
THIS CIRCULAR IS IMPORTANT AND REQUIRES YOUR IMMEDIATE ATTENTION

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If you are in doubt as to any aspect of this circular or as to the action to be taken, you should consult your licensed securities dealer, registered institution in securities, bank manager, solicitor, professional accountant or other professional adviser.

If you have sold or transferred all your shares in Tai Shing International (Holdings) Limited (“Company”), you should at once hand this circular and the accompanying form of proxy to the purchaser or transferee or to the bank, licensed securities dealer, registered institution in securities, or other agent through whom the sale or transfer was effected for transmission to the purchaser or transferee.

This circular is for information purpose only and does not constitute an invitation or offer to acquire, purchase or subscribe for the shares or other securities of the Company.

TAI SHING

Tai Shing International (Holdings) Limited

泰盛國際(控股)有限公司*

(Incorporated in the Cayman Islands with limited liability)
(Stock Code: 8103)

- (i) PROPOSED RIGHTS ISSUE ON THE BASIS OF
TWO RIGHTS SHARES FOR EVERY EXISTING SHARE
HELD ON THE RECORD DATE;**
- (ii) APPLICATION FOR THE WHITEWASH WAIVER;
AND**
- (iii) NOTICE OF EXTRAORDINARY GENERAL MEETING**

**Independent financial adviser to the Independent Board Committee
and the Independent Shareholders**

VINCO 

Grand Vinco Capital Limited

(a wholly-owned subsidiary of Vinco Financial Group Limited)

Terms used in this cover page have the same meanings as defined in this circular.

A letter from the Independent Board Committee containing its recommendation to the Independent Shareholders in connection with the Rights Issue and the Whitewash Waiver is set out on pages 23 to 24 of this circular. A letter from Vinco Capital, the independent financial adviser to the Independent Board Committee and the Independent Shareholders, containing its advice in connection with the Rights Issue and the Whitewash Waiver, is set out on pages 25 to 39 of this circular.

A notice convening the EGM to be held at 9:00 a.m. on Tuesday, 7 July 2009 at Joint Professional Centre, Unit 1, Ground Floor, The Center, 99 Queen’s Road Central, Hong Kong is set out on pages 132 to 134 of this circular. Whether or not you intend to attend the EGM, you are requested to complete the enclosed form of proxy in accordance with the instructions printed thereon and return it to the Company’s branch share registrar in Hong Kong, Computershare Hong Kong Investor Services Limited at Shops 1712-1716, 17th Floor, Hopewell Centre, 183 Queen’s Road East, Wanchai, Hong Kong, as soon as possible and in any event not later than 48 hours before the time appointed for holding the meeting of the Company. Completion and return of the form of proxy will not preclude you from attending and voting in person at the EGM or any adjournment of it, if you so wish.

The Rights Issue is conditional upon the fulfillment of the conditions set out under the paragraph headed “Conditions of the Rights Issue” in the section headed “Letter from the Board” on pages 8 to 22 of this circular. In particular, the Rights Issue is conditional upon the Whitewash Waiver having been granted by the Executive and the approval of the Rights Issue and the Whitewash Waiver by the Independent Shareholders at the EGM of the Company by way of poll. WS is entitled under the Underwriting Agreement to terminate the Underwriting Agreement on the occurrence of certain events, including but not limited to force majeure, as more particularly described in the section headed “Termination of the Underwriting Agreement” on page 7 of this circular. The Rights Issue is therefore also subject to WS not terminating the Underwriting Agreement. Accordingly, the Rights Issue may or may not proceed.

This circular will remain on the GEM website at www.hkgem.com on the “Latest Company Announcements” page for at least 7 days from the date of the publication.

19 June 2009

CHARACTERISTICS OF GEM

GEM has been positioned as a market designed to accommodate companies to which a higher 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.

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DEFINITIONS

In this circular, the following expressions have the meanings set out below unless the context otherwise requires.

“acting in concert”	has the meaning ascribed thereto in the Takeovers Code
“Announcement”	the announcement of the Company dated 2 April 2009 in relation to, among other things, the Rights Issue and the Whitewash Waiver
“associates”	has the same meaning as ascribed to it under the GEM Listing Rules
“Board”	board of Directors
“BVI”	British Virgin Islands
“CCASS”	the Central Clearing and Settlement System established and operated by HKSCC
“Company”	Tai Shing International (Holdings) Limited, a company incorporated in the Cayman Islands with limited liability, the Shares of which are listed on GEM
“Companies Ordinance”	Companies Ordinance (Chapter 32 of the Laws of Hong Kong)
“Director(s)”	director(s) of the Company
“EAF(s)”	the excess application form(s) to be issued in connection with the Rights Issue
“EGM”	the extraordinary general meeting of the Company convened to be held on Tuesday, 7 July 2009 to consider, among other things, the Rights Issue and the Whitewash Waiver
“Excluded Shareholder(s)”	Shareholder(s) whose names appear on the register of members of the Company as at the close of business on the Record Date and whose address(es) as shown on such register is/are outside Hong Kong where the Directors, based on legal opinions provided by legal advisers, consider it necessary or expedient not to offer the Rights Shares to such Shareholder(s) on account either of legal restrictions under the laws of the relevant place or the requirements of the relevant regulatory body or stock exchange in that place. The Excluded Shareholders (if any) will be entitled to vote at the EGM
“Executive”	the Executive Director of the Corporate Finance Division of the SFC, or any delegate of the Executive Director

DEFINITIONS

“GEM”	the Growth Enterprise Market of the Stock Exchange
“GEM Listing Rules”	the Rules Governing the Listing of Securities on GEM
“Group”	the Company and its subsidiaries
“HKSCC”	Hong Kong Securities Clearing Company Limited
“Hong Kong”	the Hong Kong Special Administrative Region of the PRC
“Independent Board Committee”	the independent board committee of the Company comprising all independent non-executive Directors, namely Professor Ip Ho Shing, Horace, Mr. Yan Yonghong, Mr. Peng Lijun and Mr. Tang Sze Lok, established to give recommendation to the Independent Shareholders regarding the Rights Issue and the Whitewash Waiver
“Independent Shareholders”	Shareholders (other than WS and its associates and parties acting in concert with any of them (including Mr. Luk Yat Hung)), the executive Directors and their respective associates and those who are involved in, or interested in, the Underwriting Agreement
“Last Trading Day”	1 April 2009, being the last full trading day of the Shares on GEM prior to the release of the Announcement
“Latest Acceptance Date”	22 July 2009 or such other day as may be agreed between the Company and WS, being the latest day for acceptance of, and payment for, the Rights Shares and application for excess Rights Shares
“Latest Practicable Date”	17 June 2009, being the latest practicable date prior to the printing of this circular for ascertaining certain information contained in this circular
“Latest Time for Acceptance”	4:00 p.m. on 22 July 2009 or such other time as may be agreed between the Company and WS, being the latest time for acceptance of, and payment for, the Rights Shares and application for excess Rights Shares
“PAL(s)”	the provisional allotment letter(s) to be issued in connection with the Rights Issue
“PRC”	the People’s Republic of China

DEFINITIONS

“Prospectus Posting Date”	8 July 2009 or such other date as WS may agree in writing with the Company, being the date of posting of the Rights Issue Documents by the Company to the Qualifying Shareholders
“Prospectus”	the prospectus to be issued by the Company in relation to the Rights Issue
“Qualifying Shareholder(s)”	Shareholder(s) whose name(s) appear on the register of members of the Company as at the close of business on the Record Date, other than the Excluded Shareholders
“Record Date”	7 July 2009, the record date to determine entitlements to the Rights Issue
“Rights Issue”	the issue of 218,380,000 Rights Shares at the Subscription Price on the basis of two Rights Shares for every existing Share held on the Record Date payable in full on acceptance
“Rights Issue Documents”	the Prospectus, the PAL and the EAF
“Rights Share(s)”	new Share(s) to be allotted and issued in respect of the Rights Issue
“SFC”	the Securities and Futures Commission of Hong Kong
“SFO”	the Securities and Futures Ordinance (Chapter 571 of the Laws of Hong Kong)
“Share(s)”	ordinary share(s) of HK\$0.05 each in the share capital of the Company
“Shareholder(s)”	holder(s) of the Shares
“Stock Exchange”	The Stock Exchange of Hong Kong Limited
“Subscription Price”	the subscription price of HK\$0.10 per Rights Share
“Supplemental Underwriting Agreement”	the supplemental underwriting agreement dated 17 June 2009 made between the Company and WS to extend various dates referred to in the Underwriting Agreement
“Takeovers Code”	The Hong Kong Code on Takeovers and Mergers
“Underwriting Agreement”	the underwriting agreement entered into between the Company and WS dated 1 April 2009 in relation to the Rights Issue as varied and supplemented by the Supplemental Underwriting Agreement

DEFINITIONS

“Underwritten Shares”	all the Rights Shares, other than WS’s entitlement of 43,084,952 Rights Shares provisionally allotted to it under the Rights Issue
“Vinco Capital”	Grand Vinco Capital Limited, a wholly-owned subsidiary of Vinco Financial Group Limited (stock code: 8340), a corporation licensed under the SFO to carry out type 1 (dealing in securities) and type 6 (advising on corporate finance) regulated activities
“Whitewash Waiver”	a waiver from the Executive pursuant to Note 1 on the dispensations from Rule 26 of the Takeovers Code in respect of the obligation of WS and parties acting in concert with it to make a mandatory general offer for all the issued shares in the capital of the Company not already owned and/or agreed to be acquired on the date of grant of the waiver by WS and parties acting in concert with it which would otherwise arise as a result of the performance by WS of its underwriting obligation of the Rights Shares under the terms of the Underwriting Agreement
“WS”	Wide Source Group Ltd., a company incorporated in the BVI with limited liability
“HK\$”	Hong Kong dollars, the lawful currency of Hong Kong
“%”	percentage

EXPECTED TIMETABLE

Set out below is an indicative timetable for the implementation of the Rights Issue. The expected timetable may be subject to changes and the Company will notify the Shareholders on any changes to the expected timetable as and when appropriate.

2009

Last day of dealings in the Shares on a cum-rights basis	Monday, 29 June
Commencement of dealings in the Shares on an ex-rights basis	Tuesday, 30 June
Latest time for lodging transfer of the Shares in order to be qualified for the Rights Issue	4:30 p.m. on Thursday, 2 July
Register of members closes (both days inclusive)	from Friday, 3 July to Tuesday, 7 July
EGM	Tuesday, 7 July
Record Date	Tuesday, 7 July
Announcement of the results of the EGM	Tuesday, 7 July
Register of members re-opens	Wednesday, 8 July
Despatch of the Rights Issue Documents	Wednesday, 8 July
First day of dealing in nil-paid Rights Shares	Friday, 10 July
Latest time for splitting nil-paid Rights Shares	4:00 p.m. on Tuesday, 14 July
Last day of dealings in nil-paid Rights Shares	Friday, 17 July
Latest Time for Acceptance (<i>Note (ii)</i>)	4:00 p.m. on Wednesday, 22 July
Underwriting Agreement becomes unconditional	4:00 p.m. on Monday, 27 July
Announcement of results of the Rights Issue	Tuesday, 28 July
Refund cheques for wholly and partially unsuccessful applications for excess Rights Shares to be posted on or before	Thursday, 30 July
Certificates for the Rights Shares expected to be despatched on or before	Thursday, 30 July
Dealings in fully-paid Rights Shares expected to commence	Monday, 3 August

EXPECTED TIMETABLE

Notes:

- (i) All times in this circular refer to Hong Kong time.
- (ii) Effect of bad weather on the latest time for acceptance of and payment for Rights Shares

The latest time for acceptance of and payment for Rights Shares will not take place if there is:

- a tropical cyclone warning signal number 8 or above, or
- a “black” rainstorm warning:
 - (i) in force in Hong Kong at any local time before 12:00 noon and no longer in force after 12:00 noon on the Latest Acceptance Date. Instead the latest time for acceptance of and payment for the Rights Shares will be extended to 5:00 p.m. on the same business day;
 - (ii) in force in Hong Kong at any local time between 12:00 noon and 4:00 p.m. on the Latest Acceptance Date. Instead the latest time for acceptance of and payment for the Rights Shares will be rescheduled to 4:00 p.m. on the following business day which does not have either of those warnings in force at any time between 9:00 a.m. and 4:00 p.m..

If the latest time for acceptance of and payment for the Rights Shares does not take place on the Latest Acceptance Date, the dates mentioned in the section headed “Expected timetable” in this circular may be affected. The Company will notify Shareholders by way of announcements on any change to the expected timetable as soon as practicable.

TERMINATION OF THE UNDERWRITING AGREEMENT

WS may terminate the Underwriting Agreement by notice in writing to the Company, served prior to 4:00 p.m. on the third business day after the Latest Time for Acceptance or such other time as may be agreed between WS and the Company if:

- (i) in the reasonable opinion of WS, the success of the Rights Issue would be materially and adversely affected by:
 - (a) the introduction of any new regulation or any change in existing law or regulation (or the judicial interpretation thereof) or other occurrence of any nature whatsoever which may in the reasonable opinion of WS materially and adversely affect the business or the financial or trading position or prospects of the Group as a whole or is materially adverse in the context of the Rights Issue; or
 - (b) the occurrence of any local, national or international event or change (whether or not forming part of a series of events or changes occurring or continuing before, and/or after the date hereof), of a political, military, financial, economic or other nature, or in the nature of any local, national or international outbreak or escalation of hostilities or armed conflict, or affecting local securities markets which may, in the reasonable opinion of WS materially and adversely affect the business or the financial or trading position or prospects of the Group as a whole; or
 - (c) any materially adverse change in the business or in the financial or trading position or prospects of the Group as a whole; or
 - (d) there occurs or comes into effect the imposition of any moratorium, suspension or material restriction on trading in the Shares generally on the Stock Exchange due to exceptional financial circumstances or otherwise; or
- (ii) any material adverse change in market conditions (including, without limitation, a change in fiscal or monetary policy or foreign exchange or currency markets, suspension or restriction of trading in securities, and a change in currency conditions for the purpose of this paragraph includes a change in the system under which the value of the Hong Kong currency is pegged with that of the currency of the United States of America) occurs which in the reasonable opinion of WS makes it inexpedient or inadvisable to proceed with the Rights Issue; or
- (iii) this circular or the Prospectus when published contain information (either as to business prospects or the condition of the Group or as to its compliance with any laws or the GEM Listing Rules or any applicable regulations) which has not prior to the date of the Underwriting Agreement been publicly announced or published by the Company and which may in the reasonable opinion of WS is material to the Group as a whole and is likely to affect materially and adversely the success of the Rights Issue.

If WS exercises such rights, the Rights Issue will not proceed.

TAI SHING
Tai Shing International (Holdings) Limited
泰盛國際(控股)有限公司*
(Incorporated in the Cayman Islands with limited liability)
(Stock Code: 8103)

Executive Directors:

Mr. Luk Yat Hung (*Chairman*)

Ms. Li Wenli

Independent Non-Executive Directors:

Professor Ip Ho Shing, Horace

Mr. Yan Yonghong

Mr. Peng Lijun

Mr. Tang Sze Lok

Registered Office:

Cricket Square

Hutchins Drive

P.O. Box 2681

Grand Cayman KY1-1111

Cayman Islands

Principal place of business

in Hong Kong:

24th Floor

Prosperous Commercial Building

54-58 Jardine's Bazaar

Causeway Bay

Hong Kong

19 June 2009

To the Shareholders

Dear Sir and Madam,

**PROPOSED RIGHTS ISSUE ON THE BASIS OF
TWO RIGHTS SHARES FOR EVERY EXISTING SHARE
HELD ON THE RECORD DATE;
AND
APPLICATION FOR THE WHITEWASH WAIVER**

INTRODUCTION

The Company announced on 2 April 2009 that, among other things, it had entered into the Underwriting Agreement with WS on 1 April 2009 in relation to the Rights Issue and the Whitewash Waiver. The Company further announced that on 17 June 2009 the Supplemental Underwriting Agreement was entered into between the Company and WS to extend various dates in relation to the Right Issue.

* For identification purpose only

LETTER FROM THE BOARD

The purpose of this circular is to provide you with, among others matters, (i) details of the Rights Issue and the Whitewash Waiver; (ii) the recommendation from the Independent Board Committee to the Independent Shareholders on the Rights Issue and the Whitewash Waiver; (iii) the advice from Vinco Capital to the Independent Board Committee and the Independent Shareholders on the Rights Issue and the Whitewash Waiver; (iv) financial information of the Group; and (v) the notice of the EGM.

RIGHTS ISSUE

Issue statistics

Basis of Rights Issue:	Two Rights Shares for every existing Share held on the Record Date
Number of existing Shares in issue:	109,190,000 Shares as at the Latest Practicable Date
Number of Rights Shares:	218,380,000 Rights Shares
Enlarged issued share capital upon completion of the Rights Issue:	327,570,000 Shares
Subscription Price:	HK\$0.10 per Rights Share
Underwriter:	WS

Under the Rights Issue, based on the existing issued share capital of the Company and assuming no further Shares will be issued or repurchased by the Company on or before the Record Date, a total of 218,380,000 Rights Shares will be provisionally allotted, representing 200% of the existing issued share capital of the Company and approximately 66.7% of the issued share capital of the Company as enlarged by the issue of 218,380,000 Rights Shares.

The Company did not have any pre-existing obligation to issue any Shares or any outstanding share options, derivatives or securities which are convertible or exchangeable into Shares as at the Latest Practicable Date.

Qualifying Shareholders

To qualify for the Rights Issue, a Shareholder must be registered as a member of the Company on the Record Date and, unless otherwise determined by the Directors, whose addresses as shown on the register of members of the Company on the Record Date must be inside Hong Kong. In order to be registered as members of the Company on the Record Date, all transfers of the Shares (together with the relevant share certificate(s) and/or instrument(s) of transfer) must be lodged with the Company's branch share registrars in Hong Kong, Computershare Hong Kong Investor Services Limited, at Shops 1712-1716, 17th Floor, Hopewell Centre, 183 Queen's Road East, Hong Kong by 4:30 p.m. (Hong Kong time) on Thursday, 2 July 2009.

LETTER FROM THE BOARD

The Company will send the Rights Issue Documents, including the Prospectus, the PAL and the EAF to the Qualifying Shareholders only.

Excluded Shareholders

The Company will only send the Rights Issue Documents to the Excluded Shareholders for their information but will not send any PALs or EAFs to them. The Excluded Shareholders who are also Independent Shareholders will be entitled to attend and vote at the EGM.

The Rights Issue Documents are not intended to be registered under the applicable securities legislation of any jurisdiction other than Hong Kong.

Based on the register of members of the Company as at the Latest Practicable Date, there was one Overseas Shareholder with a registered address in the BVI (“**BVI Shareholder**”). Pursuant to Rule 17.41(1) of the GEM Listing Rules, the Board has made enquiries with its legal advisers in the BVI as to whether there is any legal restriction under the applicable securities legislation of the BVI or requirement of any relevant regulatory body or stock exchange with respect to the offer of Rights Shares to such Overseas Shareholder.

The Company has been advised by its legal advisers on the laws of the BVI that if the Rights Issue is made by the Company outside the BVI and the Company is satisfied that the BVI Shareholder is a business company incorporated or registered under the BVI Business Companies Act; (a) there are no securities law or other similar laws in the BVI to comply with in order to enable the Company to include the BVI Shareholder in the Rights Issue and to despatch the Rights Issue Documents to such Overseas Shareholder; and (b) there are no legal restrictions or regulatory or legal requirements in the BVI that (i) prohibit the Rights Issue to be extended to the BVI Shareholder; or (ii) impose any limitation on the Rights Issue to be offered to the BVI Shareholder; or (iii) prohibit the despatch of the Rights Issue Documents to such Overseas Shareholder. Based on the advice of the Company’s legal advisers on the laws of the BVI, the Directors believe that the Rights Issue Documents would not be required to be registered under the laws and regulations of the BVI and may be despatched to the BVI Shareholder without any restrictions. In view thereof, the Directors have decided to extend the Rights Issue to the BVI Shareholder and such BVI Shareholder is a Qualifying Shareholder. The Company will send the Rights Issue Documents to such Qualifying Shareholder.

In the event that there are as at the Record Date any Overseas Shareholders with registered addresses other than in the BVI, the Company will consider the rights of such Overseas Shareholders and the relevant arrangements in respect of the Rights Issue for them, including whether it is feasible to extend the Rights Issue to such Overseas Shareholders. If, after making such enquiry, the Directors are of the opinion that it would be necessary or expedient, on account either of the legal restrictions under the laws of the relevant place or any requirement of the relevant regulatory body or stock exchange in that place, not to offer the Rights Shares to such Overseas Shareholders, the Company would send the Prospectus, for information only, to such Overseas Shareholders but will not send the PAL and EAF to them.

LETTER FROM THE BOARD

On the basis that none of the Shareholders will change their respective registered addresses to other addresses and there will be no new Overseas Shareholders from the Latest Practicable Date up to and including the Record Date, there will not be any Excluded Shareholders for the purpose of the Rights Issue.

Arrangements will be made for Rights Shares which would otherwise have been provisionally allotted to the Excluded Shareholders (if any) to be sold in the market in their nil-paid form as soon as practicable after dealings in the nil-paid Rights Shares commence and in any event before the last day for dealing in the nil-paid Rights Shares, if a premium (net of expenses) can be obtained. The net proceeds of such sale, less expenses, will be paid pro rata to the Excluded Shareholders in Hong Kong dollars as soon as practicable except that the Company will retain individual amounts of HK\$100 or less for its own benefit. Any unsold entitlements of the Excluded Shareholders will be made available for excess application by the Qualifying Shareholders.

