	–
Other payables and accrued charges	**2,048**	4,296	**2,103**	2,132
	7,357	4,667	**2,103**	2,132

25. AMOUNT DUE TO DIRECTORS

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

26. SHARE CAPITAL

	Number of shares		Amount	
	2008	2007	**2008**	2007
	'000	'000	**HK$'000**	HK'000
Authorised:				
Ordinary shares of HK$0.1 each				
– At beginning and end of the year	**800,000**	800,000	**80,000**	80,000
Issued and fully paid:				
Ordinary shares of HK$0.1 each				
– At beginning of the year	**338,596**	282,196	**33,860**	28,220
– Shares issued under a placing agreement *(note (i))*	**–**	56,400	**–**	5,640
– At end of the year	**338,596**	338,596	**33,860**	33,860

Note:

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

27. RESERVES

The Group

	Share premium HK$'000	Share options reserve HK$'000	PRC statutory reserves HK$'000	Merger difference HK$'000	Translation reserve HK$'000	Accumulated losses HK$'000	Total HK$'000
At 1 April 2006	96,616	–	7,808	(250)	715	(117,874)	(12,985)
Exchange differences arising on translation of foreign operations	–	–	196	–	455	–	651
Issue of ordinary shares	282	–	–	–	–	–	282
Loss for the year	–	–	–	–	–	(11,631)	(11,631)
At 31 March 2007 and 1 April 2007	96,898	–	8,004	(250)	1,170	(129,505)	(23,683)
Exchange differences arising on translation of foreign operations	–	–	–	–	1,942	–	1,942
Loss for the year	–	–	–	–	–	(4,690)	(4,690)
Recognition of equity settled share-based payments	–	706	–	–	–	–	706
Transfer on disposal of foreign operations	–	–	(4,196)	–	–	4,196	–
At 31 March 2008	96,898	706	3,808	(250)	3,112	(129,999)	(25,725)

The Company

	Share premium HK$'000	Share options reserve HK$'000	Accumulated losses HK$'000	Total HK$'000
At 1 April 2006	137,187	–	(166,125)	(28,938)
Issue of ordinary shares	282	–	–	282
Loss for the year	–	–	(10,371)	(10,371)
At 31 March 2007 and 1 April 2007	137,469	–	(176,496)	(39,027)
Profit for the year	–	–	5,935	5,935
Recognition of equity settled share-based payments	–	706	–	706
At 31 March 2008	**137,469**	**706**	**(170,561)**	**(32,386)**

The Company's reserves available for distribution include the share premium and accumulated profits/(losses). Under the Companies Law of the Cayman Islands, the share premium of the Company is distributable to equity holders subject to the provisions of its Memorandum or Articles of Association.

In opinion of the directors, the Company had no balance of distributable reserves available for distribution to shareholders as at 31 March 2008 (2007: Nil).

28. CAPITAL DISCLOSURE

The Group's objectives when managing capital are:

(i) to safeguard the entity's ability to continue as a going concern, so that it can continue to provide returns for shareholders and benefits for other stakeholders; and

(ii) to provide an adequate return to shareholders.

The Group manages the capital structure and makes adjustments to it in the light of changes in economic conditions and the risk characteristics of the underlying assets. In order to maintain or adjust the capital structure, the Group may adjust the amount of dividends paid to shareholders, return capital to shareholders, issue new shares, or sell assets to reduce debt. No changes were made in the objectives, policies and processes during the years ended 31 March 2007 and 2008.

The Group monitors capital on the basis of gearing ratio, which is calculated as total borrowings over total assets. The Group's strategy is to maintain the gearing ratio at a satisfactory level. The gearing ratio as at 31 March 2008 reduced to 0% (2007: 62%).

29. COMMITMENTS

(a) Operating lease commitments

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

	The Group		The Company	
	2008	2007	**2008**	2007
	HK$'000	HK$'000	**HK$'000**	HK$'000
Properties				
– Within 1 year	**814**	771	**648**	771
– After 1 year but within 5 years	**566**	–	**566**	–
	1,380	771	**1,214**	771

(b) Capital commitments

The Group and the Company did not have any material capital commitments as at 31 March 2008 (2007: Nil).

