TAI SHING

Tai Shing International (Holdings) Limited

(incorporated in the Cayman Islands with limited liability)

Stock Code: 8103

Annual Report

2009

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

GEM has been positioned as a market designed to accommodate companies to which a high investment risk may be attached than other companies listed on the Stock Exchange. 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 of the Stock Exchange and no assurance is given that there will be a liquid market in the securities traded on GEM.

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

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CORPORATE INFORMATION

BOARD OF DIRECTORS

Executive Directors
Mr. Luk Yat Hung *(Chairman)*
Ms. Li Wenli

Independent Non-executive Directors
Professor Ip Ho Shing, Horace
Mr. Tang Sze Lok
Mr. Yan Yonghong
Mr. Peng Lijun

COMPANY SECRETARY

Mr. Young Wai Ching, ACCA, CPA

QUALIFIED ACCOUNTANT

Mr. Young Wai Ching, ACCA, CPA

COMPLIANCE OFFICER

Ms. Li Wenli

AUTHORISED REPRESENTATIVES

Mr. Luk Yat Hung
Mr. Young Wai Ching, ACCA, CPA

AUDIT COMMITTEE

Mr. Tang Sze Lok *(Chairman)*
Professor Ip Ho Shing, Horace
Mr. Yan Yonghong
Mr. Peng Lijun

REMUNERATION COMMITTEE

Professor Ip Ho Shing, Horace *(Chairman)*
Mr. Tang Sze Lok

AUDITOR

SHINEWING (HK) CPA Limited

REGISTERED OFFICE

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

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

LEGAL ADVISER

P.C Woo & Co.

PRINCIPAL BANKER

Hongkong and Shanghai Banking Corporation Limited

PRINCIPAL SHARE REGISTRAR

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

HONG KONG BRANCH SHARE REGISTRAR

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

STOCK CODE

08103

WEBSITE

www.taishingintl.com

CHAIRMAN'S STATEMENT

BUSINESS REVIEW

For the year under review, the Group recorded a consolidated turnover of approximately HK$108 million which represented an increase of approximately 105% as compared with that of the corresponding year. The increase is principally due to the revenue generated by Acon Enterprises Limited and its subsidiaries (together "Acon Group").

Acon Group is engaged in research, development, design, installation and maintainence of security and surveillance system in the PRC. Built on the technology and experience gained from the system development works carried out for the power industry Acon Group successfully developed 2 software packages for the security and surveillance sector. In the year under review, Acon Group completed a number of contracts in Guangdong Province.

Beijing Tongfang is engaged in research, development and provision of integrated management information system for power plants. In 2008-2009 competition remained keen. Despite an increase in turnover Beijing Tongfang sustained loss for the second year.

BUSINESS OUTLOOK

As reported last year, the Group expected the demand for security and surveillance software and products to remain strong, and dedicated more resources to this sector so as to improving the performance of the Group. This strategy will continue in the coming years.

Market competition is expected to remain keen for Beijing Tongfang while profit margin depressed. The Group is reconsidering its present in this sector. If the business environment does not improve in the near term the Group may consider withdrawing from the power sector software operation.

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

Sincerely yours,
Luk Yat Hung
Chairman

Hong Kong, 4 June 2009

MANAGEMENT DISCUSSION AND ANALYSIS

FINANCIAL PERFORMANCE

During the year ended 31 March 2009, the Group recorded a turnover of HK$108.0 million (2008: HK$52.8 million) representing an increase of approximately 105% as compared with the turnover for the year ended 31 March 2008. The increase was principally due to the revenue contributed by the Acon Group in security and surveillance software and design business. As a result of the success in controlling overheads, general and administrative expenses were approximately HK$12.6 million as compared to HK$13.4 million of the previous corresponding year, representing a decrease of approximately 6%. Other operating expenses increased to HK$22.7 million (2008: HK$10.7 million) which was mainly due to the increase in impairment loss recognised in respect of trade receivables of approximately HK$9.9 million and recognised impairment loss on other receivables and retention receivables of approximately HK$5 million. Profit attributable to the shareholders amounted to approximately HK$11.4 million (2008: loss of HK$19.9 million).

LIQUIDITY, FINANCIAL RESOURCES AND CAPITAL STRUCTURE

As at 31 March 2009, shareholders' funds of the Group amounted to approximately HK$28.0 million (2008: HK$16.5 million). Current assets amounted to approximately HK$103.7 million (2008: HK$86.5 million), of which approximately HK$3.7 million (2008: HK$15.7 million) were cash and cash equivalents. Current liabilities were approximately HK$78.9 million (2008: HK$75.2 million) mainly comprised of trade and other payables, amounts due to customers for contract work and receipts in advance. Total borrowings of the Group as at 31 March 2009 were HK$11.2 million (2008: 8.9 million) which were unsecured short-term bank loan with an effective interest rate of 5.841% (2008: 8.019%).

In August 2008 the Group applied to establish a wholly owned foreign enterprises in Beijing with a registered capital of US$1,500,000. The application has been approved pending completion of capital injection.

On 2 April 2009 the Company proposes to raise approximately HK$21.8 million, before expenses, by way of rights issue of 218,380,000 rights shares at a price of HK$0.10 per rights share on the basis of two rights shares for every existing share. The estimated net proceeds of the rights issue is approximately HK$20.0 million, which is intended to be used for the expansion and development of its business of provision of systems developments, installation and consulting service and additional general working capital of the Group.

Save for the abovementioned, during the year under review, there was no material changes on the capital structure of the Company. The Group further confirms that, as at 31 March 2009, it does not have impending capital expenditure commitments.

GEARING RATIO

The gearing ratio calculated on the basis of total liabilities over the total shareholders' fund as at 31 March 2009 was 282% (2008: 455%).

MANAGEMENT DISCUSSION AND ANALYSIS

FOREIGN CURRENCY EXPOSURE

During the year ended 31 March 2009, the Group experienced only immaterial exchange rate fluctuations, as the Group's operations were mainly denominated in Hong Kong dollars and Renminbi. As the risk on exchange rate difference considered being minimal, the Group did not employ any financial instruments for hedging purposes.

NEW PRODUCTS AND SERVICES

Acon Group developed two software packages aimed at the security and surveillance sector. Initial market response has been very encouraging.

SIGNIFICANT INVESTMENTS, MATERIAL ACQUISITIONS AND DISPOSAL OF SUBSIDIARIES

On 29 July 2008 the Group acquired 5,960 ordinary shares in Acon Enterprises Limited ("Acon") for a total consideration of US$5,960. After the acquisition, Acon became a wholly owned subsidiary of the Group.

On 13 August 2008 the Group received approval from the relevant government authority in Beijing on establishing a wholly owned foreign enterprises with an initial registered capital of US$1,500,000. Capital injection is expected to be completed by 2009.

Save for the abovementioned, as at 31 March 2009 and up to the date of this report, the Group did not have any other significant investments, material acquisitions or disposal of subsidiaries.

FUTURE PLANS FOR MATERIAL INVESTMENTS OR CAPITAL ASSETS

As at 31 March 2009, the Group had no known plans for material investments or capital assets.

SEGMENT INFORMATION

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

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

- systems development; and
- professional services.

Turnover generated from PRC represented over 90% of the total turnover of the Group for the year ended 31 March 2009 and 2008.

MANAGEMENT DISCUSSION AND ANALYSIS

EMPLOYEES AND REMUNERATION POLICIES

As at 31 March 2009, the Group had 4 and 207 (2008: a total of 182) employees in Hong Kong and PRC respectively including the executive directors of the Company. Total staff costs including directors' remuneration for the year under review amounting to approximately HK$22.3 million (2008: HK$21.9 million). The increase was mainly due to the general rise in wages and salaries for the PRC employees in the information technology sector. The Group's remuneration policies are in line with the prevailing market practices and are determined on the basis of performance and experience of individual employees.

The Group had not made any changes to its remuneration policy and no bonuses were granted to any of its executive directors or employees for the year ended 31 March 2009.

The Company has conditionally adopted a new share option scheme on 22 October 2003 to replace the old share option scheme adopted on 26 August 2000. Pursuant to both schemes, the directors and employees of the Company and its subsidiaries may be granted options to subscribe for shares of the Company. During the year ended 31 March 2009, no option was granted under both the old and new share option schemes.

CHARGES ON GROUP'S ASSETS AND CONTINGENT LIABILITIES

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

DIRECTORS AND SENIOR MANAGEMENT PROFILE

EXECUTIVE DIRECTORS

Mr. Luk Yat Hung, aged 49, non-executive Chairman, joined the Group in July 2003. Mr. Luk is a member of Chartered Association of Certified Accountants of the United Kingdom and a fellow member of Hong Kong Institute of Certified Public Accountants with a master degree in business administration with Oklahoma City University, the United States of America. Mr. Luk has over 20 years of working experience with a number of international conglomerates performing functions of chief financial officer.

Ms. Li Wenli, aged 38, chief executive officer and Compliance Officer. Ms. Li graduated from Hebei University of Technology with a bachelor degree in computer science and engineering and holds a master degree in economics with Peking University. Prior to joining the Group, Ms. Li held senior positions with China Textile Machinery Co., Ltd. and Shanghai Guojia Industrial Co., Ltd., companies listed in The Shanghai Stock Exchange. She is a director and vice general manager of Beijing Tongfang Electronic Science & Technology Co., Ltd., a wholly-owned subsidiary of the Company.

INDEPENDENT NON-EXECUTIVE DIRECTORS

Professor Ip Ho Shing, Horace, aged 52, joined the Group as an independent non-executive Director in July 2003 and he is a member of the audit committee of the Company. Professor Ip graduated from the University of London with a Bachelor of Science degree in Applied Physics and a Doctorate degree in Image Processing. He is the Chair Professor of the Department of Computer Science and a director of the Centre for Innovative Applications of Internet and Multimedia Technologies - AIMtech Centre of the City University of Hong Kong.

Mr. Tang Sze Lok, aged 38, holds a Business Administration degree and is a fellow member of Hong Kong Institute of Certified Public Accountants and the Association of Chartered Certified Accountants. He has over 14 years' experience in auditing, financial accounting and implementation of internal, financial, operational and compliance control and financial reporting system. He also has experience in mergers and acquisitions and financial due diligence review.