Closure of register of members

The register of members of the Company will be closed from Friday, 3 July 2009 to Tuesday, 7 July 2009, both days inclusive. No transfer of Shares will be registered during this period.

TERMS OF THE RIGHTS ISSUE

Subscription Price

HK\$0.10 per Rights Share will be payable in full by a Qualifying Shareholder upon acceptance of the provisional allotment of the Rights Shares under the Rights Issue or application for excess Rights Shares or a transferee of nil-paid Rights Shares applies for the Rights Shares.

The Subscription Price represents:

- (i) a discount of approximately 69.7% to the closing price of HK\$0.33 per Share as quoted on GEM on 1 April 2009, being the Last Trading Day;
- (ii) a discount of approximately 63.5% to the average closing price of HK\$0.274 per Share for the 5 consecutive trading days up to and including the Last Trading Day;
- (iii) a discount of approximately 59.9% to the average closing price of HK\$0.2495 per Share for the 10 consecutive trading days up to and including the Last Trading Day;
- (iv) a discount of approximately 43.5% to the theoretical ex-rights price of approximately HK\$0.177 per Share based on the closing price of HK\$0.33 per Share as quoted on GEM on the Last Trading Day;
- (v) a discount of approximately 77.3% to the closing price per Share of HK\$0.44 as quoted on GEM on the Latest Practicable Date; and
- (vi) a discount of approximately 61.5% to the audited consolidated net assets value per Share of approximately HK\$0.26 as at 31 March 2009.

LETTER FROM THE BOARD

The Subscription Price was arrived at after arm's length negotiation between the Company and WS with reference to the market price of the Shares under the then prevailing market conditions. As the Rights Shares are offered to all Qualifying Shareholders, the Directors would like to set the Subscription Price at a level that would attract the Qualifying Shareholders to participate in the Rights Issue. The Directors (excluding the independent non-executive Directors whose opinions are set out in the letter from the Independent Board Committee on pages 23 to 24 of this circular) consider the terms of the Rights Issue, including the Subscription Price, are fair and reasonable so far as the Company and the Shareholders as a whole are concerned. The net price per Rights Share upon full acceptance of the relevant provisional allotment of Rights Shares will be approximately HK\$0.092.

Basis of provisional allotments

Two Rights Shares (in nil-paid form) for every existing Share held by Qualifying Shareholders at the close of business on the Record Date.

Status of the Rights Shares

When allotted, issued and fully paid, the Rights Shares will rank pari passu in all respects with the then existing Shares in issue. Holders of fully paid Rights Shares will be entitled to receive all future dividends and distributions which may be declared, made or paid after the date of allotment and issue of the fully-paid Rights Shares.

Certificates for the Rights Shares and refund cheques

Subject to the fulfillment or waiver of the conditions of the Rights Issue, certificates for all fully-paid Rights Shares are expected to be posted on or before Thursday, 30 July 2009 by ordinary post to those entitled thereto at their own risk. Unless otherwise instructed by the applicant in writing, only one share certificate will be issued for all the Rights Shares allotted to each of the successful applicant. Refund cheques in respect of wholly or partially unsuccessful applications for excess Rights Shares are also expected to be posted on or before Thursday, 30 July 2009 by ordinary post at the risk of the Shareholders.

Application for excess Rights Shares

Qualifying Shareholders shall be entitled to apply for (i) any Rights Shares representing the entitlement of the Excluded Shareholders and which cannot be sold at a net premium; and (ii) any Rights Shares provisionally allotted but not accepted by the Qualifying Shareholders. Application may be made by completing the form of application for excess Rights Shares and lodging the same with a separate remittance for the excess Rights Shares being applied for. The Board will allocate the excess Rights Shares at its discretion, but on a fair and equitable basis as far as practicable on the following principles:

- (i) preference will be given to applications for less than a board lot of Rights Shares where it appears to the Directors that such applications are made to round up odd-lot holdings to whole-lot holdings and that such applications are not made with intention to abuse the mechanism; and

LETTER FROM THE BOARD

- (ii) subject to availability of excess Rights Shares after allocation under principle (i) above, the excess Rights Shares will be allocated to the Qualifying Shareholders based on a sliding scale with reference to the number of the excess Rights Shares applied by them (i.e. Qualifying Shareholders applying for smaller number of Rights Shares are allocated with a higher percentage of successful application but will receive less number of Rights Shares; whereas Qualifying Shareholders applying for larger number of Rights Shares are allocated with a smaller percentage of successful application but will receive higher number of Rights Shares) and with board lot allocations to be made on a best effort basis.

Investors with their Shares held by a nominee company should note that the Board will regard the nominee company as a single Shareholder according to the register of members of the Company. Accordingly, the investors should note that the aforesaid arrangement in relation to the allocation of the excess Rights Shares will not be extended to beneficial owners individually. Investors with their Shares held by a nominee company are advised to consider whether they would like to arrange for the registration of the relevant Shares in the name of the beneficial owner(s) prior to the Record Date.

Investors whose Shares are held by their nominee(s) and who would like to have their names registered on the register of members of the Company must lodge all necessary documents with the Company's branch share registrars in Hong Kong, Computershare Hong Kong Investor Services Limited, at Shops 1712-1716, 17th Floor, Hopewell Centre, 183 Queen's Road East, Hong Kong for completion of the relevant registration by 4:30 p.m. on Thursday, 2 July 2009.

Application for listing

The Company has applied to the Stock Exchange for the listing of, and permission to deal in, the Rights Shares in both nil-paid and fully-paid forms. Nil-paid Rights Shares are expected to be traded in board lots of 20,000. Dealing in the Rights Shares (in both nil-paid and fully-paid forms) on the branch register of members of the Company will be subject to the payment of stamp duty in Hong Kong. No part of the securities of the Company is listed or dealt in or on which listing or permission to deal is being or is proposed to be sought on any other stock exchange.

Subject to the grant of listing of, and permission to deal in, the Rights Shares in both their nil-paid and fully-paid forms on GEM as well as compliance with the stock admission requirements of HKSCC, the Rights Shares in both their nil-paid and fully-paid forms will be accepted as eligible securities by HKSCC for deposit, clearance and settlement in CCASS with effect from the respective commencement dates of dealings in the Rights Shares in their nil-paid and fully-paid forms on GEM or such other dates as determined by HKSCC. Settlement of transactions between participants of the Stock Exchange on any trading day is required to take place in CCASS on the second trading day thereafter. All activities under CCASS are subject to the General Rules of CCASS and CCASS Operational Procedures in effect from time to time.

All necessary arrangements will be made to enable the Rights Shares in both their nil-paid and fully-paid forms to be admitted into CCASS.

LETTER FROM THE BOARD

Undertaking of WS

As at the date of the Underwriting Agreement and as at the Latest Practicable Date, WS was interested in 21,542,476 issued Shares, representing approximately 19.7% of the existing issued share capital of the Company. Pursuant to the Underwriting Agreement, WS has undertaken to the Company that, subject to the Rights Issue not being terminated, it will remain as the beneficial owner of the 21,542,476 Shares until and including the Record Date and that it will accept and pay for or procure the acceptance of and payment for 43,084,952 Rights Shares to be provisionally allotted to it or its nominee being its full entitlement under the Rights Issue.

Conditions of the Rights Issue

The Rights Issue is conditional upon:

- (a) the passing by the Independent Shareholders at the EGM by way of poll of an ordinary resolution to approve the Rights Issue by no later than the Prospectus Posting Date;
- (b) the granting of the Whitewash Waiver to WS and parties acting in concert with it and the satisfaction of any condition attached to the Whitewash Waiver granted;
- (c) the passing by the Independent Shareholders at the EGM by way of poll of an ordinary resolution to approve the Whitewash Waiver by no later than the Prospectus Posting Date;
- (d) the Stock Exchange granting or agreeing to grant (subject to allotment) and not having withdrawn or revoked listing of and permission to deal in all the Rights Shares (in their nil-paid and fully-paid forms);
- (e) the filing and registration of all documents relating to the Rights Issue, which are required to be filed or registered with the Registrar of Companies in Hong Kong in accordance with the Companies Ordinance by no later than the Prospectus Posting Date;
- (f) the posting of the Rights Issue Documents to the Qualifying Shareholders on the Prospectus Posting Date; and
- (g) compliance with and performance of all the undertakings and obligations of the Company under the terms of the Underwriting Agreement.

If the above conditions are not satisfied by the date specified in the relevant condition or by 4:00 p.m. on Monday, 27 July 2009, or such later date or dates as WS may agree with the Company in writing, the Underwriting Agreement shall terminate and no party will have any claim against any other party for costs, damages, compensation or otherwise, and the Rights Issue will not proceed.

Neither the Company nor WS may waive the conditions (a) to (f) above. WS may waive the condition (g) above in whole or in part by written notice to the Company.

LETTER FROM THE BOARD

UNDERWRITING AGREEMENT

The Rights Shares will be fully underwritten by WS in accordance with the terms of the Underwriting Agreement as described below.

Underwriting Agreement

Date:	1 April 2009
Underwriter:	Wide Source Group Ltd., a company incorporated in the BVI with limited liability and is ultimately and beneficially owned as to 100% by Mr. Luk Yat Hung, the Chairman and an executive Director. As at the Latest Practicable Date, WS was interested in 21,542,476 issued Shares, representing approximately 19.7% of the issued share capital of the Company
Number of Underwritten Shares:	175,295,048 Rights Shares (being the difference between the total number of Rights Shares and the provisional entitlement of Rights Shares of WS under the Rights Issue)
Commission:	WS will receive a commission in respect of its underwriting of the Rights Issue at 2% of the total subscription price of the Underwritten Shares.

On 17 June 2009, the Company and WS entered into the Supplemental Underwriting Agreement to extend various dates referred to in the Underwriting Agreement (including the Latest Acceptance Date and the Record Date).

The executive Directors are of the opinion that the terms of the Underwriting Agreement and the amount of commission given to WS are normal and commercial and are fair as compared to the market practice and commercially reasonable as agreed between the parties of the Underwriting Agreement.

WS does not underwrite issue of securities in its normal course of business. The Underwriting Agreement constitutes a connected transaction of the Company under the GEM Listing Rules, but is exempt from the reporting, announcement and independent shareholders' approval requirements pursuant to Rule 20.31(3)(c) of the GEM Listing Rules.

LETTER FROM THE BOARD

Termination of the Underwriting Agreement

WS may terminate the Underwriting Agreement by notice in writing to the Company, served prior to 4:00 p.m. on the third business day after the Latest Time for Acceptance or such other time as may be agreed between WS and the Company if:

- (i) in the reasonable opinion of WS, the success of the Rights Issue would be materially and adversely affected by:
 - (a) the introduction of any new regulation or any change in existing law or regulation (or the judicial interpretation thereof) or other occurrence of any nature whatsoever which may in the reasonable opinion of WS materially and adversely affect the business or the financial or trading position or prospects of the Group as a whole or is materially adverse in the context of the Rights Issue; or
 - (b) the occurrence of any local, national or international event or change (whether or not forming part of a series of events or changes occurring or continuing before, and/or after the date hereof), of a political, military, financial, economic or other nature, or in the nature of any local, national or international outbreak or escalation of hostilities or armed conflict, or affecting local securities markets which may, in the reasonable opinion of WS materially and adversely affect the business or the financial or trading position or prospects of the Group as a whole; or
 - (c) any materially adverse change in the business or in the financial or trading position or prospects of the Group as a whole; or
 - (d) there occurs or comes into effect the imposition of any moratorium, suspension or material restriction on trading in the Shares generally on the Stock Exchange due to exceptional financial circumstances or otherwise; or
- (ii) any material adverse change in market conditions (including, without limitation, a change in fiscal or monetary policy or foreign exchange or currency markets, suspension or restriction of trading in securities, and a change in currency conditions for the purpose of this paragraph includes a change in the system under which the value of the Hong Kong currency is pegged with that of the currency of the United States of America) occurs which in the reasonable opinion of WS makes it inexpedient or inadvisable to proceed with the Rights Issue; or
- (iii) this circular or the Prospectus when published contain information (either as to business prospects or the condition of the Group or as to its compliance with any laws or the GEM Listing Rules or any applicable regulations) which has not prior to the date of the Underwriting Agreement been publicly announced or published by the Company and which may in the reasonable opinion of WS is material to the Group as a whole and is likely to affect materially and adversely the success of the Rights Issue.

If WS exercises such rights, the Rights Issue will not proceed.

LETTER FROM THE BOARD

SHAREHOLDING STRUCTURE

The table below depicts the possible shareholding structure of the Company as at the Latest Practicable Date and the possible changes upon completion of the Rights Issue:

	As at the Latest Practicable Date		Immediately upon completion of the Rights Issue on the assumption as set out in Note 2		Immediately upon completion of the Rights Issue on the assumption as set out in Note 3	
	Approximate		Approximate		Approximate	
	No. of Shares	%	No. of Shares	%	No. of Shares	%
WS and parties acting in concert with it (Note 1)	21,542,476	19.7	64,627,428	19.7	239,922,476	73.2
Resuccess Investments Limited (Note 5)	15,890,000	14.6	47,670,000	14.6	15,890,000 (Note 4)	4.9
Other public Shareholders	71,757,524	65.7	215,272,572	65.7	71,757,524	21.9
Total	109,190,000	100.0	327,570,000	100.0	327,570,000	100.0

Notes:

1. WS is wholly-owned by Mr. Luk Yat Hung, an executive Director and Chairman of the Company.
2. Assuming all Shareholders take up their respective provisional allotments of the Rights Issue in full.
3. Assuming (i) none of the Shareholders (other than WS who takes up the 43,084,952 Rights Shares provisionally allotted to it) takes up any provisional allotments of the Rights Shares; and (ii) the provisional allotments of the Rights Shares of all Shareholders (save for the provisional allotments of 43,084,952 Rights Shares to WS) are taken up by WS pursuant to the Underwriting Agreement.
4. Resuccess Investments Limited will be counted as a public Shareholder on the assumption as set out in Note 3.
5. Resuccess Investments Limited is a company incorporated in BVI and wholly owned by Tongfang Co. Limited, which is a domestic company incorporated under the laws of the PRC and the shares of which are listed on the Shanghai Stock Exchange. As at the Latest Practicable Date, Resuccess Investments Limited had not indicated its voting intention in the EGM.

WS has undertaken to the Company that in the event that it is called upon to perform its underwriting obligations under the Underwriting Agreement and as a result of which, the Company is unable to maintain the prescribed minimum public float as required under the GEM Listing Rules, WS will, after making prior consultation with the Company and subject to compliance with the GEM Listing Rules and the Takeovers Code, take necessary action to restore the prescribed minimum public float of the Company as soon as practicable.

LETTER FROM THE BOARD

APPLICATION FOR WHITEWASH WAIVER

In the event that WS is called upon to subscribe for the Underwritten Shares in full pursuant to its obligations under the Underwriting Agreement, the interest of WS and parties acting in concert with it in the voting rights of the Company would increase from approximately 19.7% to approximately 73.2% immediately upon completion of the Rights Issue. Accordingly, the underwriting by WS of the Rights Issue will trigger an obligation for WS and parties acting in concert with it to make a mandatory general offer under Rule 26 of the Takeovers Code for all the Shares not already owned or agreed to be acquired by WS or parties acting in concert with it.

WS and parties acting in concert with it have not acquired any voting rights of the Company and have not dealt in any securities of the Company in the six months prior to the date of the Announcement and up to the Latest Practicable Date.

WS has made an application for the Whitewash Waiver to the Executive pursuant to Note 1 to the Notes on dispensations from Rule 26 of the Takeovers Code. The Executive has indicated that the Whitewash Waiver will be granted subject to, among other things, the approval of the Independent Shareholders taken by poll at the EGM. WS and its associates and parties acting in concert with any of them (including Mr. Luk Yat Hung) will abstain from voting at the EGM on the proposed resolution approving the Whitewash Waiver. If the Whitewash Waiver is not approved by the Independent Shareholders, the Rights Issue will not proceed.

Upon completion of the Rights Issue, WS and parties acting in concert with it may hold more than 50% of the enlarged issued share capital of the Company, in which case, WS and parties acting in concert with it may acquire further voting rights in the Company without incurring any further obligation under Rule 26 of the Takeovers Code to make a general offer.

GEM LISTING RULES IMPLICATIONS

The Rights Issue is subject to, inter alia, the approval by the Independent Shareholders. Pursuant to Rule 10.29A(2) of the GEM Listing Rules, the Rights Issue is conditional on, among other things, the approval by the Shareholders at the EGM at which any controlling Shareholders and their associates or, where there are no controlling Shareholders, the Directors (excluding the independent non-executive Directors) and the chief executive of the Company and their respective associates shall abstain from voting in favour. As at the Latest Practicable Date, there is no controlling Shareholder and chief executive in the Company. Therefore, WS, Mr. Luk Yat Hung and Ms. Li Wenli and their respective associates shall abstain from voting in favour of the resolution in relation to the Rights Issue at the EGM. As at the Latest Practicable Date, (i) Ms. Li Wenli and her associates did not have any shareholding interest in the Company; and (ii) as advised by Mr. Luk Yat Hung, he and WS and their respective associates had no intention to vote against the resolution in relation to the Rights Issue at the EGM.

LETTER FROM THE BOARD

WARNING OF THE RISKS OF DEALING IN THE SHARES AND THE NIL-PAID RIGHTS SHARES

Existing Shares will be dealt with on an ex-rights basis from Tuesday, 30 June 2009. The Rights Shares will be dealt with in their nil-paid form from Friday, 10 July 2009 to Friday, 17 July 2009 (both days inclusive). If prior to 4:00 p.m. Monday, 27 July (or such later date as WS may agree with the Company), WS terminates the Underwriting Agreement (see the sub-section headed “Termination of the Underwriting Agreement” in the section headed “Underwriting Agreement” above) or the conditions of the Rights Issue (see the sub-section headed “Conditions of the Rights Issue” in the section headed “Terms of the Rights Issue” above) cannot be fulfilled or waived in whole or in part by WS, the Rights Issue will not proceed.

Any dealings in the Shares from the Latest Practicable Date up to the date on which all the conditions to which the Rights Issue is subject are fulfilled, and any dealings in the Rights Shares in their nil-paid form between Friday, 10 July 2009 to Friday, 17 July 2009, both days inclusive, are accordingly subject to the risk that the Rights Issue may not become unconditional or may not proceed. Any Shareholders or other persons contemplating any dealings in the Shares or the Rights Shares in their nil-paid form are recommended to consult with their own professional advisers if they are in any doubt.

REASONS FOR THE RIGHTS ISSUE AND USE OF PROCEEDS

The Company is an investment holding company and the subsidiaries of which are principally engaged in the provision of systems development including maintenance and installation as well as consulting service and provision of professional services including information technology engineering and technical support services.

As referred to in the Company’s annual report for the year ended 31 March 2009, the increase in the turnover and the improvement of the financial results of the Group for the year ended 31 March 2009 was principally due to the revenue generated from its system development business in connection with the research, design, installation and maintenance of security and surveillance system in the PRC. For the year ended 31 March 2009, building on the technology and experience gained from the system development works carried out for the power industry, the Group has successfully developed two software packages for the security and surveillance sector and completed a number of contracts in Guangdong Province. Leveraging on its established network and professional expertise, the Group is optimistic about the growth and prospects of such business and intends to focus in and further expand the business by putting more resources in the near future.

The new capital raised by the Rights Issue is expected to facilitate the development of the Group’s business of provision of systems developments, installation and consulting service and provide flexibility for future development of the Group. The estimated net proceeds from 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.

LETTER FROM THE BOARD

In view of the general tightening of credit in the banking and finance industry, it is difficult for the Group to obtain bank financing under the current market sentiment. In addition, given that the net proceeds from the Rights Issue would enhance the Company's capital base and would not incur any interest expenses burden to the Group as compared to debt financing, the Directors (excluding the independent non-executive Directors whose opinions are set out in the letter from the Independent Board Committee on pages 23 to 24 of this circular) consider that the Rights Issue is the preferred source of funding for the Group and the Directors believe that to raise fund by way of the Rights Issue is in the interests of the Company and the Shareholders as a whole.

FUND RAISING EXERCISE OF THE COMPANY IN THE PAST 12 MONTHS

The Company has not effected any equity fund raising exercises in the 12 months immediately preceding the date of the Announcement.

FINANCIAL AND TRADING PROSPECT OF THE GROUP

Since 31 March 2009 (being the date to which the latest published audited accounts were made up), the Group has continued to expand, as part of its system development business, the security and surveillance business in the PRC. Going forward, the Group will continue to focus in developing this sector of its business which the Directors consider has good growth potential. With the proceeds from the Rights Issue, the Group can further explore and dedicate resources in the Group's business of provision of system developments, installation and consulting services, and the Company's capital base would be enhanced.

INTENTION OF WS

It is the intention of WS that the Group will continue its current business. WS has no intention to make any major changes to the business or employment of the employees of the Group or redeploy the fixed assets of the Group.

The decision to support the Rights Issue by way of acting as the underwriter to the Rights Issue was mainly because WS believes that the Rights Issue would strengthen the Group's financial position and enlarge its capital base.