30. DISPOSAL OF SUBSIDIARIES

On 20 August 2007, the Group disposed of a group of subsidiaries during the year as referred to in note 22. Details of the results of the disposal are analysed as follows:–

	2008 HK$'000
Property, plant and equipment	4,909
Prepaid lease payments	2,261
Inventories	3,244
Trade and other receivables	3,271
Amount due from related companies	1,570
Cash and bank deposits	163
Trade and other payables	(13,232)
Bank and other loans *(note (i))*	(8,096)
Amount due to director	(307)
Consolidated net liabilities disposed of	(6,217)
Gain on disposal	9,217
Total consideration	3,000
Consideration was satisfied by:	
Utilisation of deposit received	10
Settlement of amount due to director	2,990
	3,000
Net cash inflow/(outflow) arising on disposal:	
Cash and cash equivalents disposed of	(163)

Note:

(i) The loans which are repayable by instalments and interest-bearing at market rate(s), are secured by the Group's buildings and leaseholder's interests in land as mentioned in notes 13 and 14 respectively.

31. SHARE OPTION SCHEME

The Company's current share option scheme was adopted on 2 August 2002 (the "2002 Share Option Scheme") to replace a share option scheme previously adopted on 18 November 1999 (the "1999 Share Option Scheme").

The purpose of the 2002 Share Option Scheme is to enable the Company to grant options to selected persons to subscribe for shares in the Company as incentives or rewards for their contribution or potential contribution to the Group. The Board may, at its discretion, invite (i) any director or any employee of the Company or any member of the Group, or any individual seconded to work for the Company or any member of the Group; (ii) any holder of any securities issued by the Company or any member of the Group; and (iii) any business or joint venture partner, contractor, subcontractor, agent, sub-agent, supplier, customer or distributor of the Company or any member of the Group or any person or entity that provides research, development or other technological support, advisory, consultancy or professional services to the Company or any member of the Group, to take up options to subscribe for the shares in the Company for a consideration of HK$10 per each lot of share options granted. The 2002 Share Option Scheme will remain valid for a period of 10 years commencing on 2 August 2002. The option period shall not exceed 10 years from the date of grant of option. There is no minimum period for which an option must be held before it can be exercised. HK$10 is payable on acceptance of an option within 28 days from the date of grant.

The total number of shares in respect of which options may be granted under the 2002 Share Option Scheme must not in aggregate exceed 10% of the shares in issue as at the date of adoption of the 2002 Share Option Scheme or the date of approval by the shareholders in general meeting where the limit is refreshed. The total number of shares issued and to be issued upon exercise of the options granted and to be granted to each individual in any twelve-month period up to and including the date of grant shall not exceed 1% of the shares in issue at the date of grant unless approval from Company's shareholders has been obtained. Options granted to a substantial shareholder or an independent non-executive director of the Company in excess of 0.1% of the total number of shares in issue or with a value in excess of HK$5 million must be approved in advance by the Company's shareholders.

Options may be exercised at any time during the specified option period. The exercise price shall be determined by the directors of the Company, and shall be at least the highest of (i) the closing price of the Company's shares on the date of grant; (ii) the average closing price of the Company's shares for the five business days immediately preceding the date of grant; and (iii) the nominal value of the Company's shares.

The overall limit on the number of shares which may be issued upon exercise of all outstanding options granted and yet to be exercised under the 2002 Share Option Scheme and any other schemes involving the issue or grant of options must not exceed 30% of the Company's shares in issue from time to time.

31. SHARE OPTION SCHEME (Continued)

No option had been granted since the date of adoption of the 2002 Share Option Scheme up to 28 February 2008. The following table discloses movements of the Company's share options granted under the 2002 Share Option Scheme for the year ended 31 March 2008:

Grantee	Date of grant	Exercise price HK$	Exercise period	Outstanding as at 1 April 2007 '000	Granted during the year '000	Exercised during the year '000	Outstanding as at 31 March 2008 '000
Directors							
Ms. NG Mai King, Joky	29/2/2008	0.319	29/2/2008 to 2/8/2012	–	338	–	338
Mr. WONG Kai Tat	29/2/2008	0.319	29/2/2008 to 2/8/2012	–	3,380	–	3,380
Ms. HUI Sin Man, Alice	29/2/2008	0.319	29/2/2008 to 2/8/2012	–	338	–	338
Sub-total				–	4,056	–	4,056
Employees	29/2/2008	0.319	29/2/2008 to 2/8/2012	–	3,380	–	3,380
Total				–	7,436	–	7,436

The closing share price immediately before the date on which the share options were granted was HK$0.29.

The fair value of the share options granted during the year was HK$0.095 per option and the Group recognized a share option expense of approximately HK$706,420 during the year ended 31 March 2008.