Mr. Yan Yonghong, aged 42, joined the Group in September 2004. Mr. Yan graduated from Tsinghua University with a Bachelor of Science degree in Electronic Engineering and holds a Doctorate degree in Computer Science and Engineering with Oregon Graduate Institute of Science and Engineering, the United States of America. Mr. Yan had been a principal engineer of Intel Corporation and an associate professor of Oregon Health and Science University. Currently, he is appointed by the Chinese Academy of Sciences as a professor and an instructor of doctorate students. He is also appointed by the Chinese government as a member of the vetting committee of National Science Foundation of China.

Mr. Peng Lijun, aged 42, joined the Group in December 2004. Mr. Peng graduated from Jianghan Petroleum University major in architectural civil engineering. Mr. Peng has extensive experience in the industries of petroleum and civil engineering. Currently, he is appointed by Xinjiang YouBang Engineering Construction Co. Ltd. and Kelamayi YouBang Real Estate Developing Co. Ltd. as the president.

DIRECTORS AND SENIOR MANAGEMENT PROFILE

SENIOR MANAGEMENT

Mr. Young Wai Ching, aged 40, qualified accountant and company secretary, joined the Group in July 2003. Mr. Young is a practising member of Hong Kong Institute of Certified Public Accountants and a member of Chartered Association of Certified Accountants of the United Kingdom. He has over 15 years working experience in an accounting firm in Hong Kong performing auditing and management functions. Mr. Young is also the Qualified Accountant of the Company.

Ms. Wang Hua, aged 48, is the chief executive officer of Acon. Ms. Wang graduated in Changchun University of Science and Technology majoring in optical science. She has over 20 years working experience in a number of major hi-tech companies in the PRC.

Mr. Li Bin, aged 29, is the head of research and development of Acon. Mr. Li graduated from Hebei University of Science and Technology majoring in Computer Science. He is a qualified security engineer, and an approved Project Manager in Computer Information.

CORPORATE GOVERNANCE REPORT

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

CODE ON CORPORATE GOVERNANCE PRACTICES

The Company has complied with the code provisions set out in the Code on Corporate Governance Practices (the "Code") contained in Appendix 15 of the GEM Listing Rules (the "Listing Rules") throughout the year ended 31 March 2009.

SECURITIES TRANSACTIONS BY DIRECTORS

The Company adopted the required standard of dealings as set out in 5.48 to 5.67 of the Listing Rules as the code of conduct regarding securities transactions in securities of the Company by directors. Having made specified enquiry with the Directors, all the Directors confirmed that they have complied with the required standard of dealings for the year ended 31 March 2009.

BOARD OF DIRECTORS

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

As at 31 March 2009, the Board comprised 6 Directors, including the Chairman, the Chief Executive Officer, and 4 Independent Non-executive Directors. One of the Independent Non-executive Director has appropriate professional qualifications, or accounting or related financial management expertise. Biographical details of the Directors are set out on page 7-8.

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

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

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

CORPORATE GOVERNANCE REPORT

In the financial year ended 31 March 2009 the Board held 4 regular meetings, and the attendance records of the meetings are set out below:

	Attended
Executive Directors	
Mr. Luk Yat Hung *(Chairman)*	4/4
Ms. Li Wenli *(Chief Executive Officer)*	4/4
Mr. Ho Cho Hang *(resigned on 16 March 2009)*	3/4
Independent Non-executive Directors	
Mr. Chung Shui Ming, Timpson *(resigned on 4 February 2009)*	2/4
Professor Ip Ho Shing, Horace	4/4
Mr. Tang Sze Lok *(appointed on 4 February 2009)*	2/4
Mr. Yan Yonghong	3/4
Mr. Peng Lijun	3/4

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

REMUNERATION OF DIRECTORS

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

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

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

Name of Member	Attendance
Professor Ip Ho Shing, Horace	1/1
Mr. Tang Sze Lok	1/1

CORPORATE GOVERNANCE REPORT

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

NOMINATION OF DIRECTORS

The Company has not established a nomination committee. A board meeting was held on 4 June 2009 for nomination of Directors. The attendance records of the meeting are set out below:

	Attendance
Executive Directors	
Mr. Luk Yat Hung	1/1
Ms. Li Wenli	1/1
Non-executive Directors	
Professor Ip Ho Shing, Horace	1/1
Mr. Tang Sze Lok	1/1
Mr. Yan Yonghong	1/1
Mr. Peng Lijun	0/1

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

DIRECTORS' RESPONSIBILITY FOR THE FINANCIAL STATEMENTS AND INTERNAL CONTROL

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

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

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

CORPORATE GOVERNANCE REPORT

AUDIT COMMITTEE

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

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

The Audit Committee held 4 meetings in the financial year ended 31 March 2009. The attendance records of the Audit Committee meetings are set out below:

Name of Member	**Attended**
Mr. Chung Shui Ming, Timpson *(resigned on 4 February 2009)*	2/4
Mr. Tang Sze Lok *(Chairman) (appointed on 4 February 2009)*	2/4
Professor Ip Ho Shing, Horace	4/4
Mr. Yan Yonghong	3/4
Mr. Peng Lijun	3/4

For 2008/09, the Audit Committee reviewed with senior management and the auditors of the Company their audit findings, the accounting principles and practices adopted by the Company, legal and regulatory compliance, and financial reporting matters (including the unaudited quarterly and interim results and audited financial statements for the year ended 31 March 2009).

The audited consolidated results of the Group for the year ended 31 March 2009 have been reviewed by the Audit Committee.

AUDITOR'S REMUNERATION

For the financial year ended 31 March 2009, the auditor of the Company received approximately HK$550,000 for audit services.

DIRECTORS' REPORT

The board of directors (the "Directors") of Tai Shing International (Holdings) Limited ("the Company") has the pleasure in presenting their report together with the audited financial statements of the Company and its subsidiaries (collectively the "Group") for the year ended 31 March 2009.

PRINCIPAL ACTIVITIES AND SEGEMENT INFORMATION

The principal activity of the Company is investment holding and the activities of the subsidiaries are set out in Note 41 to the consolidated financial statements.

An analysis of the Group's performance for the year ended 31 March 2009 by business and geographical segments are set out in Note 10 to the consolidated financial statements.

RESULTS

The results of the Group for the year ended 31 March 2009 are set out in the consolidated income statement on page 23.

PLANT AND EQUIPMENT

Details of the movements in plant and equipment of the Group during the year ended 31 March 2009 are set out in Note 19 to the consolidated financial statements.

SHARE CAPITAL

Details of the movements in share capital of the Group during the year ended 31 March 2009 are set out in Note 32 to the consolidated financial statements.

RESERVES

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

DISTRIBUTABLE RESERVES

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

As at 31 March 2009, in the opinion of the Directors of the Company, the Company's reserves available for distribution to shareholders was approximately HK$7.5 million.

DIRECTORS' REPORT

MAJOR CUSTOMERS AND SUPPLIERS

For the year, the aggregate percentage of purchases attributable to the Group's five largest suppliers is approximately 45% of the total purchases of the Group.

For the year, the aggregate percentage of sales attributable to the Group's five largest customers accounted for approximately 55% of the total sales of the Group and the largest customer included therein amounted to approximately 19%.

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

DIVIDENDS

The Directors do not recommend the payment of any final dividend for the year ended 31 March 2009.

RETIREMENT BENEFITS SCHEME

Details of the Group's retirement benefits scheme for the year ended 31 March 2009 are set out in Note 17 to the consolidated financial statements.

RELATED PARTY TRANSACTIONS

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

DIRECTORS

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

Executive Directors

Mr. Luk Yat Hung *(redesignated from non-executive director to executive director on 16 March 2009)*
Ms. Li Wenli
Mr. Ho Cho Hang *(resigned on 16 March 2009)*

Independent Non-executive Directors

Mr. Chung Shui Ming, Timpson *(resigned on 4 February 2009)*
Professor Ip Ho Shing, Horace
Mr. Tang Sze Lok *(appointed on 4 February 2009)*
Mr. Yan Yonghong
Mr. Peng Lijun

The biographical details of the Company's Directors are set out on page 7-8 of this report.

RETIREMENT OF DIRECTORS

Subject to the retirement by rotation provisions in the articles of association and the requirements of the Code on Corporate Governance Practices as set out in Appendix 15 of the GEM Listing Rules, Mr. Tang Sze Lok (being appointed during the year), Mr. Yan Yonghong and Ms. Li Wen li will retire by rotation accordingly, and being eligible, offer themselves for re-election.

DIRECTORS' REPORT

DIRECTORS' SERVICE CONTRACTS

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

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

INDEPENDENT NON-EXECUTIVE DIRECTORS CONFIRMATION OF INDEPENDENCE

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

DIRECTORS' REMUNERATION

Details of the Directors' remuneration are set out in Note 18 to the consolidated financial statements.

DIRECTORS' AND CHIEF EXECUTIVE'S INTERESTS IN SECURITIES

As at 31 March 2009, the relevant interests or short positions of the Directors and chief executive of the Company in the shares, underlying shares and debentures of the Company or any of its associated corporations (within the meaning of Part XV of the Securities and Futures Ordinance (Chapter 571, the Laws of Hong Kong) ("SFO")) which were required to be notified to the Company and the Stock Exchange pursuant to Divisions 7 and 8 of Part XV of the SFO (including interests or short positions which they have taken or deemed to have under such provisions of the SFO), or which are required, pursuant to Section 352 of the SFO, to be entered in the register maintained by the Company referred to therein, or which are required, pursuant to the required standard of dealing by the Directors under the GEM Listing Rules relating to securities transactions by the Directors, to be notified to the Company and the Stock Exchange, were as follows:

LONG POSITIONS IN THE SHARES OF THE COMPANY

Name of Director	Nature of Shares Interested	Number of Shares Interested	Approximate Percentage of issued share capital
Mr. Luk Yat Hung *(Note)*	Corporate	239,922,476	219.73%

Note: Comprised in these 239,922,476 Shares are (i) 21,542,476 Shares currently beneficially owned by Wide Source Group Ltd. ("Wide Source"); (ii) 43,084,952 Shares (the "Rights Shares") to be allotted and issued in respect of the rights issue of the Company as detailed in the Company's announcement dated 2 April 2009 representing Wide Source's entitlement to the provisional allotment of the Rights Shares which Wide Source has undertaken to take up; and (iii) 175,295,048 Shares (the "Underwritten Shares") representing all the Rights Shares, other than Wide Source's entitlement of the Rights Shares, which may be underwritten lay Wide Source under the rights issue.