GENERAL

The Rights Issue and the Whitewash Waiver are subject to the approval by the Independent Shareholders at the EGM in accordance with the requirements of the GEM Listing Rules and the Takeovers Code. WS and its associates and parties acting in concert with it will abstain from voting on the proposed resolutions approving the Rights Issue and the Whitewash Waiver at the EGM. In addition, in compliance with Rule 10.29A(2) of the GEM Listing Rules, the executive Directors and their respective associates will also abstain from voting in favour of the resolution in relation to the Rights Issue and the Whitewash Waiver at the EGM.

LETTER FROM THE BOARD

NOTICE OF EGM

A notice of the EGM to be held at 9:00 a.m. on Tuesday, 7 July 2009 at Joint Professional Centre, Unit 1, Ground Floor, The Center, 99 Queen's Road Central, Hong Kong is set out on pages 132 to 134 of this circular for the purpose of considering and, if thought fit, approving the Rights Issue and the Whitewash Waiver.

The form of proxy for use at the EGM is enclosed with this circular. Whether or not you are able to attend the EGM, you are requested to complete and return the enclosed form of proxy in accordance with the instructions printed thereon and return it to the Company's branch share registrar in Hong Kong, Computershare Hong Kong Investor Services Limited, at Shops 1712-1716, 17th Floor, Hopewell Centre, 183 Queen's Road East, Wanchai, Hong Kong, as soon as possible and in any event not later than 48 hours before the time appointed for the holding of the EGM or any adjournment thereof. Completion and return of the form of proxy will not preclude you from attending and voting in person at the EGM or any adjournment of it, if you so wish.

In compliance with the Takeovers Code and the GEM Listing Rules, all resolutions to be proposed at the EGM will be voted on by poll.

Subject to the Rights Issue and the Whitewash Waiver being approved at the EGM, the Prospectus or Rights Issue Documents, where appropriate, containing further information on the Rights Issue will be despatched to the Shareholders as soon as practicable.

INDEPENDENT BOARD COMMITTEE

The Independent Board Committee has been appointed to give recommendation to the Independent Shareholders in respect of the Rights Issue and the Whitewash Waiver. Your attention is drawn to the recommendation of the Independent Board Committee set out in its letter on pages 23 to 24 of this circular.

INDEPENDENT FINANCIAL ADVISER

Vinco Capital has been appointed as the independent financial adviser to advise the Independent Board Committee and the Independent Shareholders in respect of the Rights Issue and the Whitewash Waiver. The appointment of Vinco Capital has been approved by the Independent Board Committee. Your attention is drawn to its letter to the Independent Board Committee and the Independent Shareholders set out on pages 25 to 39 of this circular.

LETTER FROM THE BOARD

RECOMMENDATION

The Directors (excluding the independent non-executive Directors) believe that the terms of the Rights Issue and the Whitewash Waiver are fair and reasonable and in the interests of the Company and the Shareholders as a whole and therefore recommend the Independent Shareholders to vote in favour of the relevant resolutions to be proposed at the EGM to approve the Rights Issue and the Whitewash Waiver.

You are advised to read carefully the letter from the Independent Board Committee on pages 23 to 24 of this circular. The Independent Board Committee, having taken into account the advice of Vinco Capital, the text of which is set out on pages 25 to 39 of this circular, considers that the terms of the Rights Issue and the Whitewash Waiver are fair and reasonable so far as the Independent Shareholders are concerned, and the Rights Issue and the Whitewash Waiver are in the interests of the Company and the Shareholders as a whole. Accordingly, the Independent Board Committee recommends the Independent Shareholders to vote in favour of the resolutions to approve the Rights Issue and the Whitewash Waiver.

ADDITIONAL INFORMATION

Your attention is drawn to the additional information set out in the appendices to this circular.

By order of the Board
Tai Shing International (Holdings) Limited
Luk Yat Hung
Chairman and Executive Director

LETTER FROM THE INDEPENDENT BOARD COMMITTEE

The following is the full text of a letter from the Independent Board Committee, which has been prepared for the purpose of incorporation into this circular, setting out its recommendation to the Independent Shareholders in relation to the Rights Issue and the Whitewash Waiver.

TAI SHING

Tai Shing International (Holdings) Limited

泰盛國際（控股）有限公司*

(Incorporated in the Cayman Islands with limited liability)
(Stock Code: 8103)

19 June 2009

To the Independent Shareholders

Dear Sir or Madam,

PROPOSED RIGHTS ISSUE ON THE BASIS OF TWO RIGHTS SHARES FOR EVERY ONE EXISTING SHARE HELD ON THE RECORD DATE AND APPLICATION FOR THE WHITEWASH WAIVER

We refer to the letter from the Board set out in the circular dated 19 June 2009 (the “**Circular**”) of which this letter forms part. Capitalised terms defined in the Circular shall have the same meanings when used herein unless the context otherwise requires.

We have been appointed as the Independent Board Committee to consider the Rights Issue and the Whitewash Waiver and to advise the Independent Shareholders as to the fairness and reasonableness of the Rights Issue and the Whitewash Waiver and to recommend whether or not the Independent Shareholders should vote for the resolutions to be proposed at the EGM to approve the Rights Issue and the Whitewash Waiver. Vinco Capital has been appointed to advise the Independent Board Committee in relation to the terms of the Rights Issue and the Whitewash Waiver.

We wish to draw your attention to the letter from Vinco Capital to the Independent Board Committee and the Independent Shareholders which contains its advice to us in relation to the Rights Issue and the Whitewash Waiver as set out in the Circular. We also draw your attention to the letter from the Board set out in the Circular.

* For identification purpose only

LETTER FROM THE INDEPENDENT BOARD COMMITTEE

Having taken into account the principal factors and reasons considered by and the opinion of Vinco Capital as stated in its letter of advice, we consider the terms of the Rights Issue and the Whitewash Waiver are fair and reasonable so far as the interests of the Independent Shareholders are concerned and the Rights Issue and the Whitewash Waiver are in the interests of the Company and the Shareholders as a whole. We therefore recommend the Independent Shareholders to vote in favour of the resolutions approving the Rights Issue and the Whitewash Waiver to be proposed at the EGM.

Yours faithfully,

Independent Board Committee

Professor Ip Ho Shing, Horace

Mr. Tang Sze Lok

Mr. Yan Yonghong

Mr. Peng Lijun

Independent non-executive Directors

LETTER FROM VINCO CAPITAL

The following is the text of a letter of advice from Grand Vinco Capital Limited to the Independent Board Committee and the Independent Shareholders in connection with the proposed Rights Issue and the application for the Whitewash Waiver which has been prepared for the purpose of incorporation in this circular:



Grand Vinco Capital Limited
Units 4909-4910, 49/F., The Center
99 Queen's Road Central, Hong Kong

19 June 2009

*To the Independent Board Committee and the Independent Shareholders of
Tai Shing International (Holdings) Limited*

Dear Sirs,

**PROPOSED RIGHTS ISSUE ON THE BASIS OF
TWO RIGHTS SHARES FOR EVERY EXISTING SHARE
HELD ON THE RECORD DATE
AND
APPLICATION FOR THE WHITEWASH WAIVER**

A. INTRODUCTION

We refer to our engagement as the independent financial adviser to advise the Independent Board Committee and the Independent Shareholders in connection with the proposed Rights Issue and the application for the Whitewash Waiver, details of which are set out in the "Letter from the Board" in the circular (the "Circular") issued by the Company to the Shareholders dated 19 June 2009 of which this letter forms part. Capitalized terms used in this letter shall have the same meanings ascribed to them in the Circular unless the context otherwise requires.

On 2 April 2009, the Board announced that the Company proposed to raise approximately HK\$21.8 million (before expenses) by way of the Rights Issue of 218,380,000 Rights Shares at a price of HK\$0.10 per Rights Share payable in full on acceptance. The Company will provisionally allot two Rights Shares in nil-paid form for every existing Share in issue and held by the Qualifying Shareholders on the Record Date. The Company further announced that on 17 June 2009 that the Supplemental Underwriting Agreement was entered into between the Company and WS to extend various dates relations to the Rights Issue.

The Company intends to utilize the estimated net proceeds of the proposed Rights Issue of approximately HK\$20.0 million for the expansion and development of its business of provision of systems development, installation and consulting service and additional general working capital of the Group.

LETTER FROM VINCO CAPITAL

In accordance with Rule 10.29A(2) of the GEM Listing Rules, the proposed Rights Issue is conditional upon, among other things, approval by the Shareholders at the EGM by a resolution on which any controlling Shareholders and their associates or, where there is no controlling Shareholders, the Directors (excluding independent non-executive Directors), the chief executive of the Company and their respective associates shall abstain from voting in favour of the resolution relating to the proposed Rights Issue. As at the Latest Practicable Date, the Company has no controlling Shareholders and none of the Directors (other than Mr. Luk Yat Hung), the chief executive of the Company and their respective associates were interested in the share capital of the Company. Accordingly, WS, Mr. Luk Yat Hung and Ms. Li Wenli and their respective associates are required to abstain from voting in favour of the resolution in relation to the proposed Rights Issue at the EGM. In addition, the Whitewash Waiver, if granted by the Executive, would be subject to, among other things, the approval of the Independent Shareholders taken by poll at the EGM. Accordingly, WS and its associates and parties acting in concert with any of them (including Mr. Luk Yat Hung) are required to abstain from voting in favour of the resolution approving the Whitewash Waiver at the EGM.

As at the Latest Practicable Date, WS was beneficially interested in 21,542,476 issued Shares, representing approximately 19.7% of the existing issued share capital of the Company. In accordance with the Underwriting Agreement, such 21,542,476 Shares will remain beneficially owned by WS (subject to the proposed Rights Issue not being terminated) until and including the Record Date and that WS will accept or procure the acceptance and payment of 43,084,952 Rights Shares to be provisionally allotted to it or its nominee being its full entitlement under the proposed Rights Issue. Pursuant to the Underwriting Agreement, WS conditionally agreed to underwrite the Rights Shares that have not been subscribed by the Qualifying Shareholders on a fully underwritten basis.

The Independent Board Committee, comprising Professor Ip Ho Shing, Horace, Mr. Yan Yonghong, Mr. Peng Lijun and Mr. Tang Sze Lok, all being the independent non-executive Directors, has been formed to advise the Independent Shareholders in respect of voting on the resolutions to approve the proposed Rights Issue and the Whitewash Waiver at the EGM. Our appointment as the independent financial adviser to advise the Independent Board Committee and the Independent Shareholders in respect of the proposed Rights Issue and the Whitewash Waiver has been approved by the Independent Board Committee. In our capacity as the independent financial adviser to the Independent Board Committee and the Independent Shareholders for the purposes of the GEM Listing Rules, our role is to give you an independent opinion as to whether the terms of the proposed Rights Issue and the Whitewash Waiver are on normal commercial terms, fair and reasonable and in the interests of the Company and the Independent Shareholders as a whole and whether the Independent Board Committee should recommend the Independent Shareholders to vote in favour of the relevant resolutions to be proposed at the EGM to approve the proposed Rights Issue and the Whitewash Waiver.

LETTER FROM VINCO CAPITAL

B. BASIS OF OUR OPINION AND RECOMMENDATION

In forming our opinion and recommendation, we have relied on the information, facts and representations contained or referred to in the Circular and the information, facts and representations provided by, and the opinions expressed by the Directors, management of the Company and its subsidiaries. We have assumed that all information, facts, opinions and representations made or referred to in the Circular were true, accurate and complete at the time they were made and continued to be true, accurate and complete as at the date of the Circular and that all expectations and intentions of the Directors, management of the Company and its subsidiaries, will be met or carried out as the case may be. We have no reason to doubt the truth, accuracy and completeness of the information, facts, opinions and representations provided to us by the Directors, management of the Company and its subsidiaries. The Directors have confirmed to us that no material facts have been omitted from the information supplied and opinions expressed. We have no reason to doubt that any relevant material facts have been withheld or omitted from the information provided and referred to in the Circular or the reasonableness of the opinions and representations provided to us by the Directors, management of the Company and its subsidiaries.

The Directors jointly and severally accept full responsibility for the accuracy of the information contained in the Circular and confirm, having made all reasonable enquiries, that to the best of their knowledge, opinions expressed in the Circular have been arrived at after due and careful consideration and there are no other facts not contained in the Circular, the omission of which would make any statement in the Circular misleading.

We have relied on such information and opinions and have not, however, conducted any independent verification of the information provided, nor have we carried out any independent investigation into the business, financial conditions and affairs of the Group or its future prospect.

In formulating our opinion, we have not considered the taxation implications on Independent Shareholders in relation to the subscription for, holding or disposal of the Rights Shares or otherwise, since these are particular to their individual circumstances. It is emphasized that we will not accept responsibility for any tax effects on, or liabilities of any person resulting from the subscription for, holding or disposal of the Rights Shares or otherwise. In particular, Independent Shareholders subject to overseas taxation or Hong Kong taxation on securities dealings should consider their own tax position and, if in any doubt, should consult their own professional advisers.

Based on the foregoing, we confirm that we have taken all reasonable steps, as referred to in Rule 17.92 of the GEM Listing Rules (including the notes thereto) so far as the same are, applicable to the proposed Rights Issue and Whitewash Waiver.

This letter is issued for the information for the Independent Board Committee and the Independent Shareholders solely in connection with their consideration of the proposed Rights Issue and Whitewash Waiver and, except for its inclusion in the Circular, is not to be quoted or referred to, in whole or in part, nor shall this letter be used for any other purposes, without our prior written consent.

LETTER FROM VINCO CAPITAL

C. PRINCIPAL FACTORS AND REASONS CONSIDERED

In arriving at our opinion and recommendation to the Independent Board Committee and the Independent Shareholders in relation to the proposed Rights Issue and the Whitewash Waiver, we have considered the principal factors and reasons as set out below:

I. The proposed Rights Issue

1. Background and financial information of the Group

As referred to in the Letter from the Board, the principal activity of the Company is investment holding and the Group is principally engaged in the provision of systems development including maintenance and installation as well as consulting service and the provision of professional services including information technology engineering and technical support services.

Set out below is a summary of the financial information of the Group for the three financial years ended 31 March 2009 as extracted from the Company's respective annual reports:

	For the year ended 31 March		
	2007	2008	2009
	HK\$'000	HK\$'000	HK\$'000
	(audited)	(audited)	(audited)
Turnover	64,706	52,835	108,003
(Loss)/Profit attributable to the Shareholders	(2,464)	(19,853)	11,449
	As at 31 March		
	2007	2008	2009
	HK\$'000	HK\$'000	HK\$'000
	(audited)	(audited)	(audited)
Net assets value attributable to the Shareholders	24,336	16,532	27,983

As set out in the appendix I to the Circular, for the year ended 31 March 2009, the Group's turnover was approximately HK\$108,003,000 (2008: approximately HK\$52,835,000), representing a growth of approximately 104.42% as compared to that of the corresponding year and the Group recorded a profit attributable to the shareholders of approximately HK\$11,449,000 (2008: a loss of approximately HK\$19,853,000), representing a turnaround from the loss attributable to the Shareholders for the two years ended 31 March 2008. As at 31 March 2009, its net asset value attributable to the Shareholders amounted to approximately HK\$27,983,000 (2008: approximately HK\$16,532,000), representing an increase of approximately 69.27%.

LETTER FROM VINCO CAPITAL

As referred to in the Company's annual report for the year ended 31 March 2009, the increase in the turnover and the improvement of the financial results of the Company for the year ended 31 March 2009 was principally due to the revenue generated from its system development business in connection with the research, design, installation and maintenance of security and surveillance system in the PRC. For the year ended 31 March 2009, building on the technology and experience gained from the system development works carried out for the power industry, the Group has successfully developed two software packages for the security and surveillance sector and completed a number of contracts in Guangdong Province. By leveraging on the Group's existing network and professional expertise, the Directors believed that there would be an increase in demand for security and surveillance products in the PRC in the near future and thus intend to focus in and further expand and develop such businesses, so as to improve the overall business performance of the Group.

In this respect, we have reviewed the "Statistical Communiqué of the People's Republic of China on the 2008 National Economic and Social Development" issued by the National Bureau of Statistics of China in February 2009 and we noted that the gross domestic product of the year 2008 was approximately RMB30,067 billion, representing an increase of approximately 9.0% over the previous year. In particular, the investment in fixed assets in the information transmission, computer services and software (including the research and development in security and surveillance system in the PRC) indicated an increase of approximately 17.1% when compared with year 2007. Moreover, the World Expo will be held in Shanghai in 2010. The Directors are of the view that such a big international event would stimulate the economic development and provide business opportunities to the security and surveillance system development industry in the PRC. As advised by the Directors, if opportunities arise, the Group would also consider submitting tender to participate in any relevant projects in respect of security and surveillance system development works. Based on the aforesaid, we consider and concur with the Directors that the present business environment for the security and surveillance industry in the PRC is favourable.

Having taken into account that (i) the improving financial performance of the Group for the year ended 31 March 2009; (ii) the Group's intention to further explore and dedicate more resources to its strategic investments in the security and surveillance industry in the PRC in the near future; and (iii) the recent economic development in the PRC and the potential favourable business environment for the security and surveillance industry in the PRC, we are thus of the view that the proposed Rights Issue would allow the Group to further strengthen the capital base of the Group and seize potential business opportunities with immediately available fund when identified.

LETTER FROM VINCO CAPITAL

2. *Reasons for the proposed Rights Issue and its proposed use of proceeds*

As confirmed by the Directors, the Group had not carried out other equity fund raising activities during the past 12 months immediately prior to the Latest Practicable Date.

According to the Letter from the Board, the Directors advised that the estimated net proceeds of the proposed Rights Issue of approximately HK\$20.0 million will be able to facilitate the expansion and development of its business of provision of systems development, installation and consulting services and provide flexibility for future development of the Group. As stated in the annual report 2009 of the Company, the Group aimed to expand its business and pursue further in the security and surveillance industry in the PRC. As such, we are of the view that the proposed use of net proceeds from the proposed Rights Issue is in line with the business development of the Group.

The Board has considered other means of fund raising, including both the debt financing and the placement of Shares. However, given the general tightening of credit in the banking and finance industry, it would be difficult for the Group to obtain bank financing under the current market sentiment. The placement of Shares to non-existing Shareholders will result in an immediate dilution of existing Shareholders' interests in the Company. In addition, the proposed Rights Issue will not incur burden on interest expenses to the Group as compared to debt financing. The proposed Rights Issue, which is on an underwritten basis, will remove a certain degree of uncertainty as compared to best-efforts placing. Meanwhile, the proposed Rights Issue will enhance the capital base of the Group while allowing the Qualifying Shareholders to maintain their respective shareholding interests in the Company. Accordingly, we are of the view that the proposed Rights Issue would provide an opportunity for the Group to raise additional fund to enhance the Group's capital base and is a preferred source of financing over debt financing or placing.

3. *Terms of the proposed Rights Issue*

Subscription Price

As stated in the Letter from the Board, the Qualifying Shareholders will be provisionally allotted two Rights Shares in nil-paid form for every existing Share held on the Record Date. The Subscription Price of HK\$0.10 per Rights Share, payable in full when a Qualifying Shareholder accepts his/her/its relevant provisional allotments of the proposed Rights Issue or applies for excess Rights Shares under the proposed Rights Issue or when a transferee of nil-paid Rights Shares applies for Rights Shares.

LETTER FROM VINCO CAPITAL

The Subscription Price represents:

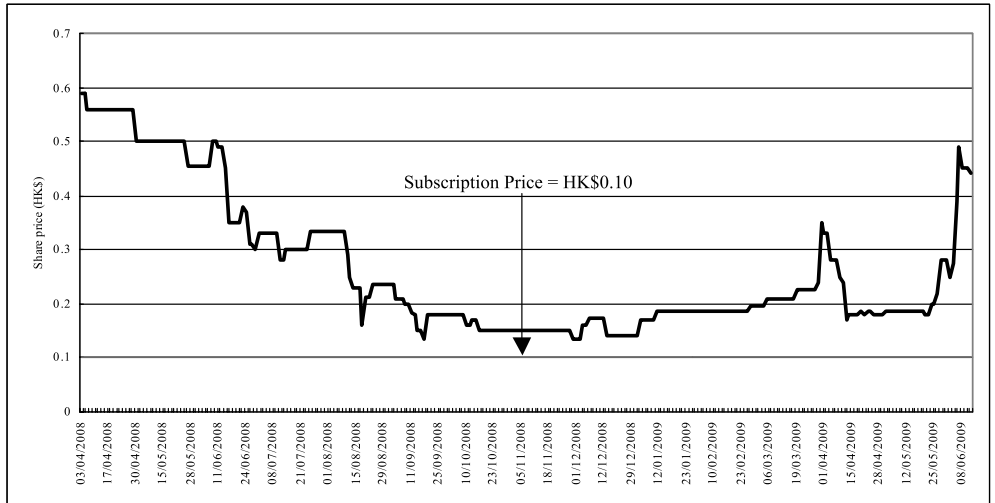
- (i) a discount of approximately 69.7% to the closing price of HK\$0.33 per Share as quoted on GEM 1 April 2009, being the Last Trading Day;
- (ii) a discount of approximately 63.5% to the average closing price of approximately HK\$0.274 per Share for the 5 consecutive trading days up to and including the Last Trading Day;
- (iii) a discount of approximately 59.9% to the average closing price of approximately HK\$0.2495 per Share for the 10 consecutive trading days up to and including the Last Trading Day;
- (iv) a discount of approximately 43.5% to the theoretical ex-rights price of approximately HK\$0.177 per Share based on the closing price of HK\$0.33 per Share as quoted on GEM on the Last Trading Day;
- (v) a discount of approximately 61.5% over the audited consolidated net assets value per Share of approximately HK\$0.26 as at 31 March 2009; and
- (vi) a discount of approximately 77.27% to the closing price of HK\$0.44 per Share as quoted on GEM on the Latest Practicable Date.