The fair value of equity-settled share options granted during the year was estimated as at the date of grant, using the Binomial option pricing model, taking into account the terms and conditions upon which the share options were granted. The following table lists the inputs into the model used for the year ended 31 March 2008:

Expected volatility:	60.39%
Risk-free interest rate:	1.888%
Expected life of option:	4.43 years

The expected volatility reflects the assumption that the historical volatility is indicative of future trends, which may also not necessarily be the actual outcome. No other feature of the share options granted was incorporated into the measurement of fair value.

32. RETIREMENT BENEFIT SCHEMES

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

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

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

Total contributions made by the Group during the year ended 31 March 2008 amounted to approximately HK$63,000 (2007: HK$925,000).

33. EVENTS AFTER THE BALANCE SHEET DATE

(a) On 12 June 2008, the Company issued a circular to convene an extraordinary general meeting to be held on 7 July 2008 to consider a special resolution to approve a proposed change of the name of the Company from "T S Telecom Technologies Limited (大誠電訊科技有限公司)" to "Great World Holdings Ltd. (世大控股有限公司)".

(b) On 23 June 2008, the Company entered into a placing agreement with Sun Hung Kai International Limited, on a best effort basis, to place up to 67,718,000 placing shares of the Company at a price of HK$0.30 per placing share to not less than 6 independent placees who will be individuals, corporate or institutional investors or investors. Details of the placing agreement are set out in an announcement issued on 23 June 2008. Up to 30 June 2008, confirmations have been received from 13 placees in relation to the acquisition of the aforesaid 67,718,000 placing shares of which the issue is subject to the approval by The Stock Exchange of Hong Kong Limited.

34. RELATED PARTY TRANSACTIONS

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

	Notes	**2008 HK$'000**	2007 HK$'000
Licence fee paid to T. S. (Holdings) Company Limited	*(i)*	**771**	841
Service fee charged by the T S Telecom Ltd.	*(ii)*	**14**	1,407
Disposal of subsidiaries to Mr. Lau See Hoi	*(iii)*	**3,000**	–

Notes:

(i) On 12 July 2005, the Company entered into a licence agreement with T. S. (Holdings) Company Limited ("T. S. Holdings"), a related company in which Mr. LAU See Hoi, who was previously the chairman and chief executive officer of the Company resigned on 2 October 2007, has a beneficial interest, to use certain office premises at a monthly licence fee of approximately HK$70,000 for a period from 1 June 2005 to 29 February 2008. The office premises were leased by T. S. Holdings under a leasing agreement dated 15 March 2005 entered into between T. S. Holdings and the landlord, an independent third party.

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

(iii) On 20 August 2007, the Company disposed of its interests in a group of subsidiaries to Mr. LAU See Hoi, who was the chairman and chief executive officer of the Company at that time, in accordance with a Sale and Purchase Agreement, details of which had been set out in an announcement and a circular issued by the Company on 30 January 2007 and 16 February 2007 respectively, entered into between the Company and Mr. LAU See Hoi on 22 January 2007.

35. FINANCIAL RISK MANAGEMENT OBJECTIVES AND POLICIES

(a) Currency risk

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

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

(b) Liquidity risk

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

(c) Fair value and cash flow interest rate risk

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

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

36. PARTICULARS OF PRINCIPAL SUBSIDIARIES

Particulars of the Company's principal subsidiaries at 31 March 2008 were as follows:–

Name of subsidiary	Place of incorporation/ operation	Forms of legal entity	Issued and fully paid share capital/ registered capital*	Proportion of nominal value of issued capital/registered capital held by the Company Directly	Indirectly	Principal activities
China Bond Technology Limited	Hong Kong	Limited liability company	HK$1	100%	–	Investment holding
Hi Smart Technology Limited	Hong Kong	Limited liability company	HK$1	100%	–	Inactive
China Score International Holdings limited	Hong Kong	Limited liability company	HK$1	100%	–	Inactive
Beijing Kong Da Net Telecommunications Equipment Ltd.# ("KD Net")	PRC	Sino-foreign equity joint venture company	RMB4,000,000*	–	75%	Manufacturing of telecommunications equipment and software

Statutory accounts not audited by Patrick Ng & Company.

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

KD Net has adopted 31 December as its financial year end date for local statutory reporting purposes. For the preparation of these consolidated financial statements, management accounts of KD Net for each of the 12 months ended 31 March 2008 and 2007 have been used, after making adjustments as appropriate, for compliance with accounting principles generally accepted in Hong Kong.

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