DIRECTORS' REPORT

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

As at 31 March 2009, no long positions of the Directors and chief executive in the underlying shares of equity derivatives and debentures of the Company and its associated corporations were recorded in the register or as otherwise notified to the Company and the Stock Exchange pursuant to Rule 5.46 of the GEM Listing Rules.

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

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

Save as disclosed above, as at 31 March 2009, none of the Directors or chief executive of the Company or their respective associates had any interests or short positions in the shares, underlying shares of equity derivatives and debentures of the Company or any of its associated corporations (within the meaning of Part XV of the SFO) which would have to be notified to the Company and the Stock Exchange pursuant to Divisions 7 and 8 of Part XV of the SFO (including interests or short positions which they are taken or deemed to have under such provisions of the SFO), or which were required to be kept under Section 352 of the SFO, or as otherwise notified to the Company and the Stock Exchange pursuant to the minimum standards of dealing by the Directors of listed issuers as referred to in Rule 5.46 of the GEM Listing Rules.

SUBSTANTIAL SHAREHOLDERS

So far as is known to the Directors of the Company, as at 31 March 2009, the following persons who had an interest or short position in the shares of the Company as recorded in the register required to be kept under Section 336 of the SFO:-

Name of Shareholders	*Note*	**Number of shares held**	**Approximate Percentage of shareholding**
Wide Source	*1*	239,922,476	219.73%
Mr. Luk Yat Hung	*2*	239,922,476	219.73%
Resuccess Investments Limited	*3*	15,890,000	14.55%
Tongfang Company Limited	*4*	15,890,000	14.55%
Tsinghua Holdings Company Limited	*5*	15,890,000	14.55%
Best Jade Limited	*6*	7,190,000	6.58%
Ms. Li Luyuan	*7*	7,190,000	6.58%

DIRECTORS' REPORT

Notes:

1. Wide Source is a company incorporated in the British Virgin Islands with limited liability and is 100% ultimately and beneficially owned by Mr. Luk Yat Hung. Comprised in these 239,922,476 Shares are (i) 21,542,476 Shares currently beneficially owned by Wide Source; (ii) 43,084,952 Rights Shares representing Wide Source's entitlement to the provisional allotment of the Rights Shares which Wide Source has undertaken to take up; and (iii) 175,295,048 Underwritten Shares.
2. Mr. Luk Yat Hung will be taken to be interested in 239,922,476 shares in the Company as a result of him being beneficially interested in 100% of the issued share capital of Wide Source which in turn is interested in 239,922,476 shares in the Company.
3. Resuccess Investments Limited is a company incorporated in the British Virgin Islands with limited liabilities and is owned by Tongfang Company Limited.
4. Tongfang Company Limited will be taken to be interested in 15,890,000 shares in the Company as a result of it being beneficially interested in 100% of the issued share capital of Resuccess Investments Limited.
5. Tsinghua Holdings Company Limited will be taken to be interested in 15,890,000 shares in the Company as a result of it being beneficially interested in 33.06% of the issued share capital of Tongfang Company Limited.
6. Best Jade Limited ("Best Jade") is a company incorporated in the British Virgin Islands with limited liability and is 100% ultimately and beneficially owned by Ms. Li Luyuan.
7. Ms. Li Luyuan will be taken to be interested in 7,190,000 shares in the Company as a result of her being beneficially interested in the entire issued share capital of Best Jade which in turn holds 7,190,000 shares in the Company.

LONG POSITIONS IN UNDERLYING SHARES OF THE COMPANY

As at 31 March 2009, no long positions of other persons or substantial shareholders in the underlying shares of equity derivatives of the Company and its associated corporations were recorded in the register.

SHORT POSITIONS IN SHARES OF THE COMPANY

As at 31 March 2009, no short positions of other persons or substantial shareholders in the shares of the Company and its associated corporations were recorded in the register.

SHORT POSITIONS IN UNDERLYING SHARES OF THE COMPANY

As at 31 March 2009, no short positions of other persons or substantial shareholders in the underlying shares of equity derivatives of the Company and its associated corporations were recorded in the register.

Save as disclosed above, as at 31 March 2009, the Directors were not aware of any other person who has an interest or short position in the shares or underlying shares (including interest in options, if any) of the Company as recorded in the register required to be kept under Section 336 of the SFO.

DIRECTORS' INTERESTS IN CONTRACTS

No contracts of significance in relation to the Group's business to which any member of the Group was a party and in which a Director of the Group had a material interest, whether directly or indirectly, subsisted at the end of the year ended 31 March 2009 or at any time during such period.

DIRECTORS' COMPETING INTERESTS

As of 31 March 2009, none of the Directors, the substantial shareholders or the management shareholders of the Company or their respective associates (as defined under the GEM Listing Rules) had any business or interest in a business which competes or may compete with the business of the Group.

DIRECTORS' REPORT

SHARE OPTION SCHEME

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

(a) Purpose of the Scheme

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

(b) Participants of the Scheme

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

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

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

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

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

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

(c) Basis for Determining the Subscription Price

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

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

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

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

DIRECTORS' REPORT

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

(d) Maximum Numbers Available for Issue

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

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

As at 31 March 2009, the total number of shares available for issue under the New Scheme was 10,919,000 shares representing 10% of the issued share capital of the Company.

(e) Maximum Entitlement of Each Participant

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

(f) Time of Exercise of Option

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

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

(g) Remaining Life of the Scheme

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

No option has been granted by the Company under both of the Old Scheme and the New Scheme during the year under review or outstanding as at 31 March 2009.

Save as disclosed herein, as at 31 March 2009, none of the Directors, chief executive, substantial shareholders or management shareholders or their respective associates (as defined under the GEM Listing Rules) had any right to subscribe for the shares of the Group.

DIRECTORS' REPORT

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

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

Save as disclosed above, as at 31 March 2009, none of the Directors, chief executive or their associates had any interests or rights to subscribe for any securities of the Company or any of its associate corporations as defined in the SDI Ordinance.

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

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

From the date of listing since 8 September 2000 up to the year ended 31 March 2009, neither the Company nor any of its subsidiaries had purchased, sold or redeemed any of the Company's listed securities.

FIVE-YEAR SUMMARY

A summary of results and of the assets and liabilities of the Group for the last five financial years is set out on page 72 of this report.

PRE-EMPTIVE RIGHTS

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

AUDITOR

SHINEWING(HK) CPA Limited acted as auditor of the Company for the past two years. RSM Nelson Wheeler acted as auditor of the Company for the two financial years ended 31 March 2006 and 2007.

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

On behalf of the Board

Li Wenli
Chief Executive Officer

Hong Kong, 4 June 2009

INDEPENDENT AUDITOR'S REPORT

信永中和
ShineWing

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

TO THE MEMBERS OF TAI SHING INTERNATIONAL (HOLDINGS) LIMITED
(incorporated in the Cayman Islands with limited liability)

We have audited the consolidated financial statements of Tai Shing International (Holdings) Limited (the "Company") and its subsidiaries (collectively referred to as the "Group") set out on pages 23 to 71, which comprise the consolidated balance sheet as at 31st March 2009, 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 CONSOLIDATED FINANCIAL STATEMENTS

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

AUDITOR'S RESPONSIBILITY

Our responsibility is to express an opinion on these consolidated financial statements based on our audit and to report our opinion solely to you, as a body, and for no other purpose. We do not assume responsibility towards or accept liability to any other person for the contents of this report. We conducted our audit in accordance with Hong Kong Standards on Auditing issued by the Hong Kong Institute of Certified Public Accountants. Those standards require that we comply with ethical requirements and plan and perform the audit to obtain reasonable assurance as to whether the consolidated financial statements are free from material misstatement.

INDEPENDENT AUDITOR'S REPORT *(Continued)*

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

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

OPINION

In our opinion, the consolidated financial statements give a true and fair view of the state of affairs of the Group as at 31st March 2009 and of the Group's profit and cash flows for the year then ended in accordance with Hong Kong Financial Reporting Standards and have been properly prepared in accordance with the disclosure requirements of the Hong Kong Companies Ordinance.

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

Hong Kong
4th June 2009

CONSOLIDATED INCOME STATEMENT

For the year ended 31st March 2009

	Notes	2009 HK$'000	2008 HK$'000
Turnover	9	**108,003**	52,835
Cost of services provided		**(61,987)**	(50,528)
Gross profit		**46,016**	2,307
Other operating income	9	**6,300**	6,410
Selling and distribution expenses		**(2,730)**	(3,622)
Administrative expenses		**(12,640)**	(13,351)
Other operating expenses	11	**(22,653)**	(10,736)
Finance costs	12	**(559)**	(333)
Share of results of associates	21	**(5)**	(1)
Profit (loss) before taxation		**13,729**	(19,326)
Income tax expense	13	**(2,280)**	(527)
Profit (loss) for the year	14	**11,449**	(19,853)
Earnings (loss) per share - Basic	16	**HK10.49 cents**	HK(20.59) cents

CONSOLIDATED BALANCE SHEET

As at 31st March 2009

	Notes	2009 HK$'000	2008 HK$'000
Non-current assets			
Plant and equipment	19	**3,025**	5,270
Intangible asset	20	**—**	—
Interests in associates	21	**—**	5
Goodwill	22	**131**	—
		3,156	5,275
Current assets			
Trade and other receivables	23	**27,769**	50,437
Amounts due from customers for contract work	24	**70,852**	17,452
Income tax recoverable		**—**	168
Financial assets at fair value through profit or loss	25	**330**	574
Pledged bank deposits	26	**1,002**	2,210
Bank balances and cash	26	**3,745**	15,651
		103,698	86,492
Current liabilities			
Amounts due to customers for contract work	24	**8,022**	10,450
Trade and other payables	27	**32,254**	33,517
Receipts in advance		**16,839**	12,123
Warranty provision	28	**1,418**	490
Amount due to a substantial shareholder	29	**6,950**	9,427
Amounts due to associates	30	**—**	282
Income tax payable		**2,201**	—
Bank borrowing	31	**11,187**	8,946
		78,871	75,235
Net current assets		**24,827**	11,257
		27,983	16,532
Capital and reserves			
Share capital	32	**5,460**	5,460
Reserves		**22,523**	11,072
		27,983	16,532