As confirmed by the Directors, the Subscription Price was determined at after arm's length negotiation between the Company and WS, with reference to the market price of the Shares under the prevailing market conditions. Meanwhile, the Directors also believe that the deep discount of the Subscription Price to the prevailing market price would encourage the Qualifying Shareholders to participate in the proposed Rights Issue and thereby maintaining their respective shareholdings in the Company and benefiting from the potential prospects of the Group.

To assess as to the fairness and reasonableness of the terms of the proposed Rights Issue, we have reviewed all the companies listed on the Stock Exchange which have announced rights issue during the Review Period. We noted that the subscription prices of the rights issues of the companies may vary upon many factors, including but not limited to the financial performance of the companies, the prevailing market conditions and the price and trading performance of the shares of the respective companies. Meanwhile, due to the unique business nature of the Group, we did not identify suitable comparable companies which are engaged in a business similar to the principal business of the Group. Thus, we consider a comparable analysis on similar principal business is not applicable and would not be able to give a representative and comprehensive information to the Independent Shareholders for a fair comparison with the Rights Issue proposed by the Group. As such, our analyses are mainly on the historical market price and trading liquidity of the Shares.

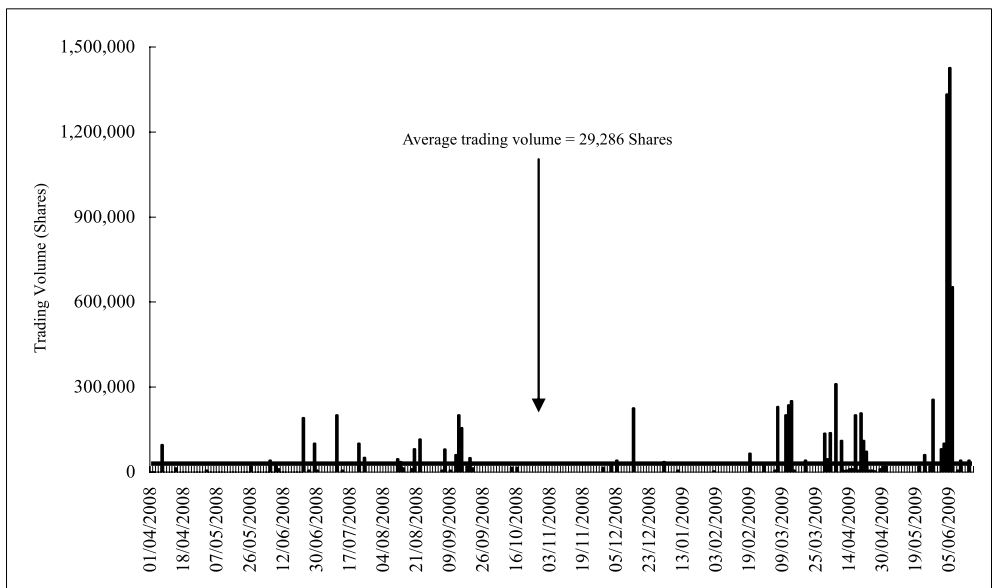
LETTER FROM VINCO CAPITAL

Set out below is the graph showing the daily closing prices and the daily trading volume of the Shares quoted on the Stock Exchange for the period from 3 April 2008, being the date one-year prior to the announcement of the proposed Rights Issue, up to the Latest Practicable Date (the “Review Period”):



Source: The website of the Stock Exchange (www.hkex.com.hk)

Note: Trading in the Shares was suspended on 2 April 2009.



Source: The website of the Stock Exchange (www.hkex.com.hk)

Note: Trading in the Shares was suspended on 2 April 2009.

LETTER FROM VINCO CAPITAL

We noted that the daily closing prices of the Shares have demonstrated a general overall decreasing trend from approximately HK\$0.59 per Share to HK\$0.135 per Share. Since after the closing price of the Shares reached its bottom of HK\$0.135 per Share on 2 December 2008, the closing price of the Shares reached its short-term highest level of HK\$0.33 on 2 April 2009. On 26 March 2009, the Company announced that it expected that the Group may record a profit for the quarter ended 31 March 2009 due to the positive contribution from its business of provision of systems development, installation and consulting service and the Group's financial performance for the year ended 31 March 2009 would thus be improved significantly as compared with the corresponding period in 2008. After announcing the profit alert announcement of the Company on 26 March 2009, the closing prices of the Shares increased from HK\$0.225 to HK\$0.33 on 3 April 2009 by about 46.7%. Since then, the closing prices of the Shares fluctuated between the range of HK\$0.28 and HK\$0.39 during the period from 4 April 2009 to 4 June 2009. After announcing the result announcement of the Company on 4 June 2009, the closing prices of the Shares increased to HK\$0.49 on 5 June 2009 and to HK\$0.44 as at the Latest Practicable Date. As discussed with the Directors, the Directors have noted the increases in the trading prices and volumes of the Shares and confirmed that, save for publishing the profit alert announcement of the Company dated 26 March 2009 and results announcement of the Company dated 4 June 2009, they were not aware of any reasons for such increases during the Review Period. Also, we noted that the Subscription Price represented a discount to the closing price of the Shares at all times during the Review Period. In addition, the average daily trading volume in the Shares during the Review Period was approximately 29,286 Shares, which represents approximately 0.027% of the entire issued share capital of the Company as at the Latest Practicable Date. In addition, we noted that the total number of trading days of the Shares was 293 days during the Review Period, with the average of 19.53 trading days per month. Among the 293 days during the Review Period, there were 213 trading days with zero trading volume of the Shares, representing approximately 72.70% of the total number trading days of the Shares. Accordingly, we are of the view that the liquidity in trading of the Shares under the Review Period was extremely thin during the Review Period.

Having considered (i) the thin liquidity in the trading of the Shares under the Review Period; (ii) the Subscription Price was determined at after arm's length negotiations between the Company and WS with reference to the market price of the Shares under the prevailing market condition; and (iii) the setting of the Subscription Price at deep discount to prevailing market price would be able to enhance their attractiveness to the Shareholders, we are of the opinion that the Subscription Price of the proposed Rights Issue is fair and reasonable, and thus is in the interests of the Company and the Independent Shareholders as a whole.

LETTER FROM VINCO CAPITAL

4. *Underwriting Agreement*

Pursuant to the Underwriting Agreement, WS has conditionally agreed to underwrite the Rights Shares to a maximum of 175,295,048 Rights Shares (being the difference between the total number of Rights Shares and the provisional entitlement of Rights Shares of WS under the proposed Rights Issue). In addition, the Company will pay WS an underwriting commission of 2.00% of the aggregate subscription prices in respect of the total number of the Underwritten Shares for which WS has underwritten.

The Directors confirmed that the amount of commission given to WS was arrived at after arm's length negotiation among the Company and WS and were entered on normal and commercial terms with reference to the market practice. Meanwhile, we have reviewed all the announcements published by the companies listed on the Stock Exchange which have conducted rights issues during the Review Period, which are exhaustive from the result of our research on all companies listed in Hong Kong, and noted that the underwriting commissions of such rights issues received by the underwriters were within the range of nil to 4.00%. In particular, the underwriting commission of such rights issues received by the underwriters who are also existing substantial shareholders of the companies ranges from 2.00% to 2.50%. Also, we noted that the underwriting commission was determined at after arm's length negotiation between the Company and WS with reference to the recent underwriting commission of the rights issues in the market. Accordingly, we are of the opinion that the underwriting commission charged by WS is under normal commercial term, is in line with common market practice and is fair and reasonable so far as the Company and the Independent Shareholders as a whole are concerned.

5. *Potential dilution effects of the proposed Rights Issue on the shareholding of the Independent Shareholders*

All Qualifying Shareholders are entitled to subscribe for the Rights Shares. For those Qualifying Shareholders who subscribe their entitlements in full under the proposed Rights Issue and do not apply for excess Rights Shares, their shareholding interests in the Company will remain unchanged after the proposed Rights Issue. Meanwhile, the Qualifying Shareholders who wish to increase their shareholdings in the Company through the proposed Rights Issue may (i) acquire additional nil-paid Rights Shares in the market (subject to availability); and (ii) apply for the excess Rights Shares.

For those Qualifying Shareholders who do not exercise their rights to subscribe for their entitlements of the Rights Shares in full, depending on the extent that they take up their entitlements, their shareholding interests in the Company will be diluted up to a maximum of approximately 66.67%. It should also be noted that such Shareholders will have the opportunity to realize their nil-paid Rights Shares on the market, subject to the then prevailing market conditions.

LETTER FROM VINCO CAPITAL

The table below illustrates the possible shareholding structure of the Company (i) as at the Latest Practicable Date; (ii) immediately after the completion of the proposed Rights Issue (assuming all Qualifying Shareholders take up their respective provisional allotments of the proposed Rights Issue in full); and (iii) immediately after the completion of the proposed Rights Issue (assuming none of the Qualifying Shareholders takes up their respective provisional allotment entitlements under the proposed Rights Issue, save for WS who takes up the 43,084,952 Rights Shares provisionally allotted to it):

	As at the date of the Latest Practicable Date		Immediately after the completion of the proposed Rights Issue on the assumption as set out in Note 2		Immediately after the completion of the proposed Rights Issue on the assumption as set out in Note 3	
	Number of Shares	Approximate (%)	Number of Shares	Approximate (%)	Number of Shares	Approximate (%)
	WS and its concert parties (<i>Note 1</i>)	21,542,476	19.7	64,627,428	19.7	239,922,476
Resuccess Investments Limited (<i>Note 4 & 5</i>)	15,890,000	14.6	47,670,000	14.6	15,890,000	4.9
Public Shareholders	71,757,524	65.7	215,272,572	65.7	71,757,524	21.9
Total	<u>109,190,000</u>	<u>100.00</u>	<u>327,570,000</u>	<u>100.00</u>	<u>327,570,000</u>	<u>100.00</u>

Notes:

1. WS is wholly-owned by Mr. Luk Yat Hung, an executive Director and Chairman of the Company.
2. Assuming all Qualifying Shareholders take up their respective provisional allotments of the proposed Rights Issue in full.
3. Assuming (i) none of the Qualifying Shareholders (save for WS who takes up the 43,084,952 Rights Shares provisionally allotted to it) takes up any provisional allotments of the Rights Shares; and (ii) the provisional allotments of the Rights Shares of all Qualifying Shareholders (save for the provisional allotments of 43,084,952 Rights Shares to WS) are taken up by WS pursuant to the Underwriting Agreement.
4. Resuccess Investments Limited will be counted as a public Shareholder on the assumption as set out in Note 3.
5. Resuccess Investments Limited is a company incorporated in BVI and wholly-owned by Tongfang Co. Limited, which is a domestic company incorporated under the laws of the PRC and the shares of which are listed on the Shanghai Stock Exchange. As at the Latest Practicable Date, Resuccess Investments Limited has not indicated its voting intention in the EGM.

LETTER FROM VINCO CAPITAL

The Independent Shareholders who are Qualifying Shareholders should note that, should they decide to subscribe for their provisional allotment entitlements of the Rights Shares in full, there would not be any dilution effect on their respective shareholding interests in the Company immediately upon completion of the proposed Rights Issue. However, we would like to draw the Independent Shareholders' attention to the fact that, for those Independent Shareholders who do not wish to take up all or part of their provisional allotment entitlements to the proposed Rights Shares, their corresponding shareholdings in the Company will be diluted. In the event that all the Qualifying Shareholders (other than WS) decide not to take up the provisional allotments of the proposed Rights Issue and WS has taken up all the provisional allotments in its capacity as the Underwriter, the percentage of shareholding of the public Shareholders will be greatly reduced from approximately 65.7% to approximately 26.8%.

We noted that the substantial potential dilution effect as discussed above. Having considered that (i) the Qualifying Shareholders are free to choose to participate in the proposed Rights Issue or, if they are unwilling or unable to do so, to dispose of their nil-paid Rights Shares on the market; (ii) the proposed Rights Issue offers an opportunity for the Qualifying Shareholders to subscribe for their proportionate Rights Shares in the Company at a price below the market price of the Shares; and (iii) the dilution effect will not be prejudicial to the Independent Shareholders' interests in the Company as long as they choose to subscribe for their full allotment entitlements of the Rights Shares, we consider that the potential dilution of the shareholding interests of the existing Independent Shareholders to be fair and reasonable so far as the Company and the Independent Shareholders are concerned.

6. *Financial effects of the proposed Rights Issue*

a) Net assets value

As at 31 March 2009, the net assets per Share was approximately HK\$0.26 (based on the audited consolidated net assets of the Group of approximately HK\$27,983,000 and 109,190,000 issued Shares as at 31 March 2009). Immediately after the completion of the proposed Rights Issue, the net assets of the Group will increase by approximately HK\$20,038,000 and the number of the issued Shares would increase to 327,570,000 Shares. As such, upon the completion and assuming all Qualifying Shareholders take up their respective provisional allotments of the proposed Rights Issue in full, the net assets per Share would decrease to approximately HK\$0.15, indicating a decrease of approximately 42.31%.

LETTER FROM VINCO CAPITAL

b) Gearing ratio

According to the annual report 2009 of the Company, the gearing ratio of the Group was approximately 282%, which is derived by dividing the total liabilities of the Group of approximately HK\$78,871,000 by the total Shareholders' fund of approximately HK\$27,983,000. Immediately after the completion of the proposed Rights Issue, all other things being content, the total liabilities of the Group would remain unchanged as compared to 31 March 2009 whereas the Shareholders' equity of the Group would increase by approximately HK\$20,038,000. Hence, the gearing ratio of the Group as compared to 31 March 2009 would be dropped to approximately 164% (derived by dividing the total liabilities of the Group of approximately HK\$78,871,000 by the total Shareholder's fund of approximately HK\$48,021,000), which eventually reduce the indebtedness level of the Group.

c) Liquidity and working capital

As stated in the annual report 2009 of the Company, the audited consolidated net current asset of the Group was approximately HK\$24,827,000 as at 31 March 2009. Immediately after the completion of the proposed Rights Issue, the net current asset of the Group would increase by approximately HK\$20,038,000. In this regard, we are of the view that the proposed Rights Issue will improve the liquidity position of the Group.

Based on the foregoing, the proposed Rights Issue would have an immediate positive financial effect on the Group in terms of gearing ratio and liquidity but an adverse impact on the net assets value per Share. However, with reference to our above analysis, Independent Shareholders should also consider (i) the improving financial performance of the Group for the year ended 31 March 2009; (ii) the recent economic development in the PRC and the potential favourable business environment of the security and surveillance industry in the PRC; (iii) the alternative financing methods the Group have considered; and (iv) the Company intend to utilize the estimated net proceeds from the proposed Rights Issue for the expansion and development of its business provision of systems development and consulting services and provide flexibility for future development of the Group. Having taken into accounts of the aforesaid factors, we thus consider that the adverse impact on the net assets value per Share is acceptable.

LETTER FROM VINCO CAPITAL

II. Whitewash Waiver

As at the Latest Practicable Date, WS was interested in 21,542,476 issued Shares, representing approximately 19.7% of the existing issued share capital of the Company.

Pursuant to the Underwriting Agreement, in the event that WS is called upon to subscribe for the Underwritten Shares in full to its obligations, WS and parties acting in concert with it will in aggregate become interested in 239,922,476 Shares (representing 73.2% of the enlarged issued share capital of the Company) immediately after the completion of the proposed Rights Issue. Accordingly, the underwriting by WS of the proposed Rights Issue will trigger a mandatory general offer obligation under Rule 26 of the Takeovers Code for all the securities of the Company not already held by WS and parties acting in concert with it.

WS has applied to the Executive for the Whitewash Waiver under Note 1 on dispensations from Rule 26 of the Takeovers Code and the Executive has indicated that the Whitewash Waiver will be granted, subject to, among other things, the approval of the Independent Shareholders by way of poll at the EGM.

The proposed Rights Issue is conditional, inter alia, upon (i) the passing of the proposed resolution by the Independent Shareholders approving the proposed Rights Issue and the Whitewash Waiver by way of poll at the EGM; and (ii) the Executive granting to WS the Whitewash Waiver by no later than the Prospectus Posting Date. Pursuant to the terms of the proposed Rights Issue, neither the Company nor WS may waive the foregoing conditions. On the other hand, if the Whitewash Waiver is not approved, the proposed Rights Issue will not proceed and no proceeds from the proposed Rights Issue will be received by the Company.

However, Shareholders should note that in the event that WS and parties acting in concert with it hold more than 50% of the voting rights of the Company upon completion of the proposed Rights Issue, they may further increase their shareholding interests without triggering any further obligation to make a general offer under the Takeovers Code.

Having considered that (i) the preceding condition of approving Whitewash Waiver at the EGM so as to implement the proposed Rights Issue; (ii) the terms of the proposed Rights Issue are fair and reasonable and in the interests of the Company and Independent Shareholders as a whole; and (iii) the proposed Rights Issue will improve the financial position of the Group (in particular, the gearing ratio and the liquidity position of the Group), we thus believe that it would also be reasonable for the Independent Shareholders to vote in favour of the Whitewash Waiver.

LETTER FROM VINCO CAPITAL

D. CONCLUSION

Having taken into consideration of the following principal factors and reasons regarding the terms of the proposed Rights Issue and the Whitewash Waiver including:

- a) the improving financial performance for the year ended 31 March 2009 and the recent economic development in the PRC and the potential favourable business environment of the security and surveillance industry in the PRC;
- b) the proposed application of net proceeds from the proposed Rights Issue conform to the Group's business strategy and will strengthen the capital base and improve the financial position of the Group;
- c) the proposed Rights Issue is a preferred source of financing over debt financing and placing;
- d) the historical thin liquidity in the trading of the Shares;
- e) the setting of the Subscription Price at deep discount would be able to enhance the attractiveness of the Rights Issue to the Shareholders; and
- f) the commission to be paid to WS under the Underwriting Agreement is determined after arm's length negotiation between the Company and WS with reference to the underwriting commission of other rights issues announced recently and is in line with common market practice.

We are of the view that the Rights Issue and the Whitewash Waiver are fair and reasonable so far as the Independent Shareholders are concerned and the proposed Rights Issue and the Whitewash Waiver are in the interests of the Company and the Independent Shareholders as a whole.

Accordingly, we recommend the Independent Board Committee to advise the Independent Shareholders to vote in favour of the resolutions to be proposed at the EGM to approve the proposed Rights Issue and the Whitewash Waiver.

Yours faithfully,
For and on behalf of
Grand Vinco Capital Limited

Alister Chung
Managing Director

1. SUMMARY OF FINANCIAL INFORMATION OF THE GROUP

Set out below is a summary of the audited consolidated results and financial position of the Group for each of the three years ended 31 March 2009, as extracted from the respective annual report of the Company.

(i) Results

	For the year ended 31 March		
	2009 <i>HK\$'000</i> (audited)	2008 <i>HK\$'000</i> (audited)	2007 <i>HK\$'000</i> (audited)
Turnover	<u>108,003</u>	<u>52,835</u>	<u>64,706</u>
Profit (Loss) before tax	13,729	(19,326)	(2,084)
Income tax expense	<u>(2,280)</u>	<u>(527)</u>	<u>(380)</u>
Profit (Loss) for the year from continuing operations	<u>11,449</u>	<u>(19,853)</u>	<u>(2,464)</u>
Profit (Loss) for the year	<u><u>11,449</u></u>	<u><u>(19,853)</u></u>	<u><u>(2,464)</u></u>
Attributable to:			
Equity holders of the Company	11,449	(19,853)	(2,464)
Minority interest	<u>—</u>	<u>—</u>	<u>—</u>
	<u><u>11,449</u></u>	<u><u>(19,853)</u></u>	<u><u>(2,464)</u></u>
Dividends	<u>—</u>	<u>—</u>	<u>—</u>
Earning (Loss) per share-basic (HK\$)	<u>10.49 cents</u>	<u>(20.59) cents</u>	<u>(2.70) cents</u>

(ii) Assets and liabilities

	As at 31 March		
	2009	2008	2007
	<i>HK\$'000</i>	<i>HK\$'000</i>	<i>HK\$'000</i>
	(audited)	(audited)	(audited)
Total assets	106,854	91,767	71,499
Total liabilities	(78,871)	(75,235)	(47,163)
	<u>27,983</u>	<u>16,532</u>	<u>24,336</u>
Equity attributable to equity holders of the Company	27,983	16,532	24,336
Minority interests	—	—	—
Net assets	<u>27,983</u>	<u>16,532</u>	<u>24,336</u>

Note:

1. No qualified opinion has been issued by the Company's auditors in respect of the financial statements for the three financial years.
2. No extraordinary item or exceptional item was recorded for each of the three years ended 31 March 2009.

2. LATEST ANNUAL FINANCIAL STATEMENTS

Set out below are the audited consolidated financial statements of the Group for the year ended 31 March 2009, together with the accompanying notes relating thereto and the comparative figures for the year ended 31 March 2008 as extracted from the annual report of the Company for the year ended 31 March 2009.

AUDITED FINANCIAL STATEMENTS

CONSOLIDATED INCOME STATEMENT

For the year ended 31 March 2009

	<i>Notes</i>	2009 <i>HK\$'000</i>	2008 <i>HK\$'000</i>
Turnover	9	108,003	52,835
Cost of services provided		<u>(61,987)</u>	<u>(50,528)</u>
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	<u>(5)</u>	<u>(1)</u>
Profit (loss) before taxation		13,729	(19,326)
Income tax expense	13	<u>(2,280)</u>	<u>(527)</u>
Profit (loss) for the year	14	<u>11,449</u>	<u>(19,853)</u>
Earnings (loss) per share - Basic	16	<u>HK10.49 cents</u>	<u>HK(20.59) cents</u>

CONSOLIDATED BALANCE SHEET*As at 31st March 2009*

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

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 <i>HK\$'000</i>	2008 <i>HK\$'000</i>
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*

	<i>Notes</i>	2009 <i>HK\$'000</i>	2008 <i>HK\$'000</i>
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	<i>34</i>	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)	<i>35</i>	—	(3)
NET CASH FROM (USED IN) INVESTING ACTIVITIES		<u>2,104</u>	<u>(1,331)</u>
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		<u>(1,085)</u>	<u>23,375</u>
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		<u><u>3,745</u></u>	<u><u>15,651</u></u>

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.

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.

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.

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.

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 recognised 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.

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 recognised 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 recognised 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.

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.

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.

3. SIGNIFICANT ACCOUNTING POLICIES *(Continued)***(i) Financial instruments** *(Continued)**Impairment loss of financial assets (Continued)*

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

The carrying amount of the financial asset is reduced by the impairment loss directly for all financial assets with the exception of trade and other receivables 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.

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.

3. SIGNIFICANT ACCOUNTING POLICIES *(Continued)***(i) Financial instruments** *(Continued)**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.

(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.

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.

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 lessor. 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.

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 March 2009, the carrying amount of goodwill was approximately HK\$131,000. Details of impairment testing on goodwill are set out in Note 22.

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.

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

Key sources of estimation uncertainty (Continued)

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.

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.

6. FINANCIAL INSTRUMENTS

Categories of financial instruments

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

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.

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.

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

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.

7. FINANCIAL RISK MANAGEMENT OBJECTIVES AND POLICIES (Continued)

Liquidity risk (Continued)

Liquidity risk tables

	Weighted average effective interest rate %	Carrying amount at 31st March HK\$'000	Within 1 year or on demand and total undiscounted cash flows 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
		<u>50,391</u>	<u>50,936</u>
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
		<u>52,172</u>	<u>52,531</u>

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 derivative 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 derivative 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.

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 <i>HK\$'000</i>	2008 <i>HK\$'000</i>
Turnover		
Systems development	105,697	51,160
Professional service fees	2,306	1,675
	<u>108,003</u>	<u>52,835</u>
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 (<i>Note</i>)	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
	<u>6,300</u>	<u>6,410</u>
Total revenues	<u><u>114,303</u></u>	<u><u>59,245</u></u>

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.

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)

10. SEGMENT INFORMATION (Continued)

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

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
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					<u>106,854</u>	<u>91,767</u>
LIABILITIES						
Segment liabilities	55,992	48,257	3,696	647	59,688	48,904
Unallocated corporate liabilities					19,183	26,331
Total liabilities					<u>78,871</u>	<u>75,235</u>
Other segment information						
Capital expenditure	251	642	8	20	259	662
Depreciation	716	883	21	25	737	908
Unallocated depreciation					780	991
					<u>1,517</u>	<u>1,899</u>
Unallocated loss (gain) on disposal of plant and equipment					7	(182)
Impairment loss recognized in respect of retention receivables	2,727	—	—	—	2,727	—
Impairment losses recognized in respect of trade and other receivables	16,501	4,407	—	—	16,501	4,407
Unallocated impairment losses recognized in respect of trade and other receivables					3,193	3,196
					<u>19,694</u>	<u>7,603</u>
Impairment losses recognized 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)	—	<u>(3,713)</u>	<u>(1,578)</u>

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 <i>HK\$'000</i>	2008 <i>HK\$'000</i>
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	—
	<u>22,653</u>	<u>10,736</u>

12. FINANCE COSTS

	2009 <i>HK\$'000</i>	2008 <i>HK\$'000</i>
Interest on bank borrowing due within one year	<u>559</u>	<u>333</u>

13. INCOME TAX EXPENSE

	2009 <i>HK\$'000</i>	2008 <i>HK\$'000</i>
PRC Enterprise Income Tax — current tax	<u>2,280</u>	<u>527</u>

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.

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%).

13. INCOME TAX EXPENSE *(Continued)*

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 <i>HK\$'000</i>	2008 <i>HK\$'000</i>
Profit (loss) before taxation	<u>13,729</u>	<u>(19,326)</u>
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	<u>2,736</u>	<u>1,809</u>
Income tax expense	<u>2,280</u>	<u>527</u>

Details of deferred taxation are set out in Note 33.

14. PROFIT (LOSS) FOR THE YEAR

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

	2009 <i>HK\$'000</i>	2008 <i>HK\$'000</i>
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 <i>(Note 17)</i>)		
Wages, salaries and other benefits	19,180	19,313
Retirement benefit scheme contributions	<u>2,661</u>	<u>2,181</u>
	<u>21,841</u>	<u>21,494</u>
Write down of inventories	<u>—</u>	<u>190</u>

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.

17. STAFF COSTS (EXCLUDING DIRECTORS' EMOLUMENTS)

	2009 <i>HK\$'000</i>	2008 <i>HK\$'000</i>
Wages, salaries and other benefits	19,180	19,313
Retirement benefit scheme contributions	2,661	2,181
	<u>21,841</u>	<u>21,494</u>

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.

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 <i>HK\$'000</i>	Salaries and other benefits <i>HK\$'000</i>	Retirement benefit scheme contributions <i>HK\$'000</i>	Total <i>HK\$'000</i>
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
	<u>425</u>	<u>—</u>	<u>—</u>	<u>425</u>

18. DIRECTORS' AND EMPLOYEES' EMOLUMENTS (Continued)

(a) Directors' emoluments (Continued)

For the year ended 31st March 2008

	Fees HK\$'000	Salaries and other benefits HK\$'000	Retirement benefit scheme contributions HK\$'000	Total 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
	<u>450</u>	<u>—</u>	<u>—</u>	<u>450</u>

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

(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 HK\$'000	2008 HK\$'000
Salaries and other benefits	1,207	1,101
Retirement benefit scheme contributions	134	93
	<u>1,341</u>	<u>1,194</u>

Their emoluments fall within the following band:

	Number of individuals	
	2009	2008
Nil - HK\$1,000,000	<u>5</u>	<u>5</u>

(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.

19. PLANT AND EQUIPMENT

	Leasehold improvements <i>HK\$'000</i>	Furniture and fixtures <i>HK\$'000</i>	Computer and office equipment <i>HK\$'000</i>	Motor vehicles <i>HK\$'000</i>	Total <i>HK\$'000</i>
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)
	<u>1,576</u>	<u>42</u>	<u>5,596</u>	<u>3,820</u>	<u>11,034</u>
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)
	<u>1,577</u>	<u>42</u>	<u>4,593</u>	<u>2,122</u>	<u>8,334</u>
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)
	<u>1,051</u>	<u>35</u>	<u>2,868</u>	<u>1,810</u>	<u>5,764</u>
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)
	<u>1,367</u>	<u>39</u>	<u>2,626</u>	<u>1,277</u>	<u>5,309</u>
At 31st March 2009	1,367	39	2,626	1,277	5,309
CARRYING VALUES					
At 31st March 2009	<u>210</u>	<u>3</u>	<u>1,967</u>	<u>845</u>	<u>3,025</u>
At 31st March 2008	<u>525</u>	<u>7</u>	<u>2,728</u>	<u>2,010</u>	<u>5,270</u>

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

20. INTANGIBLE ASSET

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

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.

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)
	<hr/>	<hr/>
	—	5
	<hr/> <hr/>	<hr/> <hr/>

21. INTERESTS IN ASSOCIATES (Continued)

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

Name of associate	Form of business structure	Class of shares held	Place of incorporation /operations	Nominal value of issued ordinary shares capital	Percentage of equity attributable to the Group	Principal activities
Acon Enterprises Limited ("Acon")	Incorporated	Ordinary	British Virgin Islands ("BVI")/ Hong Kong	US\$8,000	25.5%	Investment holding
Tai Shing (Hong Kong) Limited ("Tai Shing (Hong Kong)")	Incorporated	Ordinary	Hong Kong/Hong Kong	HK\$2	25.5%	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	<u>—</u>	<u>18</u>
Group's share of net assets of associates	<u>—</u>	<u>5</u>
Revenue	<u>—</u>	<u>—</u>
Loss for the period/year	<u>(102)</u>	<u>(4)</u>
Group's share of results of associates for the period/year	<u>(5)</u>	<u>(1)</u>

22. GOODWILL

HK\$'000

COST

Arising on acquisition of subsidiaries (*Note 34*)
and at 31st March 2009

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CARRYING VALUES

At 31st March 2009

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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)	—
	<u>27,769</u>	<u>50,437</u>

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

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 HK\$'000	2008 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
	<u>24,052</u>	<u>11,599</u>
At 31st March	<u>24,052</u>	<u>11,599</u>

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

	2009 HK\$'000	2008 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
	<u>16,632</u>	<u>13,088</u>
At 31st March	<u>16,632</u>	<u>13,088</u>

23. TRADE AND OTHER RECEIVABLES (Continued)

- (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:

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

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.

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

	2009 HK\$'000	2008 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	<u>(146,049)</u>	<u>(156,899)</u>
	<u>62,830</u>	<u>7,002</u>
Analysed for reporting purposes as:		
Amounts due from customers for contract work	70,852	17,452
Amounts due to customers for contract work	<u>(8,022)</u>	<u>(10,450)</u>
	<u>62,830</u>	<u>7,002</u>

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 VALUE THROUGH PROFIT OR LOSS

	2009 <i>HK\$'000</i>	2008 <i>HK\$'000</i>
Equity securities listed in the PRC, at fair value	<u>330</u>	<u>574</u>

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

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 <i>HK\$'000</i>	2008 <i>HK\$'000</i>
Trade payables	17,787	13,909
Accrued expenses and other payables	<u>14,467</u>	<u>19,608</u>
	<u>32,254</u>	<u>33,517</u>

An aged analysis of trade payables is as follows:

	2009 <i>HK\$'000</i>	2008 <i>HK\$'000</i>
0-30 days	1,892	838
31-90 days	2,397	53
Over 90 days	<u>13,498</u>	<u>13,018</u>
	<u>17,787</u>	<u>13,909</u>

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.

28. WARRANTY PROVISION

	2009 <i>HK\$'000</i>	2008 <i>HK\$'000</i>
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
	<u>1,418</u>	<u>490</u>
At 31st March	<u>1,418</u>	<u>490</u>

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 <i>HK\$'000</i>	2008 <i>HK\$'000</i>
Unsecured bank borrowing, due within one year at variable-rate	<u>11,187</u>	<u>8,946</u>

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.

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	<u>4,000,000,000</u>	<u>200,000</u>
Issued and fully paid:		
At 1st April 2007	90,995,000	4,550
Issue of shares (<i>Note a</i>)	<u>18,195,000</u>	<u>910</u>
At 31st March 2008 and 31st March 2009	<u>109,190,000</u>	<u>5,460</u>

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.

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:

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

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.

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:

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

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.

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 <i>HK\$'000</i>	2008 <i>HK\$'000</i>
Within one year	296	1,730
In the second to fifth years inclusive	—	288
	<hr/>	<hr/>
	<u>296</u>	<u>2,018</u>

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.

- (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.

40. BALANCE SHEET INFORMATION OF THE COMPANY

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

(a) Amounts due from (to) subsidiaries

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

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	<u>22,905</u>	<u>1,200</u>	<u>(16,556)</u>	<u>7,549</u>

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.

3. INDEBTEDNESS STATEMENT

At the close of business on 30 April 2009, being the latest practicable date for the purpose of ascertaining information in the indebtedness statement prior to the printing of this Circular, the Group had outstanding unsecured bank borrowings of approximately HK\$11,320,000 and an amount due to a substantial shareholder of approximately HK\$7,032,000, which is unsecured, non-interest bearing and repayable on demand.

Security and guarantees

At the close of business on 30 April 2009, the Group's bank borrowing is secured by land and buildings owned by an independent third party. The independent third party is one of the customers of the Group and a guarantee fee of 1% of the total guarantee amount is charged by the independent third party to the Company.

Commitments

At the close of business on 30 April 2009, the Group had operating lease commitment of approximately HK\$149,000. This commitment represented the total future minimum lease payments under non-cancelable operating leases in respect of rented premises.

At the close of business on 30 April 2009, the Group had no significant capital commitments.

Contingent liabilities

- (a) At 30 April 2009, the Group's bank deposits of approximately HK\$1,014,000 were pledged to banks for bank guarantees of approximately HK\$1,014,000 issued to certain customers on the performance of contracts under systems development.

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

- (b) On 19 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 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. There has not been any progress on this action since end of 2008. The Directors believe that the Company has strong defence in this action and therefore, no provision for liabilities was made.

Save as aforesaid or as otherwise disclosed herein, and apart from intra-group liabilities and normal trade payables, the Group did not have outstanding at the close of business on 30 April 2009 any loan capital issued and outstanding or agreed to be issued, bank overdrafts, loans or other similar indebtedness, liabilities under acceptances or acceptable credits, debentures, mortgages, charges, hire purchases commitments, guarantees or other material contingent liabilities.

For the purpose of the indebtedness statement, foreign currency amounts have been translated into Hong Kong dollars at the approximate exchange rates prevailing as at 30 April 2009.

4. WORKING CAPITAL

The Directors, after due and careful enquiry, are of the opinion that, taking into consideration the financial resources available to the Group including internally generated funds, the existing available banking facilities and the estimated net proceeds from the Rights Issue (if the Rights Issue becomes unconditional), the Group will have sufficient working capital for at least twelve months from the date of this circular.

5. MATERIAL CHANGE

As at the Latest Practicable Date, the Directors confirm that there have been no material change in the financial or trading position or outlook of the Group subsequent to 31 March 2009 (being the date to which the latest published audited financial statements of the Group were made up) and up to and including the Latest Practicable Date.

APPENDIX II UNAUDITED PRO FORMA FINANCIAL INFORMATION

For illustrative purpose only, set out below is the unaudited pro forma statement of adjusted consolidated net tangible assets of the Group after completion of the Rights Issue. Although reasonable care has been exercised in preparing the unaudited pro forma financial information, Shareholders who read the information should bear in mind that these figures are inherently subject to adjustments and may not give a complete picture of the Group's financial results and positions for the financial periods concerned.

UNAUDITED PRO FORMA STATEMENT OF ADJUSTED CONSOLIDATED NET TANGIBLE ASSETS OF THE GROUP

The unaudited pro forma statement of adjusted consolidated net tangible assets of the Group has been prepared by the Directors in accordance with paragraph 31 of Chapter 7 of the Rules Governing the Listing of Securities on the Growth Enterprise Market of The Stock Exchange of Hong Kong Limited (the "GEM Listing Rules") to illustrate the effect of the proposed Rights Issue on the consolidated net tangible assets of the Group as if the Rights Issue took place on 31 March 2009.

The unaudited pro forma financial information has been prepared for illustrative purposes only, and because of its hypothetical nature, it may not give a true picture of the consolidated net tangible assets of the Group following the Rights Issue as at the date to which it is made up on at any future date.

The unaudited pro forma statement of adjusted consolidated net tangible assets of the Group is prepared based on the audited consolidated net assets of the Group as at 31 March 2009, as extracted from the published annual report of the Group for the year ended 31 March 2009 set out in Appendix I to this Circular, after incorporating the unaudited pro forma adjustments described in the accompanying notes.

APPENDIX II UNAUDITED PRO FORMA FINANCIAL INFORMATION

	Audited consolidated net tangible assets of the Group attributable to the equity holders of the Company as at 31 March 2009 <i>HK\$'000</i> <i>(Note 1)</i>	Estimated net proceeds from the Rights Issue <i>HK\$'000</i> <i>(Note 2)</i>	Unaudited pro forma adjusted consolidated net tangible assets of the Group attributable to the equity holders of the Company immediately after the completion of the Rights Issue <i>HK\$'000</i>
Net tangible assets	<u>27,852</u>	<u>20,038</u>	<u>47,890</u>
Number of Shares issued ('000)	<u>109,190</u>	<u>218,380</u>	<u>327,570</u>
Audited consolidated net tangible assets per Share attributable to the equity holders of the Company prior to the completion of the Rights Issue <i>(Note 3)</i>			<u>HK\$0.255</u>
Unaudited consolidated net tangible assets per Share attributable to the equity holders of the Company after the completion of the Rights Issue <i>(Note 4)</i>			<u>HK\$0.146</u>

Notes:

- (1) The audited consolidated net tangible assets of the Group as at 31 March 2009 is extracted from the published annual report of the Company for the year ended 31 March 2009 as set out in Appendix I to this Circular and is based on the audited consolidated net assets of the Group attributable to the equity holders of the Company as at 31 March 2009, and adjusted for goodwill of approximately HK\$131,000.
- (2) The estimated net proceeds from the Rights Issue of approximately HK\$20,038,000 are based on 218,380,000 Rights Shares to be issued (on the basis of two rights shares for every existing shares held as at the Record Date which is expected to be 109,190,000 Shares) at the subscription price of HK\$0.10 per Rights Share and after deduction of estimated related expenses of approximately HK\$1,800,000.
- (3) The calculation of audited consolidated net tangible assets per Share is based on 109,190,000 Shares in issue as at 31 March 2009 .
- (4) The calculation of unaudited pro forma adjusted consolidated net tangible assets per share is based on 327,570,000 shares which comprise 109,190,000 Shares in issue as at 31 March 2009 and 218,380,000 Rights Shares to be issued.
- (5) No adjustment has been made to reflect any trading result or other transaction of the Group entered into subsequent to 31 March 2009 .

ACCOUNTANTS' REPORT ON THE UNAUDITED PRO FORMA STATEMENT OF ADJUSTED CONSOLIDATED NET TANGIBLE ASSETS OF THE GROUP

Set forth below is the accountants' report, prepared for the sole purpose of incorporation in this circular received by the Directors from SHINEWING (HK) CPA Limited, Certified Public Accountants, Hong Kong, in connection with the unaudited pro forma statement of adjusted consolidated net tangible assets of the Group set out in this Appendix:



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

19 June 2009

The Board of Directors
Tai Shing International (Holdings) Limited
24th Floor
Prosperous Commercial Building
54-58 Jardine's Bazaar
Causeway Bay
Hong Kong

Dear Sirs,

Tai Shing International (Holdings) Limited (the "Company") and its subsidiaries (the "Group")

We report on the unaudited pro forma statement relating to the adjusted consolidated net tangible assets of the Group (the "Unaudited Pro Forma NTA") as set out in the Section headed "UNAUDITED PRO FORMA FINANCIAL INFORMATION" in Appendix II to the Company's circular dated 19 June 2009 (the "Circular") in connection with the proposed rights issue (the "Rights Issue") on the basis of two rights shares for every existing share. The Unaudited Pro Forma NTA is unaudited and has been prepared by the directors of the Company (the "Directors") solely for illustrative purposes, to provide information to the shareholders of the Company about how the Rights Issue might affect the consolidated net tangible assets of the Group upon the completion of the Rights Issue.

The basis of preparation is set out in the accompanying Unaudited Pro Forma Statement of Adjusted Consolidated Net Tangible Assets of the Group.

Respective Responsibilities of the Directors and Reporting Accountants

It is the responsibility solely of the Directors to prepare the Unaudited Pro Forma NTA in accordance with paragraph 31 of Chapter 7 of the Rules Governing the Listing of Securities on the Growth Enterprise Market of The Stock Exchange of Hong Kong Limited (the "GEM Listing Rules") and with reference to Accounting Guideline 7 "Preparation of Pro Forma Financial Information for Inclusion in Investment Circulars" issued by the Hong Kong Institute of Certified Public Accountants (the "HKICPA").

APPENDIX II UNAUDITED PRO FORMA FINANCIAL INFORMATION

It is our responsibility to form an opinion, as required by paragraph 31 of Chapter 7 of the GEM Listing Rules, on the Unaudited Pro Forma NTA and to report our opinion to you. We do not accept any responsibility for any reports previously given by us on any financial information used in the compilation of the Unaudited Pro Forma NTA beyond that owed to those to whom those reports were addressed by us at the dates of their issue.

Basis of Opinion

We conducted our engagement in accordance with Hong Kong Standard on Investment Circular Reporting Engagements 300 “Accountants’ Reports on Pro Forma Financial Information in Investment Circulars” issued by the HKICPA. Our work consisted primarily of comparing the unadjusted financial information with source documents, considering the evidence supporting the adjustments and discussing the Unaudited Pro Forma NTA with the Directors. This engagement did not involve independent examination of any of the underlying financial information.

Our work did not constitute an audit or review made in accordance with Hong Kong Standards on Auditing or Hong Kong Standards on Review Engagements issued by the HKICPA, and accordingly, we do not express any such audit or review assurance on the Unaudited Pro Forma NTA.