The consolidated financial statements on pages 23 to 71 were approved and authorised for issue by the Board of Directors on 4th June 2009 and are signed on its behalf by:

Luk Yat Hung
Director

Li Wenli
Director

CONSOLIDATED STATEMENT OF CHANGES IN EQUITY

For the year ended 31st March 2009

	Share capital HK$'000	Share premium HK$'000	General reserve (Note a) HK$'000	Capital reserve (Note b) HK$'000	Exchange translation reserve HK$'000	Accumulated profits (losses) HK$'000	Total HK$'000
At 1st April 2007	4,550	14,049	1,224	1,200	1,932	1,381	24,336
Exchange difference arising on translation of overseas operation and net income recognised directly in equity	—	—	—	—	2,283	—	2,283
Loss for the year	—	—	—	—	—	(19,853)	(19,853)
Transfer	—	—	680	—	—	(680)	—
Total recognised income and expenses for the year	—	—	680	—	—	(20,533)	(19,853)
Issue of shares upon placement of shares	910	9,316	—	—	—	—	10,226
Share issue expenses	—	(460)	—	—	—	—	(460)
At 31st March 2008	5,460	22,905	1,904	1,200	4,215	(19,152)	16,532
Exchange difference arising on translation of overseas operation and net income recognised directly in equity	—	—	—	—	2	—	2
Profit for the year	—	—	—	—	—	11,449	11,449
Transfer	—	—	175	—	—	(175)	—
Total recognised income and expenses for the year	—	—	175	—	—	11,274	11,449
At 31st March 2009	5,460	22,905	2,079	1,200	4,217	(7,878)	27,983

Notes:

(a) General reserve

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

(b) Capital reserve

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

CONSOLIDATED CASH FLOW STATEMENT

For the year ended 31st March 2009

	2009 HK$'000	2008 HK$'000
OPERATING ACTIVITIES		
Profit (loss) before taxation	**13,729**	(19,326)
Adjustments for:		
Deemed gain on disposal of subsidiaries	**—**	(30)
Depreciation	**1,517**	1,899
Fair value (gains) losses on financial assets at fair value through profit or loss	**(27)**	188
Impairment loss recognised in respect of intangible asset	**—**	2,945
Impairment loss recognised in respect of trade receivables	**13,867**	4,000
Impairment loss recognised in respect of other receivables	**5,827**	3,603
Impairment loss recognised in respect of retention receivables	**2,727**	—
Finance costs	**559**	333
Interest income	**(112)**	(120)
Loss (gain) on disposal of financial assets at fair value through profit or loss	**232**	(390)
Loss (gain) on disposal of plant and equipment	**7**	(182)
Provision for warranty, net	**1,058**	(105)
Reversal of impairment loss in respect of trade receivables	**(1,422)**	(516)
Reversal of impairment loss in respect of other receivables	**(2,291)**	(1,062)
Share of results of associates	**5**	1
Write down of inventories	**—**	190
Operating cash flow before movements in working capital	**35,676**	(8,572)
Decrease (increase) in trade and other receivables	**3,989**	(14,921)
Increase in amounts due from/to customers for contract work	**(55,822)**	(483)
Decrease in trade and other payables	**(1,432)**	(1,079)
Increase in receipts in advance	**4,710**	9,759
Decrease in warranty provision	**(130)**	(328)
Cash used in operations	**(13,009)**	(15,624)
PRC Enterprise Income Tax refund (paid)	**89**	(467)
NET CASH USED IN OPERATING ACTIVITIES	**(12,920)**	(16,091)

CONSOLIDATED CASH FLOW STATEMENT *(Continued)*

For the year ended 31st March 2009

	Notes	2009 HK$'000	2008 HK$'000
INVESTING ACTIVITIES			
Decrease (increase) in pledged bank deposits		**1,207**	(1,842)
Proceeds from disposal of plant and equipment		**981**	1,057
Proceeds from disposal of financial assets at fair value through profit or loss		**402**	1,481
Interest received		**112**	120
Net cash inflow in respect of acquisition of subsidiaries	34	**24**	—
Purchase of financial assets at fair value through profit or loss		**(363)**	(1,482)
Purchases of plant and equipment		**(259)**	(662)
Deemed disposal of subsidiaries (net of cash and cash equivalents)	35	**—**	(3)
NET CASH FROM (USED IN) INVESTING ACTIVITIES		**2,104**	(1,331)
FINANCING ACTIVITIES			
New bank borrowing raised		**20,132**	8,946
Repayment of bank borrowing		**(17,895)**	—
Interest paid		**(559)**	(333)
Proceeds from issue of shares, net of expenses		**—**	9,766
(Repayment to) advance from a substantial shareholder		**(2,481)**	4,996
Repayments to associates		**(282)**	—
NET CASH (USED IN) FROM FINANCING ACTIVITIES		**(1,085)**	23,375
NET (DECREASE) INCREASE IN CASH AND CASH EQUIVALENTS		**(11,901)**	5,953
CASH AND CASH EQUIVALENTS AT THE BEGINNING OF THE YEAR		**15,651**	10,704
EFFECT OF FOREIGN EXCHANGE RATE CHANGES		**(5)**	(1,006)
CASH AND CASH EQUIVALENTS AT THE END OF THE YEAR, representing bank balances and cash		**3,745**	15,651

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

For the year ended 31st March 2009

1. GENERAL

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

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

The consolidated financial statements are presented in Hong Kong dollars ("HK$"). Other than the subsidiaries established in the People's Republic of China (the "PRC") whose functional currency is Renminbi ("RMB"), the functional currency of the Company and its subsidiaries (the "Group") is HK$.

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

The principal activity of the Company is investment holding and the principal activities of its subsidiaries are set out in Note 41.

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

In the current year, the Group has applied the following amendments and interpretations ("new HKFRSs") issued by the Hong Kong Institute of Certified Public Accountants ("HKICPA") which are or have become effective.

Hong Kong Accounting Standard ("HKAS") 39 & HKFRS 7 (Amendments)	Reclassification of Financial Assets
HK(IFRIC)-Interpretation ("INT") 12	Service Concession Arrangements
HK(IFRIC)-INT 14	HKAS 19-The Limit on a Defined Benefit Asset, Minimum Funding Requirements and their Interaction

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

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

For the year ended 31st March 2009

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

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

HKFRSs (Amendments)	Improvements to HKFRSs[1]
HKFRSs (Amendments)	Improvements to HKFRSs 2009[2]
HKAS 1 (Revised)	Presentation of Financial Statements[3]
HKAS 23 (Revised)	Borrowing Costs[3]
HKAS 27 (Revised)	Consolidated and Separate Financial Statements[4]
HKAS 32 & HKAS 1 (Amendments)	Puttable Financial Instruments and Obligations Arising on Liquidation[3]
HKAS 39 (Amendment)	Eligible hedged items[4]
HKFRS 1 (Revised)	First-time Adoption of Hong Kong Financial Reporting Standards[4]
HKFRS 1 & HKAS 27 (Amendments)	Cost of an Investment in a Subsidiary, Jointly Controlled Entity or Associate[3]
HKFRS 2 (Amendment)	Vesting Conditions and Cancellations[3]
HKFRS 3 (Revised)	Business Combinations[4]
HKFRS 7 (Amendment)	Financial Instruments: Disclosures-Improving Disclosures about Financial Instruments[3]
HKFRS 8	Operating Segments[3]
HK(IFRIC) - INT 9 and HKAS 39 (Amendments)	Embedded Derivatives[7]
HK(IFRIC)-INT 13	Customer Loyalty Programmes[5]
HK(IFRIC)-INT 15	Agreements for the Construction of Real Estate[3]
HK(IFRIC)-INT 16	Hedges of a Net Investment in a Foreign Operation[6]
HK(IFRIC)-INT 17	Distribution of Non-cash Assets to Owners[4]
HK(IFRIC)-INT 18	Transfers of Assets from Customers[8]

1 Effective for annual periods beginning on or after 1st January 2009 except the amendments to HKFRS 5, effective for annual periods beginning on or after 1st July 2009.
2 Effective for annual periods beginning on or after 1st January 2009, 1st July 2009 and 1st January 2010, as appropriate.
3 Effective for annual periods beginning on or after 1st January 2009.
4 Effective for annual periods beginning on or after 1st July 2009.
5 Effective for annual periods beginning on or after 1st July 2008.
6 Effective for annual periods beginning on or after 1st October 2008.
7 Effective for annual periods ending on or after 30th June 2009.
8 Effective for transfers of assets from customers received on or after 1st July 2009.

The application of HKFRS 3 (Revised) may affect the accounting for business combination for which the acquisition date is on or after the beginning of the first annual reporting period beginning on or after 1st July 2009. HKAS 27 (Revised) will affect the accounting treatment for changes in a parent's ownership interest in a subsidiary. The directors of the Company anticipate that the application of the other new and revised standards, amendments or interpretations will have no material impact on the results and the financial position of the Group.

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

For the year ended 31st March 2009

3. SIGNIFICANT ACCOUNTING POLICIES

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

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

(a) Basis of consolidation

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

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

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

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

(b) Business combinations

The acquisition of businesses 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.

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.

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

For the year ended 31st March 2009

3. SIGNIFICANT ACCOUNTING POLICIES *(Continued)*

(c) Goodwill

Goodwill arising on an acquisition of a business 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 business at the date of acquisition. Such goodwill is carried at cost less any accumulated impairment losses.

Capitalised goodwill arising on an acquisition of a business is presented separately in the consolidated balance sheet.

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 the relevant cash-generating unit, the attributable amount of goodwill capitalised is included in the determination of the amount of profit or loss on disposal.