We planned and performed our work so as to obtain the information and explanations we considered necessary in order to provide us with sufficient evidence to give reasonable assurance that the Unaudited Pro Forma NTA has been properly compiled by the Directors on the basis stated, that such basis is consistent with the accounting policies of the Group and that the adjustments are appropriate for the purpose of the Unaudited Pro Forma NTA as disclosed pursuant to paragraph 31(1) of Chapter 7 of the GEM Listing Rules.

The Unaudited Pro Forma NTA is for illustrative purpose only, based on the judgments and assumptions of the Directors, and, because of its hypothetical nature, does not provide any assurance or indication that any event will take place in the future and may not be indicative of the financial position of the Group as at 31 March 2009 or at any future date.

Opinion

In our opinion:

- (a) The Unaudited Pro Forma NTA has been properly compiled by the Directors on the basis stated;
- (b) such basis is consistent with the accounting policies of the Group; and
- (c) the adjustments are appropriate for the purposes of the Unaudited Pro Forma NTA as disclosed pursuant to paragraph 31(1) of Chapter 7 of the GEM Listing Rules.

Yours faithfully,

SHINEWING (HK) CPA Limited

Certified Public Accountants

Ip Yu Chak

Practising Certificate Number: P04798

Hong Kong

Set out below is a summary of certain provisions of the memorandum and association (the “Memorandum”) and the articles of association (the “Articles”) of the Company and of certain aspects of Cayman company law.

The Company was incorporated in the Cayman Islands as an exempted company with limited liability on 16 March, 2000 under the Companies Law of the Cayman Islands (the “Companies Law”). The Memorandum and the Articles comprise its constitution.

1. MEMORANDUM OF ASSOCIATION

- (a) The Memorandum states, inter alia, that the liability of members of the Company is limited to the amount, if any, for the time being unpaid on the Shares respectively held by them and that the objects for which the Company is established are unrestricted (including acting as an investment company), and that the Company shall have and be capable of exercising all the functions of a natural person of full capacity irrespective of any question of corporate benefit, as provided in section 27(2) of the Companies Law in doing in any part of the world whether as principal, agent, contractor or otherwise whatever may be considered by it necessary for the attainment of its objects, and in view of the fact that the Company is an exempted company that the Company will not trade in the Cayman Islands with any person, firm or corporation except in furtherance of the business of the Company carried on outside the Cayman Islands.
- (b) The Company may by special resolution alter its Memorandum with respect to any objects, powers or other matters specified therein.

2. ARTICLES OF ASSOCIATION

The following is a summary of certain provisions of the Articles:

(a) Directors

(i) Power to allot and issue shares and warrants

Subject to the provisions of the Companies Law and the Memorandum and Articles and to any special rights conferred on the holders of any shares or class of shares, any share in the Company (whether forming part of the present capital or not) may be issued with or have attached thereto such rights, or such restrictions, whether with regard to dividend, voting, return of capital, or otherwise, as the Company may by ordinary resolution determine or, if there has not been any such determination or so far as the same shall not make specific provision, as the board may determine. Subject to the Companies Law, the rules of any Designated Stock Exchange (as defined in the Articles) and the Memorandum and Articles, and to any special rights conferred on the holders of any shares or attaching to any class of shares, shares may be issued on the terms that they may be, or at the option of the Company or the holder are, liable to be redeemed on such terms and in such manner, including out of capital, as the board may deem fit.

The board may issue warrants conferring the right upon the holders thereof to subscribe for any class of shares or securities in the capital of the Company on such terms as it may from time to time determine.

Subject to the provisions of the Companies Law and the Articles and, where applicable, the rules of any Designated Stock Exchange (as defined in the Articles) and without prejudice to any special rights or restrictions for the time being attached to any shares or any class of shares, the unissued shares of the Company (whether forming part of the original or any increased capital) shall be at the disposal of the board, which may offer, allot, grant options over or otherwise dispose of them to such persons, at such times, for such consideration and on such terms and conditions as it in its absolute discretion thinks fit, but so that no shares shall be issued at a discount.

Neither the Company nor the board shall be obliged, when making or granting any allotment of, offer of, option over or disposal of shares, to make, or make available, any such allotment, offer, option or shares to members or others with registered addresses in any particular territory or territories being a territory or territories where, in the absence of a registration statement or other special formalities, this would or might, in the opinion of the board, be unlawful or impracticable. Members affected as a result of the foregoing sentence shall not be, or be deemed to be, a separate class of members for any purpose whatsoever.

(ii) *Power to dispose of the assets of the Company or any subsidiary*

There are no specific provisions in the Articles relating to the disposal of the assets of the Company or any of its subsidiaries. The Directors may, however, exercise all powers and do all acts and things which may be exercised or done or approved by the Company and which are not required by the Articles or the Companies Law to be exercised or done by the Company in general meeting.

(iii) *Compensation or payments for loss of office*

Pursuant to the Articles, the board shall obtain the approval of the Company in general meeting before making any payment to any Director or past Director of the Company by way of compensation for loss of office, or as consideration for or in connection with his retirement from office (not being payment to which the Director is contractually entitled).

(iv) *Loans and provision of security for loans to Directors*

There are provisions in the Articles prohibiting the making of loans to Directors.

(v) *Disclosure of interests in contracts with the Company or any of its subsidiaries*

A Director may (a) hold any other office or place of profit with the Company (except that of auditor) in conjunction with his office of Director for such period and upon such terms as the board may determine. Any remuneration (whether by way of salary, commission, participation in profits or otherwise) paid to any Director in respect of any such other office or place of profit shall be in addition to any remuneration provided for by or pursuant to any other Article; (b) act by himself or his firm in a professional capacity for the Company (otherwise than as Auditor) and he or his firm may be remunerated for professional services as if he were not a Director; (c) continue to be or become a director, managing director, joint managing director, deputy managing director, executive director, manager or other officer or member of any other company promoted by the Company or in which the Company may be interested as a vendor, shareholder or otherwise and (unless otherwise agreed) no such Director shall be accountable for any remuneration, profits or other benefits received by him as a director, managing director, joint managing director, deputy managing director, executive director, manager or other officer or member of or from his interests in any such other company.

Subject as otherwise provided by the Articles the Directors may exercise or cause to be exercised the voting powers conferred by the shares in any other company held or owned by the Company, or exercisable by them as Directors of such other company in such manner in all respects as they think fit (including the exercise thereof in favour of any resolution appointing themselves or any of them directors, managing directors, joint managing directors, deputy managing directors, executive directors, managers or other officers of such company) or voting or providing for the payment of remuneration to the director, managing director, joint managing director, deputy managing director, executive director, manager or other officers of such other company and any Director may vote in favour of the exercise of such voting rights in manner aforesaid notwithstanding that he may be, or about to be, appointed a director, managing director, joint managing director, deputy managing director, executive director, manager or other officer of such a company, and that as such he is or may become interested in the exercise of such voting rights in manner aforesaid.

Subject to the Companies Law and the Articles, no Director or proposed or intending Director shall be disqualified by his office from contracting with the Company, either with regard to his tenure of any office or place of profit or as vendor, purchaser or in any other manner whatsoever, nor shall any such contract or any other contract or arrangement in which any Director is in any way interested be liable to be avoided, nor shall any Director so contracting or being so interested be liable to account to the Company or the members for any remuneration, profit or other benefits realised by any such contract or arrangement by reason of such Director holding that office or the fiduciary relationship thereby established provided that such Director shall disclose the nature of his interest in any contract or arrangement in which he is interested in accordance with the following paragraph.

A Director who to his knowledge is in any way, whether directly or indirectly, interested in a contract or arrangement or proposed contract or arrangement with the Company shall declare the nature of his interest at the meeting of the board at which the question of entering into the contract or arrangement is first taken into consideration, if he knows his interest then exists, or in any other case, at the first meeting of the board after he knows that he is or has become so interested.

A Director shall not vote (nor be counted in the quorum) on any resolution of the board approving any contract or arrangement or other proposal in which he or any of his associates is materially interested, but this prohibition shall not apply to any of the following matters, namely:

- (aa) any contract or arrangement for giving to such Director or his associate(s) any security or indemnity in respect of money lent by him or any of his associates or obligations incurred or undertaken by him or any of his associates at the request of or for the benefit of the Company or any of its subsidiaries;
- (bb) any contract or arrangement for the giving of any security or indemnity to a third party in respect of a debt or obligation of the Company or any of its subsidiaries for which the Director or his associate(s) has himself/themselves assumed responsibility in whole or in part whether alone or jointly under a guarantee or indemnity or by the giving of security;
- (cc) any contract or arrangement concerning an offer of shares or debentures or other securities of or by the Company or any other company which the Company may promote or be interested in for subscription or purchase, where the Director or his associate(s) is/are or is/are to be interested as a participant in the underwriting or sub-underwriting of the offer;
- (dd) any contract or arrangement in which the Director or his associate(s) is/are interested in the same manner as other holders of shares or debentures or other securities of the Company by virtue only of his/their interest in shares or debentures or other securities of the Company;
- (ee) any contract or arrangement concerning any other company in which the Director or his associate(s) is/are interested only, whether directly or indirectly, as an officer or executive or a shareholder or in which the Director and any of his associates are not in aggregate beneficially interested in 5 percent. or more of the issued shares or of the voting rights of any class of shares of such company (or of any third company through which his interest or that of any of his associates is derived); or

- (ff) any proposal or arrangement concerning the adoption, modification or operation of a share option scheme, a pension fund or retirement, death, or disability benefits scheme or other arrangement which relates both to Directors, his associates and employees of the Company or of any of its subsidiaries and does not provide in respect of any Director, or his associate(s), as such any privilege or advantage not accorded generally to the class of persons to which such scheme or fund relates.

(vi) *Remuneration*

The ordinary remuneration of the Directors shall from time to time be determined by the Company in general meeting, such sum (unless otherwise directed by the resolution by which it is voted) to be divided amongst the Directors in such proportions and in such manner as the board may agree or, failing agreement, equally, except that any Director who shall hold office for part only of the period in respect of which such remuneration is payable shall be entitled only to rank in such division for a proportion of remuneration related to the period during which he has held office. Such remuneration shall be deemed to accrue from day to day. The Directors shall also be entitled to be prepaid or repaid all travelling, hotel and incidental expenses reasonably expected to be incurred or incurred by them in attending any board meetings, committee meetings or general meetings or separate meetings of any class of shares or of debentures of the Company or otherwise in connection with the discharge of their duties as Directors.

Any Director who, by request, goes or resides abroad for any purpose of the Company or who performs services which in the opinion of the board go beyond the ordinary duties of a Director may be paid such extra remuneration (whether by way of salary, commission, participation in profits or otherwise) as the board may determine and such extra remuneration shall be in addition to or in substitution for any ordinary remuneration provided for by or pursuant to any other Article. An executive Director appointed to be a managing director, joint managing director, deputy managing director or other executive officer shall receive such remuneration (whether by way of salary, commission or participation in profits or otherwise or by all or any of those modes) and such other benefits (including pension and/or gratuity and/or other benefits on retirement) and allowances as the board may from time to time decide, and either in addition to or in lieu of his remuneration as a Director.

The board may establish or concur or join with other companies (being subsidiary companies of the Company or companies with which it is associated in business) in establishing and making contributions out of the Company's monies to any schemes or funds for providing pensions, sickness or compassionate allowances, life assurance or other benefits for employees (which expression as used in this and the following paragraph shall include any Director or ex-Director who may hold or have held any executive office or any office of profit with the Company or any of its subsidiaries) and ex-employees of the Company and their dependents or any class or classes of such persons.

The board may pay, enter into agreements to pay or make grants of revocable or irrevocable, and either subject or not subject to any terms or conditions, pensions or other benefits to employees and ex-employees and their dependents, or to any of such persons, including pensions or benefits additional to those, if any, to which such employees or ex-employees or their dependents are or may become entitled under any such scheme or fund as is mentioned in the previous paragraph. Any such pension or benefit may, as the board considers desirable, be granted to an employee either before and in anticipation of, or upon or at any time after, his actual retirement.

(vii) *Retirement, appointment and removal*

Notwithstanding any provisions in the Articles, one third of the Directors for the time being (or if their number is not a multiple of three, then the number nearest to but not greater than one third) will retire from office by rotation provided that notwithstanding anything in the Articles, the chairman of the board and/or the managing director of the Company shall not, while holding such office, be subject to retirement by rotation or be taken into account in determining the number of Directors to retire in each year. The Directors to retire by rotation shall include (so far as necessary to ascertain the number of Directors to retire by rotation) any Director who wishes to retire and not to offer himself for re-election. Any further Directors so to retire shall be those who have been longest in office since their last re-election or appointment but as between persons who became or were last re-elected Directors on the same day those to retire will (unless they otherwise agree among themselves) be determined by lot. There are no provisions relating to retirement of Directors upon reaching any age limit.

The Directors shall have the power from time to time and at any time to appoint any person as a Director either to fill a casual vacancy on the board or as an addition to the existing board. Any Director so appointed shall hold office only until the next following annual general meeting of the Company and shall then be eligible for re-election. Neither a Director nor an alternate Director is required to hold any shares in the Company by way of qualification.

A Director may be removed by a special resolution of the Company before the expiration of his period of office notwithstanding anything in the Articles or in any agreement between the Company and such Director (but without prejudice to any claim for damages under any such agreement). A vacancy on the board created by the removal of a Director may be filled by the election or appointment by ordinary resolution the members at the meeting at which such Director is removed. Unless otherwise determined by the Company in general meeting, the number of Directors shall not be less than two. There is no maximum number of Directors.

The office or director shall be vacated:

- (aa) if he resigns his office by notice in writing delivered to the Company at the registered office of the Company for the time being or tendered at a meeting of the board;
- (bb) becomes of unsound mind or dies;
- (cc) if, without special leave of absence from the board, he is absent from meetings of the board for six (6) consecutive months, and his alternate Director, if any, shall not during such period have attended in his stead and the board resolves that his office be vacated;
- (dd) if he becomes bankrupt or has a receiving order made against him or suspends payment or compounds with his creditors;
- (ee) if he is prohibited from being a director by law;
- (ff) if he ceases to be a director by virtue of any provision of law or is removed from office pursuant to the Articles.

The board may from time to time appoint one or more of its body to be managing director, joint managing director, or deputy managing director or to hold any other employment or executive office with the Company for such period and upon such terms as the board may determine and the board may revoke or terminate any of such appointments. The board may delegate any of its powers, authorities and discretions to committees consisting of such Director or Directors and other persons as the board thinks fit, and it may from time to time revoke such delegation or revoke the appointment of and discharge any such committees either wholly or in part, and either as to persons or purposes, but every committee so formed shall, in the exercise of the powers, authorities and discretions so delegated, conform to any regulations that may from time to time be imposed upon it by the board.

(vii) *Borrowing powers*

The board may exercise all the powers of the Company to raise or borrow money, to mortgage or charge all or any part of the undertaking, property and assets (present and future) and uncalled capital of the Company and, subject to the Companies Law, to issue debentures, bonds and other securities of the Company, whether outright or as collateral security for any debt, liability or obligation of the Company or of any third party.

(viii) Proceedings of the Board

The board may meet for the despatch of business, adjourn and otherwise regulate their meetings as they think fit. Questions arising at any meeting shall be determined by a majority of votes. In the case of an equality of votes, the chairman of the meeting shall have an additional or casting vote.

(ix) Register of Directors and Officers

The Companies Law and the Articles provide that the Company is required to maintain at its registered office a register of directors and officers which is not available for inspection by the public. A copy of such register must be filed with the Registrar of Companies in the Cayman Islands and any change must be notified to the Registrar within 30 days of any change in such directors or officers.

(b) Alterations to constitutional documents

The Articles may be rescinded, altered or amended by the Company in general meeting by special resolution. The Articles state that a special resolution shall be required to alter the provisions of the Memorandum or to change the name of the Company.

(c) Alteration of capital

The Company may from time to time by ordinary resolution in accordance with the relevant provisions of the Companies Law:

- (i) increase its capital by such sum, to be divided into shares of such amounts as the resolution shall prescribe;
- (ii) consolidate and divide all or any of its capital into shares of larger amount than its existing shares.
- (iii) divide its shares into several classes and without prejudice to any special rights previously conferred on the holders of existing shares as the directors may determine;
- (iv) sub-divide its shares or any of them into shares of smaller amount than is fixed by the Memorandum, subject nevertheless to the provisions of the Companies Law, and so that the resolution whereby any share is sub-divided may determine that, as between the holders of the shares resulting from such sub-division, one or more of the shares may have any such preferred or other special rights, over, or may have such deferred rights or be subject to any such restrictions as compared with the others as the Company has power to attach to unissued or new shares.

- (v) cancel any shares which, at the date of passing of the resolution, have not been taken, or agreed to be taken, by any person, and diminish the amount of its capital by the amount of the shares so cancelled.

The Company may from time to time by special resolution, subject to any confirmation or consent required by the Companies Law, reduce its share capital or capital redemption reserve or other undistributable reserve in any manner permitted by law.

(d) Variation of rights of existing shares or classes of shares

Subject to the Companies Law, all or any of the special rights attached to the shares or any class of shares may, unless otherwise provided for by the terms of issue of that class, from time to time (whether or not the Company is being wound up) be varied, modified or abrogated either with the consent in writing of the holders of not less than three-fourths in nominal value of the issued shares of that class or with the sanction of a special resolution passed at a separate general meeting of the holders of the shares of that class. To every such separate general meeting the provisions of the Articles relating to general meetings will *mutatis mutandis* apply, but so that the necessary quorum (other than at an adjourned meeting) shall be two persons holding or representing by proxy not less than one-third in nominal value of the issued shares of that class and at any adjourned meeting two holders present in person or by proxy whatever the number of shares held by them shall be a quorum. Every holder of shares of the class shall be entitled on a poll to one vote for every such share held by him, and any holder of shares of the class present in person or by proxy may demand a poll.

The special rights conferred upon the holders of any shares or class of shares shall not, unless otherwise expressly provided in the rights attaching to the terms of issue of such shares, be deemed to be varied by the creation or issue of further shares ranking *pari passu* therewith.

(e) Special resolution-majority required

Pursuant to the Articles, a special resolution of the Company must be passed by a majority of not less than three-fourths of the votes cast by such members as, being entitled so to do, vote in person or, in the case of such members as are corporations, by their duly authorised representatives or, where proxies are allowed, by proxy at a general meeting of which not less than 21 clear days' notice, specifying the intention to propose the resolution as a special resolution, has been duly given. Provided that, except in the case of an annual general meeting, if it is so agreed by a majority in number of the members having a right to attend and vote at such meeting, being a majority together holding not less than 95 per cent. in nominal value of the shares giving that right and, in the case of an annual general meeting, if so agreed by all Members entitled to attend and vote thereat, a resolution may be proposed and passed as a special resolution at a meeting of which less than 21 clear days' notice has been given.

A copy of any special resolution must be forwarded to the Registrar of Companies in the Cayman Islands within 15 days of being passed.

An ordinary resolution is defined in the Articles to mean a resolution passed by a simple majority of the votes of such members of the Company as, being entitled to do so, vote in person or, in the case of corporations, by their duly authorised representatives or, where proxies are allowed, by proxy at a general meeting held in accordance with the Articles.

(f) Voting rights (generally and on a poll) and right to demand a poll

Subject to any special rights or restrictions as to voting for the time being attached to any shares by or in accordance with the Articles, at any general meeting on a show of hands, every member who is present in person or by proxy or being a corporation, is present by its duly authorised representative shall have one vote and on a poll every member present in person or by proxy or, in the case of a member being a corporation, by its duly authorised representative shall have one vote for every fully paid share of which he is the holder but so that no amount paid up or credited as paid up on a share in advance of calls or installments is treated for the foregoing purposes as paid up on the share. Notwithstanding anything contained in the Articles, where more than one proxy is appointed by a member which is a clearing house (or its nominee), each such proxy shall have one vote on a show of hands. On a poll, a member entitled to more than one vote need not use all his votes or cast all the votes he uses in the same way.

At any general meeting a resolution put to the vote of the meeting is to be decided on a show of hands unless (before or on the declaration of the result of the show of hands or on the withdrawal of any other demand for a poll) a poll is demanded by (i) the chairman of the meeting or (ii) at least three members present in person or, in the case of a member being a corporation, by its duly authorised representative or by proxy for the time being entitled to vote at the meeting or (iii) any member or members present in person or, in the case of a member being a corporation, by its duly authorised representative or by proxy and representing not less than one-tenth of the total voting rights of all the members having the right to vote at the meeting or (iv) a member or members present in person or, in the case of a member being a corporation, by its duly authorised representative or by proxy and holding shares in the Company conferring a right to vote at the meeting being shares on which an aggregate sum has been paid equal to not less than one-tenth of the total sum paid up on all the shares conferring that right.

If a clearing house (or its nominees), being a corporation, is a member of the Company, it may authorize such persons as it thinks fit to act as its representatives at any meeting of the Company or at any meeting of any class of members of the Company provided that the authorization shall specify the number and class of shares in respect of which each such representative is so authorized. Each person so authorized shall be deemed to have been duly authorized without further evidence of the facts and be entitled to exercise the same rights and powers on behalf of the clearing house (or its nominees) as if such person was the registered holder of the shares of the company held by the clearing house (or its nominees) including the right to vote individually on a show of hands.

(g) Requirements for annual general meetings

An annual general meeting of the Company must be held in each year, other than the year of incorporation (within a period of not more than 15 months after the holding of the last preceding annual general meeting or not more than 18 months after the date of incorporation, unless a longer period would not infringe the rules of any Designated Stock Exchange (as defined in the Articles)) at such time and place as may be determined by the board.

(h) Accounts and audit

The board shall cause true accounts to be kept of the sums of money received and expended by the Company, and the matters in respect of which such receipt and expenditure take place, and of the property, assets, credits and liabilities of the Company and of all other matters required by the Companies Law or necessary to give a true and fair view of the Company's affairs and to explain its transactions.

The accounting records shall be kept at the registered office or at such other place or places as the board decides and shall always be open to inspection by any Director. No member (other than a Director) shall have any right to inspect any accounting record or book or document of the Company except as conferred by law or authorised by the board or the Company in general meeting.

A printed copy of the Directors' report, accompanied by the balance sheet and profit and loss account, including every document required by law to be annexed thereto, made up to the end of the applicable financial year and containing a summary of the assets and liabilities of the Company under convenient heads and a statement of income and expenditure, together with a copy of the Auditors' report, shall be sent to each person entitled thereto at least twenty-one (21) days before the date of the general meeting and laid before the Company at the annual general meeting held in accordance with the Articles provided that the foregoing shall not require a copy of those documents to be sent to any person whose address the Company is not aware of or to more than one of the joint holders of any shares or debentures.

At the annual general meeting or at a subsequent extraordinary general meeting in each year, the members shall appoint an auditor to audit the accounts of the Company and such auditor shall hold office until the members appoint another auditor. Such auditor may be a member but no Director or officer or employee of the Company shall, during his continuance in office, be eligible to act as an auditor of the Company.

The financial statements of the Company shall be audited by the auditor in accordance with generally accepted auditing standards. The auditor shall make a written report thereon in accordance with generally accepted auditing standards and the report of the auditor shall be submitted to the members in general meeting. The generally accepted auditing standards referred to herein may be those of a country or jurisdiction other than the Cayman Islands. If so, the financial statements and the report of the auditor should disclose this fact and name such country or jurisdiction.

(i) Notices of meetings and business to be conducted thereat

An annual general meeting and any extraordinary general meeting at which it is proposed to pass a special resolution shall (save as set out in sub-paragraph (e) above) be called by at least 21 clear days' notice in writing, and any other extraordinary general meeting shall be called by at least 14 clear days' notice (in each case exclusive of the day on which the notice is served or deemed to be served and of the day for which it is given). The notice must specify the time and place of the meeting and, in the case of special business, the general nature of that business. In addition notice of every general meeting shall be given to all members of the Company other than such as, under the provisions of the Articles or the terms of issue of the shares they hold, are not entitled to receive such notices from the Company, and also to the auditors for the time being of the Company.

Notwithstanding that a meeting of the Company is called by shorter notice than that mentioned above, it shall be deemed to have been duly called if it is so agreed:

- (i) in the case of a meeting called as an annual general meeting, by all members of the Company entitled to attend and vote thereat; and
- (ii) in the case of any other meeting, by a majority in number of the members having a right to attend and vote at the meeting, being a majority together holding not less than 95 per cent in nominal value of the issued shares giving that right.

All business shall be deemed special that is transacted at an extraordinary general meeting and also all business shall be deemed special that is transacted at an annual general meeting with the exception of the following, which shall be deemed ordinary business:

- (aa) the declaration and sanctioning of dividends;
- (bb) the consideration and adoption of the accounts and balance sheet and the reports of the directors and the auditors;
- (cc) the election of directors in place of those retiring;
- (dd) the appointment of auditors and other officers;

- (ee) the fixing of the remuneration of the directors and of the auditors; and
- (ff) the granting of any mandate or authority to the directors to offer, allot, grant options over or otherwise dispose of the unissued shares of the Company representing not more than 20 per cent in nominal value of its existing issued share capital.

(j) Transfer of shares

All transfers of shares may be effected by an instrument of transfer in the usual or common form or in such other form as the board may approve and which may be under hand or, if the transferor or transferee is a clearing house or its nominees(s), by hand or by machine imprinted signature or by such other manner of execution as the board may approve from time to time. The instrument of transfer shall be executed by or on behalf of the transferor and the transferee provided that the board may dispense with the execution of the instrument of transfer by the transferee in any case in which it thinks fit, in its discretion, to do so and the transferor shall be deemed to remain the holder of the share until the name of the transferee is entered in the register of members in respect thereof. The board may also resolve either generally or in any particular case, upon request by either the transferor or the transferee, to accept mechanically executed transfers.

The board in so far as permitted by any applicable law may, in its absolute discretion, at any time and from time to time transfer any share upon the principal register to any branch register or any share on any branch register to the principal register or any other branch register.

Unless the board otherwise agrees, no shares on the principal register shall be transferred to any branch register nor may shares on any branch register be transferred to the principal register or any other branch register. All transfers and other documents of title shall be lodged for registration and registered, in the case of shares on a branch register, at the relevant registration office and, in the case of shares on the principal register, at the registered office in the Cayman Islands or such other place at which the principal register is kept in accordance with the Companies Law.

The board may, in its absolute discretion, and without assigning any reason, refuse to register a transfer of any share (not being a fully paid up share) to a person of whom it does not approve or any share issued under any share incentive scheme for employees upon which a restriction on transfer imposed thereby still subsists, and it may also refuse to register any transfer of any share to more than four joint holders or any transfer of any share (not being a fully paid up share) on which the Company has a lien.

The board may decline to recognise any instrument of transfer unless a fee of such maximum sum as any Designated Stock Exchange (as defined in the Articles) may determine to be payable or such lesser sum as the Directors may from time to time require is paid to the Company in respect thereof, the instrument of transfer, if applicable, is properly stamped, is in respect of only one class of share and is lodged at the relevant registration office or registered office or such other place at which the principal register is kept accompanied by the relevant share certificate(s) and such other evidence as the board may reasonably require to show the right of the transferor to make the transfer (and if the instrument of transfer is executed by some other person on his behalf, the authority of that person so to do).

The registration of transfers may be suspended and the register closed on giving notice by advertisement in an appointed newspaper or any other newspapers or by electronic means in accordance with the requirements of any Designated Stock Exchange (as defined in the Articles) to that effect be suspended at such times and for such periods (not exceeding in the whole thirty (30) days in any year) as the board may determine.

(k) Power for the Company to purchase its own shares

Subject to the Companies Law, the Memorandum and the Articles and, where applicable, the rules of any Designated Stock Exchange (as defined in the Articles) and/or any competent regulatory authority, any power of the Company to purchase or otherwise acquire its own shares shall be exercisable by the board in such manner, upon such terms and subject to such conditions as it thinks fit.

(l) Power for any subsidiary of the Company to own shares in the Company

There are no provisions in the Articles relating to ownership of shares in the Company by a subsidiary.

(m) Dividends and other methods of distribution

Subject to the Companies Law, the Company in general meeting may declare dividends in any currency to be paid to the members but no dividend shall be declared in excess of the amount recommended by the board.

The Articles provide dividends may be declared and paid out of the profits of the Company, realised or unrealised, or from any reserve set aside from profits which the directors determine is no longer needed. With the sanction of an ordinary resolution dividends may also be declared and paid out of share premium account or any other fund or account which can be authorised for this purpose in accordance with the Companies Law.

Except in so far as the rights attaching to, or the terms of issue of, any share may otherwise provide, (i) all dividends shall be declared and paid according to the amounts paid up on the shares in respect whereof the dividend is paid but no amount paid up on a share in advance of calls shall for this purpose be treated as paid up on the share and (ii) all dividends shall be apportioned and paid pro rata according to the amount paid up on the shares during any portion or portions of the period in respect of which the dividend is paid. The Directors may deduct from any dividend or other monies payable to any member or in respect of any shares all sums of money (if any) presently payable by him to the Company on account of calls or otherwise.

Whenever the board or the Company in general meeting has resolved that a dividend be paid or declared on the share capital of the Company, the board may further resolve either (a) that such dividend be satisfied wholly or in part in the form of an allotment of shares credited as fully paid up, provided that the shareholders entitled thereto will be entitled to elect to receive such dividend (or part thereof) in cash in lieu of such allotment, or (b) that shareholders entitled to such dividend will be entitled to elect to receive an allotment of shares credited as fully paid up in lieu of the whole or such part of the dividend as the board may think fit. The Company may also upon the recommendation of the board by an ordinary resolution resolve in respect of any one particular dividend of the Company that it may be satisfied wholly in the form of an allotment of shares credited as fully paid up without offering any right to shareholders to elect to receive such dividend in cash in lieu of such allotment.

Any dividend, interest or other sum payable in cash to the holder of shares may be paid by cheque or warrant sent through the post addressed to the holder at his registered address, or in the case of joint holders, addressed to the holder whose name stands first in the register of the Company in respect of the shares at his address as appearing in the register or addressed to such person and at such addresses as the holder or joint holders may in writing direct. Every such cheque or warrant shall, unless the holder or joint holders otherwise direct, be made payable to the order of the holder or, in the case of joint holders, to the order of the holder whose name stands first on the register in respect of such shares, and shall be sent at his or their risk and payment of the cheque or warrant by the bank on which it is drawn shall constitute a good discharge to the Company. Any one of two or more joint holders may give effectual receipts for any dividends or other moneys payable or property distributable in respect of the shares held by such joint holders.

Whenever the board or the Company in general meeting has resolved that a dividend be paid or declared the board may further resolve that such dividend be satisfied wholly or in part by the distribution of specific assets of any kind.

All dividends or bonuses unclaimed for one year after having been declared may be invested or otherwise made use of by the board for the benefit of the Company until claimed and the Company shall not be constituted a trustee in respect thereof. All dividends or bonuses unclaimed for six years after having been declared may be forfeited by the board and shall revert to the Company.

No dividend or other monies payable by the Company on or in respect of any share shall bear interest against the Company.

(n) Proxies

Any member of the Company entitled to attend and vote at a meeting of the Company is entitled to appoint another person as his proxy to attend and vote instead of him. A member who is the holder of two or more shares may appoint more than one proxy to represent him and vote on his behalf at a general meeting of the Company or at a class meeting. A proxy need not be a member of the Company and shall be entitled to exercise the same powers on behalf of a member who is an individual and for whom he acts as proxy as such member could exercise. In addition, a proxy or proxies representing either a Member who is an individual or a Member which is a corporation shall be entitled to exercise the same powers on behalf of the Member which he or they represent as such Member could exercise. On a poll or on a show of hands, votes may be given either personally (or, in the case of a member being a corporation, by its duly authorised representative) or by proxy.

(o) Call on shares and forfeiture of shares

Subject to the Articles and to the terms of allotment, the board may from time to time make such calls upon the members in respect of any monies unpaid on the shares held by them respectively (whether on account of the nominal value of the shares or by way of premium). A call may be made payable either in one lump sum or by installments. If the sum payable in respect of any call or instalment is not paid on or before the day appointed for payment thereof, the person or persons from whom the sum is due shall pay interest on the same at such rate not exceeding 20 per cent. per annum as the board may agree to accept from the day appointed for the payment thereof to the time of actual payment, but the board may waive payment of such interest wholly or in part. The board may, if it thinks fit, receive from any member willing to advance the same, either in money or money's worth, all or any part of the monies uncalled and unpaid or installments payable upon any shares held by him, and upon all or any of the monies so advanced the Company may pay interest at such rate (if any) as the board may decide.

If a member fails to pay any call on the day appointed for payment thereof, the board may serve not less than 14 clear days' notice on him requiring payment of so much of the call as is unpaid, together with any interest which may have accrued and which may still accrue up to the date of actual payment and stating that, in the event of non-payment at or before the time appointed, the shares in respect of which the call was made will be liable to be forfeited.

If the requirements of any such notice are not complied with, any share in respect of which the notice has been given may at any time thereafter, before the payment required by the notice has been made, be forfeited by a resolution of the board to that effect. Such forfeiture will include all dividends and bonuses declared in respect of the forfeited share and not actually paid before the forfeiture.

A person whose shares have been forfeited shall cease to be a member in respect of the forfeited shares but shall, notwithstanding, remain liable to pay to the Company all monies which, at the date of forfeiture, were payable by him to the Company in respect of the shares, together with (if the board shall in its discretion so require) interest thereon from the date of forfeiture until the date of actual payment at such rate not exceeding 20 per cent. per annum as the board determines.

(p) Inspection of register of members

The register and branch register of members shall be open to inspection between 10 a.m. and 12 noon on every business day by members of the Company without charge or by any other person, upon a maximum payment of HK\$2.50, at the registered office or such other place in the Cayman Islands at which the register is kept in accordance with the Companies Law.

(q) Quorum for meetings and separate class meetings

No business shall be transacted at any general meeting unless a quorum is present when the meeting proceeds to business, but the absence of a quorum shall not preclude the appointment of a chairman.

Save as otherwise provided by the Articles the quorum for a general meeting shall be two members present in person (or, in the case of a member being a corporation, by its duly authorised representative) or by proxy and entitled to vote. In respect of a separate class meeting (other than an adjourned meeting) convened to sanction the modification of class rights the necessary quorum shall be two persons holding or representing by proxy not less than one-third in nominal value of the issued shares of that class.

A corporation being a member shall be deemed for the purpose of the Articles to be present in person if represented by its duly authorised representative being the person appointed by resolution of the directors or other governing body of such corporation to act as its representative at the relevant general meeting of the Company or at any relevant general meeting of any class of members of the Company.

(r) Rights of the minorities in relation to fraud or oppression

There are no provisions in the Articles relating to rights of minority shareholders in relation to fraud or oppression. However, certain remedies are available to shareholders of the Company under Cayman law, as summarised in paragraph 4(f) of this Appendix.

(s) Procedures on liquidation

A resolution that the Company be wound up by the court or be wound up voluntarily shall be a special resolution.

Subject to any special rights, privileges or restrictions as to the distribution of available surplus assets on liquidation for the time being attached to any class or classes of shares (i) if the Company shall be wound up and the assets available for distribution amongst the members of the Company shall be more than sufficient to repay the whole of the capital paid up at the commencement of the winding up, the excess shall be distributed *pari passu* amongst such members in proportion to the amount paid up on the shares held by them respectively and (ii) if the Company shall be wound up and the assets available for distribution amongst the members as such shall be insufficient to repay the whole of the paid-up capital, such assets shall be distributed so that, as nearly as may be, the losses shall be borne by the members in proportion to the capital paid up, or which ought to have been paid up, at the commencement of the winding up on the shares held by them respectively.

If the Company shall be wound up (whether the liquidation is voluntary or by the court) the liquidator may, with the authority of a special resolution and any other sanction required by the Companies Law divide among the members in specie or kind the whole or any part of the assets of the Company whether the assets shall consist of property of one kind or shall consist of properties of different kinds and the liquidator may, for such purpose, set such value as he deems fair upon any one or more class or classes of property to be divided as aforesaid and may determine how such division shall be carried out as between the members or different classes of members. The liquidator may, with the like authority, vest any part of the assets in trustees upon such trusts for the benefit of members as the liquidator, with the like authority, shall think fit, but so that no contributory shall be compelled to accept any shares or other property in respect of which there is a liability.

(t) Untraceable members

Pursuant to the Articles, the Company may sell any of the shares of a member who is untraceable if (i) all cheques or warrants (being not less than three in total number) for any sum payable in cash to the holder of such shares have remained uncashed for a period of 12 years; (ii) upon the expiry of the 12 year period, the Company has not during that time received any indication of the existence of the member; and (iii) the Company has caused an advertisement to be published in accordance with the rules of the Designated Stock Exchange (as defined in the Articles) giving notice of its intention to sell such shares and a period of three months, or such shorter period as may be permitted by the Designated Stock Exchange (as defined in the Articles), has elapsed since such advertisement and the Designated Stock Exchange (as defined in the Articles) has been notified of such intention. The net proceeds of any such sale shall belong to the Company and upon receipt by the Company of such net proceeds, it shall become indebted to the former member of the Company for an amount equal to such net proceeds.

(u) Subscription rights reserve

The Articles provide that to the extent that it is not prohibited by and is in compliance with the Companies Law, if warrants to subscribe for shares have been issued by the Company and the Company does any act or engages in any transaction which would result in the subscription price of such warrants being reduced below the par value of a share, a subscription rights reserve shall be established and applied in paying up the difference between the subscription price and the par value of a share on any exercise of the warrants.

3. CAYMAN ISLANDS COMPANY LAW

The Company is incorporated in the Cayman Islands subject to the Companies Law and, therefore, operates subject to Cayman law. Set out below is a summary of certain provisions of Cayman company law, although this does not purport to contain all applicable qualifications and exceptions or to be a complete review of all matters of Cayman company law and taxation, which may differ from equivalent provisions in jurisdictions with which interested parties may be more familiar:

(a) Operations

As an exempted company, the Company's operations must be conducted mainly outside the Cayman Islands. The Company is required to file an annual return each year with the Registrar of Companies of the Cayman Islands and pay a fee which is based on the amount of its authorised share capital.

(b) Share capital

The Companies Law provides that where a company issues shares at a premium, whether for cash or otherwise, a sum equal to the aggregate amount of the value of the premiums on those shares shall be transferred to an account, to be called the "share premium account". At the option of a company, these provisions may not apply to premiums on shares of that company allotted pursuant to any arrangement in consideration of the acquisition or cancellation of shares in any other company and issued at a premium. The Companies Law provides that the share premium account may be applied by the company subject to the provisions, if any, of its memorandum and articles of association in (a) paying distributions or dividends to members; (b) paying up unissued shares of the company to be issued to members as fully paid bonus shares; (c) the redemption and repurchase of shares (subject to the provisions of section 37 of the Companies Law); (d) writing-off the preliminary expenses of the company; (e) writing-off the expenses of, or the commission paid or discount allowed on, any issue of shares or debentures of the company; and (f) providing for the premium payable on redemption or purchase of any shares or debentures of the company.

No distribution or dividend may be paid to members out of the share premium account unless immediately following the date on which the distribution or dividend is proposed to be paid, the company will be able to pay its debts as they fall due in the ordinary course business.

The Companies Law provides that, subject to confirmation by the Grand Court of the Cayman Islands (the “Court”), a company limited by shares or a company limited by guarantee and having a share capital may, if so authorised by its articles of association, by special resolution reduce its share capital in any way.

The Articles includes certain protections for holders of special classes of shares, requiring their consent to be obtained before their rights may be varied. The consent of the specified proportions of the holders of the issued shares of that class or the sanction of a resolution passed at a separate meeting of the holders of those shares is required.

(c) Financial assistance to purchase shares of a company or its holding company

Subject to all applicable laws, the Company may give financial assistance to Directors and employees of the Company, its subsidiaries, its holding company or any subsidiary of such holding company in order that they may buy Shares in the Company or shares in any subsidiary or holding company. Further, subject to all applicable laws, the Company may give financial assistance to a trustee for the acquisition of Shares in the Company or shares in any such subsidiary or holding company to be held for the benefit of employees of the Company, its subsidiaries, any holding company of the Company or any subsidiary of any such holding company (including salaried Directors).

There is no statutory restriction in the Cayman Islands on the provision of financial assistance by a company to another person for the purchase of, or subscription for, its own or its holding company’s shares. Accordingly, a company may provide financial assistance if the directors of the company consider, in discharging their duties of care and acting in good faith, for a proper purpose and in the interests of the company, that such assistance can properly be given. Such assistance should be on an arm’s-length basis.

(d) Purchase of shares and warrants by a company and its subsidiaries

Subject to the provisions of the Companies Law, a company limited by shares or a company limited by guarantee and having a share capital may, if so authorised by its articles of association, issue shares which are to be redeemed or are liable to be redeemed at the option of the company or a shareholder. In addition, such a company may, if authorised to do so by its articles of association, purchase its own shares, including any redeemable shares. However, if the articles of association do not authorise the manner or purchase, a company cannot purchase any of its own shares unless the manner of purchase has first been authorised by an ordinary resolution of the company. At no time may a company

redeem or purchase its shares unless they are fully paid. A company may not redeem or purchase any of its shares if, as a result of the redemption or purchase, there would no longer be any member of the company holding shares. A payment out of capital by a company for the redemption or purchase of its own shares is not lawful unless immediately following the date on which the payment is proposed to be made, the company shall be able to pay its debts as they fall due in the ordinary course of business.

A company is not prohibited from purchasing and may purchase its own warrants subject to and in accordance with the terms and conditions of the relevant warrant instrument or certificate. There is no requirement under Cayman Islands law that a company's memorandum or articles of association contain a specific provision enabling such purchases and the directors of a company may rely upon the general power contained in its memorandum of association to buy and sell and deal in personal property of all kinds.

Under Cayman Islands law, a subsidiary may hold shares in its holding company and, in certain circumstances, may acquire such shares.

(e) Dividends and distributions

With the exception of section 34 of the Companies Law, there is no statutory provisions relating to the payment of dividends. Based upon English case law, which is regarded as persuasive in the Cayman Islands, dividends may be paid only out of profits. In addition, section 34 of the Companies Law permits, subject to a solvency test and the provisions, if any, of the company's memorandum and articles of association, the payment of dividends and distributions out of the share premium account (see paragraph 2(m) above for further details).

(f) Protection of minorities

The Cayman Islands courts ordinarily would be expected to follow English case law precedents which permit a minority shareholder to commence a representative action against or derivative actions in the name of the company to challenge (a) an act which is ultra vires the company or illegal, (b) an act which constitutes a fraud against the minority and the wrongdoers are themselves in control of the company, and (c) an irregularity in the passing of a resolution which requires a qualified (or special) majority.