(d) Investments in subsidiaries

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

(e) Investments in associates

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

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

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

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

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

For the year ended 31st March 2009

3. SIGNIFICANT ACCOUNTING POLICIES *(Continued)*

(f) Intangible assets

Research and development expenditures

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

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

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

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

(g) Plant and equipment

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

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

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

(h) Systems development contracts

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

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

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

For the year ended 31st March 2009

3. SIGNIFICANT ACCOUNTING POLICIES *(Continued)*

(h) Systems development contracts *(Continued)*

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

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

(i) Financial instruments

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

Financial assets

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

Effective interest method

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

Interest income is recognised on an effective interest basis.

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

For the year ended 31st March 2009

3. SIGNIFICANT ACCOUNTING POLICIES *(Continued)*

(i) Financial instruments *(Continued)*

Financial assets at fair value through profit or loss

Financial assets at fair value through profit or loss represent financial assets held for trading.

A financial asset is classified as held for trading if:

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

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 or loss recognised in profit or loss excludes any dividend or interest earned on the financial assets.

Loans and receivables

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

Impairment loss of financial assets

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

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

For the year ended 31st March 2009

3. SIGNIFICANT ACCOUNTING POLICIES *(Continued)*

(i) Financial instruments *(Continued)*

Impairment loss of financial assets (Continued)

For all financial assets, objective evidence of impairment could include:

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

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

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

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

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

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

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

For the year ended 31st March 2009

3. SIGNIFICANT ACCOUNTING POLICIES *(Continued)*

(i) Financial instruments *(Continued)*

Financial liabilities and equity

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

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

Effective interest method

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

Interest expense is recognised on an effective interest basis.

Other financial liabilities

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

Equity instruments

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

Derecognition

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

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

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

For the year ended 31st March 2009

3. SIGNIFICANT ACCOUNTING POLICIES *(Continued)*

(j) Provisions

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

(k) Impairment losses on tangible and intangible assets other than goodwill (see the accounting policy in respect of goodwill above)

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. In addition, intangible assets not yet available for use are tested for impairment annually, and whenever there is an indication that they may be impaired. If the recoverable amount of an asset is estimated to be less than its carrying amount, the carrying amount of the asset is reduced to its recoverable amount. An impairment loss is recognised as an expense immediately.

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

(l) Revenue recognition

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

i) *Systems development*

Revenue arising from the provision of systems development, maintenance and installation as well as consultancy services is recognised, provided that the revenue, the cost incurred and the estimated costs to completion can be measured reliably. The percentage of completion is established by reference to the costs incurred to date as compared to the total costs to be incurred under the transaction. When the outcome of a systems development contract cannot be estimated reliably, revenue is recognised only to the extent of contract costs incurred that is probable to be recoverable.

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

For the year ended 31st March 2009

3. SIGNIFICANT ACCOUNTING POLICIES *(Continued)*

(l) Revenue recognition *(Continued)*

ii) Professional service income

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

iii) Interest income

Interest income from a financial asset is accrued on a time basis, by reference to the principal outstanding and at the effective interest rate applicable.

(m) Taxation

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

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

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

Deferred tax liabilities are recognised for taxable temporary differences arising on investments in subsidiaries and associates 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.

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. 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.

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

For the year ended 31st March 2009

3. SIGNIFICANT ACCOUNTING POLICIES *(Continued)*

(n) Foreign currencies

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

Exchange differences arising on the settlement of monetary items, and on the translation of monetary items, are recognised in profit or loss in the period in which they arise. Exchange differences arising on the retranslation of non-monetary items carried at fair value, are included in profit or loss for the period.

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

(o) Leasing

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

Rentals payable under operating leases are charged to profit or loss on a straight-line basis over the term of the relevant lease.

(p) Retirement benefit costs

Payments to mandatory provident fund scheme and state-managed retirement benefit scheme are charged as an expense when employees have rendered service entitling them to the contributions.

(q) Borrowing costs

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

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

For the year ended 31st March 2009

4. CRITICAL ACCOUNTING JUDGMENTS AND KEY SOURCES OF ESTIMATION UNCERTAINTY

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

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

Critical judgment in applying the entity's accounting policies

Revenue and profit recognition

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

Key sources of estimation uncertainty

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

Estimated impairment of goodwill

Determining whether goodwill is impaired requires an estimation of the value in use of the cash-generating units to which goodwill has been allocated. The value-in-use calculation requires the Group to estimate the future cash flows expected to arise from the cash-generating unit and a suitable discount rate in order to calculate the present value. Where the actual future cash flows are less than expected, a material impairment loss may arise. As at 31st Match 2009, the carrying amount of goodwill was approximately HK$131,000. Details of impairment testing on goodwill are set out in Note 22.

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

For the year ended 31st March 2009

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

Key sources of estimation uncertainty *(Continued)*

Depreciation of plant and equipment

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

Warranty provision

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

Impairment loss recognised in respect of trade receivables and retention receivables

The Group performs ongoing credit evaluations of its customers and retention receivables and adjusts credit limits based on payment history and the customer's current credit-worthiness, as determined by the review of their current credit information. The Group continuously monitors collections and payments from its customers and retention receivables and maintains a provision for estimated credit losses based upon its historical experience. Credit losses have historically been within the Group's expectations and the Group will continue to monitor the collections from customers and retention receivables and maintain an appropriate level of estimated credit losses. In addition, the Group will provide general provision based on the aging analysis of the trade receivables and retention receivables. As at 31st March 2009, the carrying amount of trade receivables and retention receivables were approximately HK$15,226,000 (net of impairment loss of approximately HK$24,052,000) and HK$2,035,000 (net of impairment loss of approximately HK$2,727,000), respectively.

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

For the year ended 31st March 2009

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

Key sources of estimation uncertainty *(Continued)*

Impairment loss recognised in respect of other receivables

The policy for recognition of impairment loss of other receivables of the Group is determined by the management based on the evaluation of collectability and aging analysis of accounts and management's judgment. A considerable amount of judgment is required in assessing the ultimate realisation of these receivables, including the current creditworthiness and the past collection history of each receivables. As at 31st March 2009, the carrying amount of other receivables were approximately HK$10,508,000 (net of impairment loss of approximately HK$16,632,000).

5. CAPITAL RISK MANAGEMENT

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

The capital structure of the Group consists of debt which includes bank borrowing as disclosed in Note 31, bank balances and cash as disclosed in Note 26 and equity attributable to equity holders of the Company, comprising issued share capital and reserves. The directors of the Company review the capital structure on a regular basis. As a part of this review, the directors of the Company consider the cost of capital and the associated risks, and take appropriate actions to adjust the Group's capital structure. The overall strategy of the Group remained unchanged during the two years ended 31st March 2009.

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

For the year ended 31st March 2009

6. FINANCIAL INSTRUMENTS

Categories of financial instruments

	2009 **HK$'000**	2008 HK$'000
Financial assets at fair value through profit or loss	**330**	574
Loans and receivables (including cash and cash equivalents)	**32,094**	67,800
Financial liabilities at amortised cost	**50,391**	52,172

7. FINANCIAL RISK MANAGEMENT OBJECTIVES AND POLICIES

The Group's major financial instruments include financial assets at fair value through profit or loss, trade and other receivables, pledged bank deposits, bank balances and cash, trade and other payables, amount due to a substantial shareholder, amounts due to associates and bank borrowing are disclosed in respective notes. The risks associated with these financial instruments include market risk (currency risk, interest rate risk and other price risk), credit risk and liquidity risk. The policies on how to mitigate these risks are set out below. The management manages and monitors these exposures to ensure appropriate measures are implemented on a timely and effective manner.

Currency risk

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

For the two years ended 31st March 2009, the Group mainly earns revenue in RMB and incurs costs in HK$ and RMB. Although the Group currently does not have any foreign currency hedging policies, it manages its currency exposure by ensuring that the revenue earned in RMB are used to pay for RMB denominated costs. Funds raised from financing activities which are mainly in HK$ are used to pay for HK$ expenses.

The directors of the Company do not expect the appreciation of the RMB against the HK$ to have any material adverse effect on the operation of the Group.

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

For the year ended 31st March 2009

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

Interest rate risk

The Group is also exposed to cash flow interest rate risk in relation to its variable-rate pledged bank deposits and bank borrowing (see Note 31 for details of this borrowing) for the two years ended 31st March 2009. It is the Group's policy to keep its pledged bank deposits and bank borrowing at floating rate of interests so as to minimise the fair value interest rate risk.

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

Sensitivity analysis

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

If interest rates had been 50 basis points (2008: 50 basis points) higher/lower and all other variables were held constant, the Group's post-tax profit (2008: loss) for the year ended 31st March 2009 would decrease/increase by approximately HK$51,000 (2008: increase/decrease by approximately HK$34,000). This is mainly attributable to the Group's exposure to interest rates on its variable-rate bank borrowing.

Credit risk

As at 31st March 2009, the Group's maximum exposure to credit risk which will cause a financial loss to the Group due to failure to discharge an obligation by the counterparties is arising from the carrying amount of the respective recognised financial assets as stated in the consolidated balance sheet.

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

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

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

Other price risk

The Group is exposed to equity price risk through its investment in listed equity securities. The Group's exposure to other price risk is minimal.

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

For the year ended 31st March 2009

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

Liquidity risk

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

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

Liquidity risk tables

	Weighted average effective interest rate	Carrying amount at 31st March	Within 1 year or on demand and total undiscounted cash flows
	%	HK$'000	HK$'000
2009			
Non-derivative financial liabilities			
Trade and other payables	—	32,254	32,254
Amount due to a substantial shareholder	—	6,950	6,950
Bank borrowing	5.841	11,187	11,732
		50,391	50,936
2008			
Non-derivative financial liabilities			
Trade and other payables	—	33,517	33,517
Amount due to a substantial shareholder	—	9,427	9,427
Amounts due to associates	—	282	282
Bank borrowing	8.019	8,946	9,305
		52,172	52,531

8. FAIR VALUE

The fair value of financial assets and financial liabilities are determined as follows:

- the fair value of financial assets and financial liabilities (including derivate instruments) with standard terms and conditions and traded in active liquid markets are determined with reference to quoted market bid prices and ask prices respectively; and
- the fair value of other financial assets and financial liabilities (excluding derivate instruments) is determined in accordance with generally accepted pricing models based on discounted cash flow analysis using prices from observable current market transactions and dealer quotes for similar instrument; and
- the fair value of derivative instruments is calculated using quoted prices.

The directors of the Company consider that the carrying amounts of financial assets and financial liabilities recorded at amortised cost in the consolidated financial statements approximate to their fair values due to their short-term maturities.

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

For the year ended 31st March 2009

9. TURNOVER AND OTHER OPERATING INCOME

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

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

	2009	2008
	HK$'000	HK$'000
Turnover		
Systems development	**105,697**	51,160
Professional service fees	**2,306**	1,675
	108,003	52,835
Other operating income		
Gain on disposal of financial assets at fair value through profit or loss	**—**	390
Fair value gains on financial assets at fair value through profit or loss	**27**	—
Gain on disposal of plant and equipment	**—**	182
Value added tax refund (Note)	**2,259**	3,741
Deemed gain on disposal of subsidiaries	**—**	30
Reversal of impairment loss in respect of trade receivables	**1,422**	516
Reversal of impairment loss in respect of other receivables	**2,291**	1,062
Interest income	**112**	120
Sundry income	**189**	369
	6,300	6,410
Total revenues	**114,303**	59,245

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

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

For the year ended 31st March 2009

10. SEGMENT INFORMATION

(a) Primary reporting format — business segments

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

Principal activities are as follows:

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

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

Segment information about the business is presented below:

For the year ended 31st March

	Systems development		Professional services		Consolidated	
	2009	2008	**2009**	2008	**2009**	2008
	HK$'000	HK$'000	**HK$'000**	HK$'000	**HK$'000**	HK$'000
TURNOVER						
Revenue from external customers	**105,697**	51,160	**2,306**	1,675	**108,003**	52,835
RESULT						
Segment results	**15,371**	(8,083)	**1,947**	677	**17,318**	(7,406)
Interest income					**112**	120
Unallocated income and expenses					**(3,137)**	(11,706)
					14,293	(18,992)
Share of results of associates					**(5)**	(1)
Finance costs					**(559)**	(333)
Income tax expense					**(2,280)**	(527)
Profit (loss) for the year					**11,449**	(19,853)

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

For the year ended 31st March 2009

10. SEGMENT INFORMATION *(Continued)*

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

For the year ended 31st March	Systems development 2009 HK$'000	Systems development 2008 HK$'000	Professional services 2009 HK$'000	Professional services 2008 HK$'000	Consolidated 2009 HK$'000	Consolidated 2008 HK$'000
ASSETS						
Segment assets	**97,674**	67,693	**3,359**	1,377	**101,033**	69,070
Interests in associates					**—**	5
Unallocated corporate assets					**5,821**	22,692
Total assets					**106,854**	91,767
LIABILITIES						
Segment liabilities	**55,992**	48,257	**3,696**	647	**59,688**	48,904
Unallocated corporate liabilities					**19,183**	26,331
Total liabilities					**78,871**	75,235
Other segment information						
Capital expenditure	**251**	642	**8**	20	**259**	662
Depreciation	**716**	883	**21**	25	**737**	908
Unallocated depreciation					**780**	991
					1,517	1,899
Unallocated loss (gain) on disposal of plant and equipment					**7**	(182)
Impairment loss recogrined in respect of retention receivables	**2,727**	—	**—**	—	**2,727**	—
Impairment losses recognised in respect of trade and other receivables	**16,501**	4,407	**—**	—	**16,501**	4,407
Unallocated impairment losses recognised in respect of trade and other receivables					**3,193**	3,196
					19,694	7,603
Impairment losses recognised in respect of intangible asset	**—**	2,945	**—**	—	**—**	2,945
Write down of inventories	**—**	190	**—**	—	**—**	190
Unallocated deemed gain on disposal of subsidiaries					**—**	(30)
Unallocated loss (gain) on disposal of financial assets at fair value through profit or loss					**232**	(390)
Reversal of impairment loss in respect of trade and other receivables	**(2,522)**	(1,578)	**(1,191)**	—	**(3,713)**	(1,578)

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

For the year ended 31st March 2009

10. SEGMENT INFORMATION *(Continued)*

(b) Secondary reporting format — geographical segments

For the two years ended 31st March 2009, over 90% of the Group's revenue and assets are derived from customers and operations based in the PRC and accordingly, no further analysis of the Group's geographical segments is disclosed.

11. OTHER OPERATING EXPENSES

	2009	2008
	HK$'000	HK$'000
Impairment loss recognised in respect of trade receivables	**13,867**	4,000
Impairment loss recognised in respect retention receivables	**2,727**	—
Impairment loss recognised in respect of other receivables	**5,827**	3,603
Impairment loss recognised in respect of intangible asset	**—**	2,945
Fair value losses on financial assets at fair value through profit or loss	**—**	188
Loss on disposal of financial assets at fair value through profit or loss	**232**	—
	22,653	10,736

12. FINANCE COSTS

	2009	2008
	HK$'000	HK$'000
Interest on bank borrowing due within one year	**559**	333

13. INCOME TAX EXPENSE

	2009	2008
	HK$'000	HK$'000
PRC Enterprise Income Tax — current tax	**2,280**	527

On 26th June 2008, the Hong Kong Legislation Council passed the Revenue Bill 2008 which reduced corporate profits tax rate from 17.5% to 16.5% effective from the year of assessment 2008/2009. Hong Kong Profits Tax has not been provided for in the consolidated financial statements as there was no estimated assessable profit derived from Hong Kong in both years.

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

For the year ended 31st March 2009

13. INCOME TAX EXPENSE *(Continued)*

On 16th March 2007, the PRC promulgated the Law of the PRC on Enterprise Income Tax (the "New Law") by Order No. 63 of the President of the PRC. On 6th December 2007, the State Council of the PRC issued Implementation Regulations of the New Law. Under the New Law and Implementation Regulation, the Enterprise Income Tax rate of the Group's subsidiaries in the PRC was reduced from 33% to 25% from 1st January 2008 onwards. The relevant tax rate for the Group's subsidiaries are 15% and 25% (2008:10%).

In accordance with the relevant regulations, approvals from relevant local tax bureaus and Foreign Enterprise Income Tax Law in the PRC, one subsidiary qualified as an advanced technology enterprise and is subject to a preferential Enterprise Income Tax rate of 15% (2008: 10%) which was effective from 1st January 2008 to 31st December 2010.

Another subsidiary operating in the PRC is entitled to exemption from PRC Enterprise Income Tax for two years from the first profit-making year, followed by a 50% reduction of the PRC Enterprise Income Tax for the next three years at the prevailing tax rate.

The income tax expense for the year can be reconciled to the profit (loss) before taxation per the consolidated income statement as follows:

	2009 **HK$'000**	2008 HK$'000
Profit (loss) before taxation	**13,729**	(19,326)
Tax at the applicable tax rate of 15% (2008: 10%)	**2,059**	(1,933)
Effect of different tax rates of subsidiaries operating in other jurisdictions	**3,259**	(1,547)
Tax effect of exemptions granted to a PRC subsidiary	**(8,767)**	—
Tax effect of income not taxable for tax purposes	**(592)**	(1,104)
Tax effect of expenses not deductible for tax purposes	**3,585**	3,566
Utilisation of tax losses previously not recognised	**—**	(264)
Tax effect of tax losses and other deductible temporary differences not recognised	**2,736**	1,809
Income tax expense	**2,280**	527

Details of deferred taxation are set out in Note 33.

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

For the year ended 31st March 2009

14. PROFIT (LOSS) FOR THE YEAR

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

	2009 HK$'000	2008 HK$'000
Auditor's remuneration	**552**	450
Depreciation	**1,517**	1,899
Net exchange loss	**8**	156
Loss on disposal of plant and equipment	**7**	—
Operating lease charges in respect of land and buildings	**1,778**	2,079
Research and development expenditure	**478**	504
Staff costs (excluding directors' emoluments (Note 17))		
Wages, salaries and other benefits	**19,180**	19,313
Retirement benefit scheme contributions	**2,661**	2,181
	21,841	21,494
Write down of inventories	**—**	190

15. DIVIDENDS

No dividend was paid or proposed during the year ended 31st March 2009, nor has any dividend been proposed since the balance sheet date (2008: Nil).

16. EARNINGS (LOSS) PER SHARE - BASIC

The calculation of basic earnings (loss) per share is based on the Group's profit attributable to equity holders of the Company of approximately HK$11,449,000 (2008: loss of approximately HK$19,853,000) and based on the weighted average number of 109,190,000 (2008: 96,414,000) ordinary shares in issue during the year.

There were no dilutive potential shares in issue during the two years ended 31st March 2009. Accordingly, no diluted loss per share has been presented for both years.

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

For the year ended 31st March 2009

17. STAFF COSTS (EXCLUDING DIRECTORS' EMOLUMENTS)

	2009	2008
	HK$'000	HK$'000
Wages, salaries and other benefits	**19,180**	19,313
Retirement benefit scheme contributions	**2,661**	2,181
	21,841	21,494

Hong Kong

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

PRC, other than Hong Kong

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

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

For the year ended 31st March 2009

18. DIRECTORS' AND EMPLOYEES' EMOLUMENTS

(a) Directors' emoluments

The emoluments paid or payable to each of the eight (2008: seven) directors were as follows:

For the year ended 31st March 2009

	Fees	Salaries and other benefits	Retirement benefit scheme contributions	Total
	HK$'000	HK$'000	HK$'000	HK$'000
Executive directors:				
Ms. Li Wenli	30	—	—	30
Mr. Ho Cho Hang (Resigned on 16th March 2009)	110	—	—	110
Mr. Luk Yat Hung (re-designated from non-executive director to executive director on 16th March 2009)	—	—	—	—
Non-executive director:				
Mr. Luk Yat Hung (re-designated as executive director on 16th March 2009)	—	—	—	—
Independent non-executive directors:				
Mr. Chung Shui Ming, Timpson (resigned on 4th February 2009)	100	—	—	100
Professor Ip Ho Shing, Horace	120	—	—	120
Mr. Peng Lijun	30	—	—	30
Mr. Yan Yonghong	30	—	—	30
Mr. Tang Sze Lok (appointed on 4th February 2009)	5	—	—	5
	425	—	—	425

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

For the year ended 31st March 2009

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

(a) Directors' emoluments *(Continued)*

For the year ended 31st March 2008

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

No directors waived or agreed to waive any emoluments during the two years ended 31st March 2009.

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

For the year ended 31st March 2009

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

(b) Senior management's emoluments

Of the five individuals with the highest emoluments in the Group, none (2008: none) were directors of the Company whose emoluments are set out in the above.

For the year ended 31st March 2009, the emoluments of the five (2008: five) highest paid individuals were as follows:

	2009	2008
	HK$'000	HK$'000
Salaries and other benefits	**1,207**	1,101
Retirement benefit scheme contributions	**134**	93
	1,341	1,194

Their emoluments fall within the following band:

	Number of individuals	
	2009	2008
Nil - HK$1,000,000	**5**	5

(c) No emoluments have been paid by the Group to the directors or the five highest paid individuals as an inducement to join or upon joining the Group or as compensation for loss of office during the two years ended 31st March 2009.

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

For the year ended 31st March 2009

19. PLANT AND EQUIPMENT

	Leasehold improvements HK$'000	Furniture and fixtures HK$'000	Computer and office equipment HK$'000	Motor vehicles HK$'000	Total HK$'000
COST					
At 1st April 2007	1,432	42	4,474	4,859	10,807
Exchange realignment	144	—	478	347	969
Additions	—	—	662	—	662
Disposals	—	—	(18)	(1,386)	(1,404)
At 31st March 2008	1,576	42	5,596	3,820	11,034
Exchange realignment	1	—	2	1	4
Additions	—	—	250	9	259
Disposals	—	—	(1,255)	(1,708)	(2,963)
At 31st March 2009	1,577	42	4,593	2,122	8,334
ACCUMULATED DEPRECIATION					
At 1st April 2007	670	31	1,724	1,488	3,913
Exchange realignment	88	—	240	153	481
Provided for the year	293	4	915	687	1,899
Eliminated on disposals	—	—	(11)	(518)	(529)
At 31st March 2008	1,051	35	2,868	1,810	5,764
Exchange realignment	1	—	1	1	3
Provided for the year	315	4	744	454	1,517
Eliminated on disposals	—	—	(987)	(988)	(1,975)
At 31st March 2009	1,367	39	2,626	1,277	5,309
CARRYING VALUES					
At 31st March 2009	210	3	1,967	845	3,025
At 31st March 2008	525	7	2,728	2,010	5,270

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

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

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

For the year ended 31st March 2009

20. INTANGIBLE ASSET

	Development costs (internally generated) HK$'000
COST	
At 1st April 2007	2,804
Exchange realignment	141
At 31st March 2008	2,945
Exchange realignment	1
At 31st March 2009	2,946
AMORTISATION AND IMPAIRMENT	
Impairment loss recognised in the year and at 31st March 2008	2,945
Exchange realignment	1
At 31st March 2009	2,946
CARRYING VALUES	
At 31st March 2009	—
At 31st March 2008	—

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

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

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

For the year ended 31st March 2009

21. INTERESTS IN ASSOCIATES

	2009 HK$'000	2008 HK$'000
Cost of investment in unlisted associates	6	6
Share of post-acquisition results	(6)	(1)
	—	5

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

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

Acon and its wholly owned subsidiary, Tai Shing (Hong Kong) became associates of the Group on 1st February 2008. For the year ended 31st March 2008, the results of which have been incorporated into the Group's consolidated financial statements by the equity accounting method and are derived from the consolidated financial statements of Acon made up to 31st December 2007. This was the financial reporting date established when Acon were incorporated. For the purpose of applying the equity accounting, the consolidated financial statements of Acon for the year ended 31st December 2007 have been used, and appropriate adjustments have been made for the effects of significant transactions between that date and 31st March 2008. On 29th July 2008, the Group acquired additional 74.5% interest in Acon and it became a wholly-owned subsidiary of the Company since then.

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

	2009 HK$'000	2008 HK$'000
Total assets	—	331
Total liabilities	—	(313)
Net assets	—	18
Group's share of net assets of associates	—	5
Revenue	—	—
Loss for the period/year	(102)	(4)
Group's share of results of associates for the period/year	(5)	(1)

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

For the year ended 31st March 2009

22. GOODWILL

	HK$'000
COST	
Arising on acquisition of subsidiaries (Note 34) and at 31st March 2009	131
CARRYING VALUES	
At 31st March 2009	131

The goodwill arose from the acquisition of Acon Group during the year ended 31st March 2009, which are engaged in the research, development and provision of integrated management information system. For the purpose of impairment testing, goodwill has been allocated to one cash generating unit.

The recoverable amount of Acon Group's goodwill has been determined on the basis of value in use calculation. During the year ended 31st March 2009, the management of the Group prepares profit forecast and cash flow forecast (the "Forecast") in respect of Acon Group. The Forecast based on financial budget approved by management covering a 4 year period, and a discount rate of 6%. The Forecast during the budget period are based on the budgeted sales and gross margins during the budget period. Budgeted gross margins have been determined based on the management's expectation for the market development and past experience, and the management believes that the budgeted sales and gross margins are reasonable. The directors of the Company are of the opinion, based on the Forecast, that the recoverable amount of Acon Group's goodwill as at 31st March 2009 exceeds its carrying amount in the consolidated balance sheet and no impairment loss is necessary.

23. TRADE AND OTHER RECEIVABLES

(a)

	2009 **HK$'000**	2008 HK$'000
Trade and bills receivables	**39,278**	44,587
Less: Impairment loss recognised in respect of trade receivables	**(24,052)**	(11,599)
	15,226	32,988
Retention receivables	**4,762**	4,222
Prepayments, deposits and other receivables	**27,140**	26,315
Less: Impairment loss recognised in respect of other receivables	**(16,632)**	(13,088)
Less: Impairment loss recognised in respect of retention receivables	**(2,727)**	—
	27,769	50,437

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

For the year ended 31st March 2009

23. TRADE AND OTHER RECEIVABLES *(Continued)*

(a) *(Continued)*

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

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

	2009	2008
	HK$'000	HK$'000
0-30 days	**3,751**	6,911
31-90 days	**5,076**	4,220
Over 90 days	**6,399**	21,857
	15,226	32,988

At 31st March 2009, amounts of approximately HK$2,035,000 (2008: HK$4,222,000) net of impairment loss, recognised included in retention receivables are due for settlement after more than 12 months (Note 24).

At the balance sheet date, the directors of the Company reviewed the carrying values of the retention receivables and in light of the long outstanding, an impairment loss of HK$2,727,000 (2008: Nil) was recognised.

(b) The movements in impairment losses of trade receivables are as follows:

	2009	2008
	HK$'000	HK$'000
At 1st April	**11,599**	7,225
Exchange realignment	**8**	890
Reversal during the year	**(1,422)**	(516)
Recognised during the year	**13,867**	4,000
At 31st March	**24,052**	11,599

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

For the year ended 31st March 2009

23. TRADE AND OTHER RECEIVABLES *(Continued)*

(c) The movements in impairment losses of other receivables are as follows:

	2009	2008
	HK$'000	HK$'000
At 1st April	**13,088**	9,437
Exchange realignment	**8**	1,110
Reversal during the year	**(2,291)**	(1,062)
Recognised during the year	**5,827**	3,603
At 31st March	**16,632**	13,088

(d) Included in the impairment loss are individually impaired other receivables with an aggregate balance of approximately HK$16,632,000 (2008: HK$13,088,000) which are due to long outstanding. The Group does not hold any collateral over these balances.

(e) At 31st March 2009 and 2008, the analysis of trade and bills receivables that were past due but not impaired are as follows:

			Past due but not impaired	
	Total	**Neither past due nor impaired**	**<90days**	**Over 90 days but less than 1 year**
	HK$'000	HK$'000	HK$'000	HK$'000
31st March 2009	15,226	2,386	6,441	6,399
31st March 2008	32,988	3,999	7,132	21,857

Trade and bills receivables that were neither past due nor impaired relate to a wide range of customers who has no recent history of default.

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

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

For the year ended 31st March 2009

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

	2009	2008
	HK$'000	HK$'000
Contracts in progress at the balance sheet date:		
Contract costs incurred plus recognised profits less recognised losses	**208,879**	163,901
Less: Progress billings	**(146,049)**	(156,899)
	62,830	7,002
Analysed for reporting purposes as:		
Amounts due from customers for contract work	**70,852**	17,452
Amounts due to customers for contract work	**(8,022)**	(10,450)
	62,830	7,002

At 31st March 2009, retentions held by customers for contract works, net of impairment loss recognised, amounted to approximately HK$2,035,000 (2008: HK$4,222,000) (Note 23).

25. FINANCIAL ASSETS AT FAIR VLAUE THROUGH PROFIT OR LOSS

	2009	2008
	HK$'000	HK$'000
Equity securities listed in the PRC, at fair value	**330**	574

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

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

For the year ended 31st March 2009

26. PLEDGED BANK DEPOSITS AND BANK BALANCES AND CASH

The Group's bank deposits of approximately HK$1,002,000 (2008: HK$2,210,000) were pledged to banks to secure performance bond issued for the Group (Note 38(a)).

At 31st March 2009, pledged bank deposits and bank balances and cash comprise of cash held by the Group and short-term bank deposits of approximately HK$3,745,000 (2008: HK$15,651,000) with an original maturity of three months or less.

Bank balances and pledged bank deposits carried interest at average market rates of 0.60% (2008: 0.72%).

At 31st March 2009, the Group's pledged bank deposits and bank balances and cash denominated in RMB amounted to approximately HK$4,722,000 (2008: HK$13,538,000). Conversion of RMB into foreign currencies is subject to the PRC's Foreign Exchange Control Regulations and Administration of Settlement, Sale and Payment of Foreign Exchange Regulations.

27. TRADE AND OTHER PAYABLES

	2009 HK$'000	2008 HK$'000
Trade payables	**17,787**	13,909
Accrued expenses and other payables	**14,467**	19,608
	32,254	33,517

An aged analysis of trade payables is as follows:

	2009 HK$'000	2008 HK$'000
0-30 days	**1,892**	838
31-90 days	**2,397**	53
Over 90 days	**13,498**	13,018
	17,787	13,909

Included in accrued expenses and other payables are amounts in total of approximately HK$441,000 (2008: HK$356,000) representing accrued directors' fees due to the Company's directors.

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

For the year ended 31st March 2009

28. WARRANTY PROVISION

	2009 HK$'000	2008 HK$'000
At 1st April	**490**	858
Exchange realignment	**—**	65
Utilisation of provision	**(130)**	(328)
Reversal of unused provision	**(136)**	(379)
Provision for the year	**1,194**	274
At 31st March	**1,418**	490

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

29. AMOUNT DUE TO A SUBSTANTIAL SHAREHOLDER

The amount due to a substantial shareholder, Tongfang Company Limited is unsecured, non-interest bearing and repayable on demand.

30. AMOUNTS DUE TO ASSOCIATES

The amounts due to associates were unsecured, non-interest bearing and were fully settled during the year ended 31st March 2009.

31. BANK BORROWING

	2009 HK$'000	2008 HK$'000
Unsecured bank borrowing, due within one year at variable-rate	**11,187**	8,946

The effective interest rate on the Group's bank borrowing is 5.841% (2008: 8.019%).

The Group's bank borrowing is denominated in RMB.

At 31st March 2009, the unsecured bank borrowing is secured by land and buildings owned by an independent third party.

At 31st March 2008, the unsecured bank borrowing was guaranteed by an independent third party.

During the year ended 31st March 2009, the Group obtained new loans in the amount of approximately HK$20,132,000 (2008: HK$8,946,000). These loans carry interest at prevailing market rate and will be repayable in 2009.

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

For the year ended 31st March 2009

32. SHARE CAPITAL

Ordinary shares of HK$0.05 each	Number of shares	HK$'000
Authorised:		
At 1st April 2007, 31st March 2008 and 31st March 2009	4,000,000,000	200,000
Issued and fully paid:		
At 1st April 2007	90,995,000	4,550
Issue of shares (Note a)	18,195,000	910
At 31st March 2008 and 31st March 2009	109,190,000	5,460

Notes:

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

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

33. DEFERRED TAXATION

At the balance sheet date, the Group had unused tax losses of approximately HK$21,191,000 (2008: HK$21,186,000) available for offset against future profits. No deferred tax asset has been recognised in respect of the above unused tax losses due to the unpredictability of future profit streams. The tax losses may be carried forward indefinitely.

At the balance sheet date, the Group has deductible temporary differences of approximately HK$45,698,000 (2008: HK$28,180,000). No deferred tax asset has been recognised in relation to such deductible temporary differences as it is not probable that taxable profit will be available against which the deductible temporary differences can be utilised.

Under the New Law of PRC, withholding tax is imposed on dividends in respect of profits earned by PRC subsidiaries from 1st January 2008 onwards (the "Post-2008 Earnings"). As at 31st March 2009, deferred taxation has not been provided for in the consolidated financial statements in respect of temporary difference attributable to the "Post-2008 Earnings" as the Group is able to control the timing of the reversal of the temporary differences and it is probable that the temporary differences will not reverse in the foreseeable future.

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

For the year ended 31st March 2009

34. ACQUISITION OF SUBSIDIARIES

As refer in Note 21, on 29th July 2008, the Group acquired an additional 74.5% equity interests in an existing 25.5% held associate, Acon, for a consideration of approximately HK$46,000. The acquisition has been accounted for using the purchase method. The amount of goodwill arising as a result of acquisition was approximately HK$131,000.

The fair value of net liabilities acquired in the transaction approximate to their carrying amounts and the goodwill arising are as follows:

	HK$'000
Net liabilities acquired:	
Bank balances and cash	70
Other payables	(155)
	(85)
Goodwill	131
Total consideration	46
Satisfied by:	
Cash	46
Net cash inflow arising on acquisition:	
Cash consideration paid	(46)
Bank balances and cash acquired	70
	24

Acon Group contributed approximately HK$37,419,000 profit to the Group's profit for the period between the date of acquisition and the balance sheet date.

If the acquisition had been completed on 1st April 2008, total Group's turnover for the year would have been approximately HK$108,003,000 and profit for the year would have been approximately HK$11,347,000. The pro forma information is for illustrative purposes only and is not necessarily an indication of the turnover and results of operations of the Group that actually would have been achieved had the acquisition been completed on 1st April 2008, nor is it intended to be a projection of future results.

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

For the year ended 31st March 2009

35. DEEMED DISPOSAL OF SUBSIDIARIES

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

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

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

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

For the year ended 31st March 2009

36. LEASE COMMITMENTS

The Group as lessee

The Group leases certain of its offices under operating leases. Leases for properties are negotiated for a term ranging from one to two years and rentals are fixed, with an option to renew the lease when all terms are renegotiated.

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

	2009	2008
	HK$'000	HK$'000
Within one year	**296**	1,730
In the second to fifth years inclusive	**—**	288
	296	2,018

37. RELATED PARTY TRANSACTIONS

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

The key management personnel of the Group comprises all directors of the Company, details of their emoluments are disclosed in Note 18. The remuneration of the directors of the Company is determined by the remuneration committee having regard to the performance of individuals and market trends.

38. CONTINGENT LIABILITIES

(a) At 31st March 2009, the Group's bank deposits of approximately HK$1,002,000 (2008: HK$2,210,000) were pledged to banks for bank guarantees of approximately HK$1,002,000 (2008: HK$2,210,000) issued to certain customers on the performance of contracts under systems development.

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

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

For the year ended 31st March 2009

38. CONTINGENT LIABILITIES *(Continued)*

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

39. POST BALANCE SHEET EVENTS

On 2nd April 2009, the Company proposed to raise approximately HK$21,800,000, before expenses, by way of a rights issue of 218,380,000 rights shares ("Rights share") at a price of HK$0.10 per Rights Share on the basis of two Rights Share for every existing share held on 11th May 2009. The proceeds from the rights issue will be used for the expansion and development of its business of provision of systems developments, installation and consulting service and additional general working capital of the Group. Details of the particulars were set out on the announcement dated 2nd April 2009.

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

For the year ended 31st March 2009

40. BALANCE SHEET INFORMATION OF THE COMPANY

	Notes	2009 HK$'000	2008 HK$'000
Non-current assets			
Plant and equipment		**9**	20
Investments in subsidiaries		**11,824**	11,450
Investments in associates		**—**	6
		11,833	11,476
Current assets			
Amounts due from subsidiaries	(a)	**2,630**	2,411
Other receivables		**263**	77
Bank balances		**18**	4,323
		2,911	6,811
Current liabilities			
Amounts due to subsidiaries	(a)	**123**	123
Amounts due to associates		**—**	282
Other payables		**1,612**	3,983
		1,735	4,388
Net current assets		**1,176**	2,423
		13,009	13,899
Capital and reserves			
Share capital		**5,460**	5,460
Reserves	(b)	**7,549**	8,439
		13,009	13,899

(a) Amounts due from (to) subsidiaries

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

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

For the year ended 31st March 2009

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

(b) Reserves

	Share premium HK$'000	Capital reserve HK$'000	Accumulated losses HK$'000	Total HK$'000
At 1st April 2007	14,049	1,200	(13,188)	2,061
Loss for the year	—	—	(2,478)	(2,478)
Issue of shares upon placement of shares	9,316	—	—	9,316
Share issue expenses	(460)	—	—	(460)
At 31st March 2008	22,905	1,200	(15,666)	8,439
Loss for the year	—	—	(890)	(890)
At 31st March 2009	22,905	1,200	(16,556)	7,549

41. PRINCIPAL SUBSIDIARIES

Details of the principal subsidiaries held by the Company as at 31st March 2009 are as follows:

Name of subsidiary	Place of incorporation/ establishment	Place of operations	Class of shares held	Issued share capital/ registered capital	Kind of legal entity	Attributable equity interest of the Group	Principal activities
Acon Enterprises Limited	BVI	Hong Kong	Ordinary shares	US$8,000	Limited liability company	100%	Investment holding
Tongfang Electronic Company Limited	BVI	BVI	Ordinary shares	US$65	Limited liability company	100%	Investment holding
Tongfang Electronic (Hong Kong) Company Limited	Hong Kong	Hong Kong	Ordinary shares	HK$100,000	Limited liability company	100%	Investment holding
Beijing Tongfang	PRC	PRC	Contributed capital	US$4,300,000	Wholly owned foreign enterprise	100%	Research, development and provision of integrated management information system

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

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

FIVE YEAR SUMMARY

	For the year ended 31st March				
	2009	2008	2007	2006	2005
	HK$'000	HK$'000	HK$'000	HK$'000	HK$'000
Turnover	**108,003**	52,835	64,706	72,556	30,347
Profit (loss) before tax	**13,729**	(19,326)	(2,084)	14,759	25
Income tax	**(2,280)**	(527)	(380)	(333)	(614)
Profit (loss) for the year from continuing operations	**11,449**	(19,853)	(2,464)	14,426	(589)
Profit for the year from discontinued operation	**—**	—	—	129	128
Profit (loss) for the year	**11,449**	(19,853)	(2,464)	14,555	(461)
Attributable to:					
Equity holders of the Company	**11,449**	(19,853)	(2,464)	11,441	(1,999)
Minority interests	**—**	—	—	3,114	1,538
	11,449	(19,853)	(2,464)	14,555	(461)

	At 31st March				
	2009	2008	2007	2006	2005
	HK$'000	HK$'000	HK$'000	HK$'000	HK$'000
Total assets	**106,854**	91,767	71,499	74,412	99,877
Total liabilities	**(78,871)**	(75,235)	(47,163)	(49,309)	(74,895)
	27,983	16,532	24,336	25,103	24,982
Equity attributable to equity holders of the Company	**27,983**	16,532	24,336	25,103	10,090
Minority interests	**—**	—	—	—	14,892
Net assets	**27,983**	16,532	24,336	25,103	24,982