In the case of a company (not being a bank) having a share capital divided into shares, the Court may, on the application of members holding not less than one fifth of the shares of the company in issue, appoint an inspector to examine into the affairs of the company and to report thereon in such manner as the Court shall direct.

Any shareholder of a company may petition the Court which may make a winding up order if the Court is of the opinion that it is just and equitable that the company should be wound up or, as an alternative to a winding up order, (a) an order regulating the conduct of the company's affairs in the future, (b) an order requiring the company to refrain from doing or continuing an act complained of by the shareholder petitioner or to do an act which the shareholder petitioner has complained it has omitted to do, (c) an order authorising civil proceedings to be brought in the name and on behalf of the company by the shareholder petitioner on such terms as the Court may direct, or (d) an order providing for the purchase of the shares of any shareholders of the company by other shareholders or by the company itself and, in the case of a purchase by the company itself, a reduction of the company's capital accordingly.

Generally claims against a company by its shareholders must be based on the general laws of contract or tort applicable in the Cayman Islands or their individual rights as shareholders as established by the company's memorandum and articles of association.

(g) Management

The Companies Law contains no specific restrictions on the power of directors to dispose of assets of a company. However, as a matter of general law, every officer of a company, which includes a director, managing director and secretary, in exercising his powers and discharging his duties must do so honestly and in good faith with a view to the best interests of the company and exercise the care, diligence and skill that a reasonably prudent person would exercise in comparable circumstances.

(h) Accounting and auditing requirements

A company shall cause proper books of account to be kept with respect to (i) all sums of money received and expended by the company and the matters in respect of which the receipt and expenditure takes place; (ii) all sales and purchases of goods by the company; and (iii) the assets and liabilities of the company.

Proper books of account shall not be deemed to be kept if there are not kept such books as are necessary to give a true and fair view of the state of the company's affairs and to explain its transactions.

(i) Exchange control

There are no exchange control regulations or currency restrictions in the Cayman Islands.

(j) Taxation

Pursuant to section 6 of the Tax Concessions Law (1999 Revision) of the Cayman Islands, the Company has obtained an undertaking from the Governor-in-Cabinet:

- (1) that no law which is enacted in the Cayman Islands imposing any tax to be levied on profits, income, gains or appreciation shall apply to the Company or its operations; and
- (2) that the aforesaid tax or any tax in the nature of estate duty or inheritance tax shall not be payable on or in respect of the shares, debentures or other obligations of the Company.

The undertaking for the Company is for a period of twenty years from 9 May, 2000.

The Cayman Islands currently levy no taxes on individuals or corporations based upon profits, income, gains or appreciations and there is no taxation in the nature of inheritance tax or estate duty. There are no other taxes likely to be material to the Company levied by the Government of the Cayman Islands save certain stamp duties which may be applicable, from time to time, on certain instruments executed in or brought within the jurisdiction of the Cayman Islands. The Cayman Islands are not party to any double tax treaties.

(k) Stamp duty on transfers

No stamp duty is payable in the Cayman Islands on transfers of shares of Cayman Islands companies except those which hold interests in land in the Cayman Islands.

(l) Loans to directors

There is no express provision in the Companies Law prohibiting the making of loans by a company to any of its directors.

(m) Inspection of corporate records

Members of the Company will have no general right under the Companies Law to inspect or obtain copies of the register of members or corporate records of the Company. They will, however, have such rights as may be set out in the Company's Articles.

An exempted company may, subject to the provisions of its articles of association, maintain its principal register of members and any branch registers at such locations, whether within or without the Cayman Islands, as the directors may, from time to time, think fit. There is no requirement under the Companies Law for an exempted company to make any returns of members to the Registrar of Companies of the Cayman Islands. The names and addresses of the members are, accordingly, not a matter of public record and are not available for public inspection.

(n) Winding up

A company may be wound up compulsorily by order of the Court; voluntarily; or, under supervision of the Court. The Court has authority to order winding up in a number of specified circumstances including where it is, in the opinion of the Court, just and equitable to do so.

A company may be wound up voluntarily when the members so resolve in general meeting by special resolution, or, in the case of a limited duration company, when the period fixed for the duration of the company by its memorandum expires, or the event occurs on the occurrence of which the memorandum provides that the company is to be dissolved, or, the company does not commence business for a year from its incorporation (or suspends its business for a year), or, the company is unable to pay its debts. In the case of a voluntary winding up, such company is obliged to cease to carry on its business from the time of passing the resolution for voluntary winding up or upon the expiry of the period or the occurrence of the event referred to above.

For the purpose of conducting the proceedings in winding up a company and assisting the Court, there may be appointed one or more than one person to be called an official liquidator or official liquidators; and the Court may appoint to such office such qualified person or persons, either provisionally or otherwise, as it thinks fit, and if more persons than one are appointed to such office, the Court shall declare whether any act hereby required or authorised to be done by the official liquidator is to be done by all or any one or more of such persons. The Court may also determine whether any and what security is to be given by an official liquidator on his appointment; if no official liquidator is appointed, or during any vacancy in such office, all the property of the company shall be in the custody of the Court. A person shall be qualified to accept an appointment as an official liquidator if he is duly qualified in terms of the Insolvency Practitioners Regulations. A foreign practitioner may be appointed to act jointly with a qualified insolvency practitioner.

In the case of a members' voluntary winding up of a company, the company in general meeting must appoint one or more liquidators for the purpose of winding up the affairs of the company and distributing its assets. A declaration of solvency must be signed by all the directors of a company being voluntarily wound up within twenty-eight (28) days of the commencement of the liquidation, failing which, its liquidator must apply to Court for an order that the liquidation continue under the supervision of the Court.

Upon the appointment of a liquidator, the responsibility for the company's affairs rests entirely in his hands and no future executive action may be carried out without his approval. A liquidator's duties are to collect the assets of the company (including the amount (if any) due from the contributories), settle the list of creditors and, subject to the rights of preferred and secured creditors and to any subordination agreements or rights of set-off or netting of claims, discharge the company's liability to them (pari passu if insufficient assets exist to discharge the liabilities in full) and to settle the list of contributories (shareholders) and divide the surplus assets (if any) amongst them in accordance with the rights attaching to the shares.

As soon as the affairs of the company are fully wound up, the liquidator must make up an account of the winding up, showing how the winding up has been conducted and the property of the company has been disposed of, and thereupon call a general meeting of the company for the purposes of laying before it the account and giving an explanation thereof. At least twenty-one (21) days before the final meeting, the liquidator shall send a notice specifying the time, place and object of the meeting to each contributory in any manner authorised by the company's articles of association and published in the Gazette in the Cayman Islands.

(o) Reconstructions

There are statutory provisions which facilitate reconstructions and amalgamations approved by a majority in number representing seventy-five per cent. (75%) in value of shareholders or class of shareholders or creditors, as the case may be, as are present at a meeting called for such purpose and thereafter sanctioned by the Court. Whilst a dissenting shareholder would have the right to express to the Court his view that the transaction for which approval is sought would not provide the shareholders with a fair value for their shares, the Court is unlikely to disapprove the transaction on that ground alone in the absence of evidence of fraud or bad faith on behalf of management.

(p) Compulsory acquisition

Where an offer is made by a company for the shares of another company and, within four (4) months of the offer, the holders of not less than ninety per cent. (90%) of the shares which are the subject of the offer accept, the offeror may at any time within two (2) months after the expiration of the said four (4) months, by notice in the prescribed manner require the dissenting shareholders to transfer their shares on the terms of the offer. A dissenting shareholder may apply to the Court within one (1) month of the notice objecting to the transfer. The burden is on the dissenting shareholder to show that the Court should exercise its discretion, which it will be unlikely to do unless there is evidence of fraud or bad faith or collusion as between the offeror and the holders of the shares who have accepted the offer as a means of unfairly forcing out minority shareholders.

(q) Indemnification

Cayman Islands law does not limit the extent to which a company's articles of association may provide for indemnification of officers and directors, except to the extent any such provision may be held by the court to be contrary to public policy (e.g. for purporting to provide indemnification against the consequences of committing a crime).

4. GENERAL

Any person wishing to have a detailed summary of Cayman Islands company law or advice on the differences between it and the laws of any jurisdiction with which he is more familiar is recommended to seek independent legal advice.

1. RESPONSIBILITY STATEMENT

This circular, for which the Directors collectively and individually accept full responsibility, includes particulars given in compliance with the GEM Listing Rules for the purpose of giving information with regard to the Company. The Directors, having made all reasonable enquiries, confirm that, to the best of their knowledge and belief: (1) the information contained in this circular (other than information relating to WS) 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 circular (other than information relating to WS) misleading; and (3) all opinions expressed in this circular (other than those expressed by WS) have been arrived at after due and careful consideration and are founded on bases and assumptions that are fair and reasonable.

This circular includes particulars given in compliance with the GEM Listing Rules and the Takeovers Code for the purpose of giving information with regard to the Group. The Directors jointly and severally accept full responsibility for the accuracy of the information contained in this circular (other than information relating to WS) and confirm, having made all reasonable enquiries, that to the best of their knowledge, opinion expressed in this circular (other than those expressed by WS) have been arrived at after due and careful consideration and there are no other facts not contained in this circular, the omission of which would make any statement (other than those relating to WS) in this circular misleading.

The sole director of WS accepts full responsibility for the accuracy of the information relating to WS contained in this circular and confirms, having made all reasonable enquiries, that to the best of his knowledge, opinions expressed in this circular by WS have been arrived at after due and careful consideration and there are no other facts not contained in this circular the omission of which would make any statement relating to WS contained in this circular misleading.

2. SHARE CAPITAL

Share capital

(a) Share capital as at the Latest Practicable Date

<i>Authorised:</i>		<i>HK\$</i>
<u>4,000,000,000</u>	Shares	<u>200,000,000</u>
<i>Issued and fully paid:</i>		
<u>109,190,000</u>	Shares	<u>5,459,500</u>

(b) Share capital upon the completion of the Rights Issue

<i>Authorised:</i>		<i>HK\$</i>
<u>4,000,000,000</u>	Shares	<u>200,000,000</u>
<i>Issued and fully paid:</i>		
109,190,000	Shares as at the Latest Practicable Date	5,459,500
218,380,000	Rights Shares to be issued pursuant to the Rights Issue	10,919,000
<u>327,570,000</u>	Shares upon completion of the Rights Issue	<u>16,378,500</u>

No Share had been issued since 31 March 2009 (the date to which the latest audited consolidated financial statements of the Company were made up) and up to the Latest Practicable Date.

All the issued Shares rank pari passu with each other in all respects including the rights as to voting, dividends and return of capital. The Rights Shares to be allotted and issued will, when issued and fully paid, rank pari passu in all respects with the existing Shares.

As at the Latest Practicable Date, the Company did not have any pre-existing obligation to issue any Shares or any outstanding share options, derivatives or securities which are convertible or exchangeable into Shares.

3. MARKET PRICES

The table below shows the closing prices of the Shares as recorded on the Stock Exchange on (i) the Last Trading Day; (ii) the last trading day of each of the calendar months commencing six months preceding the date of the Announcement and ending on the Latest Practicable Date; and (iii) the Latest Practicable Date.

Date	Share price <i>HK\$</i>
31 December 2008	0.140
30 January 2009	0.185
27 February 2009	0.195
31 March 2009	0.350
Last Trading Day	0.330
30 April 2009	0.185
29 May 2009	0.280
Latest Practicable Date	0.440

The lowest and highest closing prices of the Shares as quoted on the Stock Exchange during the period commencing six months prior to the date of the Announcement up to and including the Latest Practicable Date were HK\$0.12 on 9 April 2009 and HK\$0.60 on 8 June 2009 respectively.

4. DIRECTORS' INTERESTS

(A) Director's interests and short positions in the securities of the Company and its associated corporations

As at the Latest Practicable Date, the following Directors had or were deemed to have interests or short positions in the shares, underlying shares or debentures of the Company and its associated corporations (within the meaning of Part XV of the SFO) (i) 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 were taken or deemed to have under such provisions of the SFO); or (ii) which were required, pursuant to section 352 of the SFO, to be entered in the register referred to therein; or (iii) which were required, under Rules 5.46 to 5.67 of the GEM Listing Rules relating to securities transactions by Directors, to be notified to the Company and the Stock Exchange:

Long position in the Shares

Name of Director	Nature of interest	No. of Shares held	Position	Approximate percentage of issued share capital as at the Latest Practicable Date
Mr. Luk Yat Hung ("Mr. Luk")	Interest of controlled corporation	239,922,476 (Note)	Long	219.73%

Note: Comprised in these 239,922,476 Shares are (i) 21,542,476 Shares currently beneficially owned by WS; (ii) 43,084,952 Rights Shares representing WS's entitlement to the provisional allotment of the Rights Shares which WS has undertaken to take up; and (iii) 175,295,048 Underwritten Shares.

Save as disclosed above, as at the Latest Practicable Date, none of the Directors and the chief executive of the Company had or was deemed to have any interests or short positions in the shares, underlying shares or debentures of the Company and its associated corporations (within the meaning of Part XV of the SFO) (i) 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 were taken or deemed to have under such provisions of the SFO); or (ii) which were required, pursuant to section 352 of the SFO, to be entered in the register referred to therein; or (iii) which were required, under Rules 5.46 to 5.67 of the GEM Listing Rules relating to securities transactions by Directors, to be notified to the Company.

(B) Director's interests in assets, contracts or arrangements of the Group

None of the Directors had any direct or indirect interest in any assets which have been, since 31 March 2009 (being the date to which the latest published audited consolidated financial statements of the Group were made up) and up to the Latest Practicable Date, acquired or disposed of by or leased to or are proposed to be acquired or disposed of by or leased to any member of the Group. As at the Latest Practicable Date, save for WS (a company controlled by Mr. Luk) being a party to the Underwriting Agreement, none of the Directors was materially interested in any contract or arrangement entered into by any member of the Group and subsisting at the date of this circular which was significant in relation to the business of the Group.

5. OTHER DISCLOSURES UNDER THE SFO AND SUBSTANTIAL SHAREHOLDERS' INTERESTS

So far as is known to the Directors, as at the Latest Practicable Date, the following persons (not being Directors or chief executive of the Company) had, or were deemed to have, interests or short positions in the Shares or underlying Shares which would fall to be disclosed to the Company and the Stock Exchange under the provisions of Divisions 2 and 3 of Part XV of the SFO or who were directly or indirectly interested in 10% or more of the nominal value of any class of share capital carrying rights to vote in all circumstances at general meetings of any member of the Group:

Interests in the Shares

Name of substantial Shareholder	Nature of interest	No. of Shares held	Position	Approximate percentage of issued share capital
WS (<i>Note 1</i>)	Beneficial owner	239,922,476	Long	219.73%
Resuccess Investments Limited (<i>Note 2</i>)	Beneficial owner	15,890,000	Long	14.6%
Tsinghua Tongfang Co. Limited (<i>Note 1</i>)	Interest of controlled corporation	15,890,000	Long	14.6%
Tsinghua Holdings Company Ltd. (<i>Note 1</i>)	Interest of controlled corporation	15,890,000	Long	14.6%

Notes:

- WS is wholly-owned by Mr. Luk, an executive Director, whose interest in the Company is set out in paragraph 4(A) in this appendix above. Comprised in these 239,922,476 Shares are (i) 21,542,476 Shares currently beneficially owned by WS; (ii) 43,084,952 Rights Shares representing WS's entitlement to the provisional allotment of the Rights Shares which WS has undertaken to take up; and (iii) 175,295,048 Underwritten Shares.
- Resuccess Investments Limited is a company incorporated in BVI and is wholly owned by Tongfang Co. Limited, which is a domestic company incorporated under the laws of the PRC and the shares of which are listed on the Shanghai Stock Exchange. Tsinghua Holdings Company Ltd. controls approximately one-third of the voting power of Tsinghua Tongfang Co., Limited.

Save as disclosed above, as at the Latest Practicable Date, the Directors were not aware of any other person (other than the Directors and the chief executive of the Company), including companies of which the Director/proposed directors is an employee, who had, or was deemed to have, interests or short positions in the Shares or underlying Shares (including any interests in options in respect of such capital), which would fall to be disclosed to the Company and the Stock Exchange under the provisions of Divisions 2 and 3 of Part XV of the SFO, or who was directly or indirectly interested in 10% or more of the nominal value of any class of share capital carrying rights to vote in all circumstances at general meetings of any member of the Group.

6. ADDITIONAL DISCLOSURE OF INTERESTS AND DEALINGS IN SECURITIES

- (a) Save for the entering into of the Underwriting Agreement and the 21,542,476 Shares held by WS, (i) none of WS, Mr. Luk, parties acting in concert with any of them and any of their respective directors owned or controlled any Shares, convertible securities, warrants, options or derivatives of the Company as at the Latest Practicable Date; and (ii) none of them had dealt for value in any such securities of the Company during the period starting six months prior to 2 April 2009 (being the date of the Announcement) and ending on the Latest Practicable Date.
- (b) As at the Latest Practicable Date, there was no agreement, arrangement or understanding (including any compensation arrangement) between WS or any parties acting in concert with it and other persons in relation to the transfer, charge or pledge of the Shares that may be issued and allotted to WS or any of its concert parties under the Rights Issue.
- (c) As at the Latest Practicable Date, none of WS nor any person acting in concert with it had any arrangement of the kind referred to in Note 8 to Rule 22 of the Takeovers Code owned or controlled any shareholding in the Company.
- (d) As at the Latest Practicable Date, there was no shareholding in the Company owned or controlled by any person who had any arrangement of the kind referred to in Note 8 to Rule 22 of the Takeovers Code with the Company or with any person who is an associate of the Company by virtue of classes (1), (2), (3) and (4) of the definition of “associate” in the Takeovers Code.
- (e) As at the Latest Practicable Date, save for Mr. Luk who was interested in the entire issued share capital of WS which in turn held Shares, none of the Company and the Directors held any shares, convertible securities, warrants, options and derivatives in respect of shares of WS and none of them had dealt for value in any shares, convertible securities, warrants, options and derivatives in respect of shares of WS for the period commencing six months prior to the date of the Announcement and ending on the Latest Practicable Date.
- (f) As at the Latest Practicable Date, Mr. Luk was interested in 21,542,476 issued Shares representing approximately 19.7% of the existing issued share capital of the Company. Save as aforesaid, none of the Directors held any shares, convertible securities, warrants, options and derivatives in respect of the Shares as at the Latest Practicable Date. None of the Directors had dealt for value in any Shares, convertible securities, warrants, options and derivatives in respect of the Shares for the period commencing six months prior to the date of the Announcement and ending on the Latest Practicable Date.

- (g) As at the Latest Practicable Date, none of (i) the subsidiaries of the Company; (ii) the pension fund of the Company or of a subsidiary of the Company; (iii) any advisers to the Company (as specified in class (2) of the definition of “associate” under the Takeovers Code) had any interest in the Shares, convertible securities, warrants, options or derivatives of the Company and none of them had dealt for value in any such securities of the Company for the period commencing six months prior to the date of the Announcement and ending on the Latest Practicable Date.
- (h) As at the Latest Practicable Date, no Shares, convertible securities, warrants, options or derivatives of the Company were managed on a discretionary basis by fund managers connected with the Company.
- (i) As at the Latest Practicable Date, none of (i) Mr. Luk, or WS; and (ii) the Company or the Directors has borrowed or lent the Shares.
- (j) As at the Latest Practicable Date, no person had irrevocably committed themselves to vote for or against the resolutions to be proposed at the EGM to approve the Rights Issue and Whitewash Waiver.
- (k) No benefit will be given to any Director as compensation for loss of office in any member of the Group or otherwise in connection with the Rights Issue and/or the Whitewash Waiver.
- (l) As at the Latest Practicable Date, save for the entering into of the Underwriting Agreement and the Supplemental Underwriting Agreement, there was no agreement, arrangement or understanding (including any compensation arrangement) existed between (i) the Company, the Directors and any other person; and (ii) WS, Mr. Luk and any parties acting in concert with them and any other person having any connection with or dependence upon the Rights Issue and/or the Whitewash Waiver.
- (m) As at the Latest Practicable Date, there was no material contract entered into by WS in which a Director had a material personal interest.
- (n) As at the Latest Practicable Date, save for the Underwriting Agreement, there was no agreement or arrangement between any Director and any other person which is conditional on or dependent upon the outcome of the Rights Issue and the Whitewash Waiver or otherwise connected with the Rights Issue and the Whitewash Waiver.
- (o) As at the Latest Practicable Date, there was no agreement, arrangement or understanding (including any compensation arrangement) exists between WS or any person acting in concert with it and any of the Directors, recent Directors, Shareholders or recent Shareholders having any connection with or dependence upon the Rights Issue and the Whitewash Waiver.

7. MAJOR LITIGATION AND ARBITRATION PROCEEDINGS

On 19 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 between the Plaintiffs and the Company’s former director, To Cho Kei, on behalf of the Company, in around May/June 2000 to purchase from the Plaintiffs all their shareholdings in Epplication.Net Limited (“Epplication.Net”) at a consideration of HK\$6,800,000 being twice of the actual amount that the Plaintiffs expended on Epplication.Net by way of transfer or allotment of the shares of the Company of the equivalent value, or alternatively, damages with interests and costs. The Company has filed a defence denying the allegation as the Company has no record of any agreement for the purchase of the Plaintiffs’ shareholdings in Epplication.Net and the Plaintiffs have not produced any documentary evidence to support their claim. The Directors believe that the Company has strong defence in this action.

Save as disclosed above, as at the Latest Practicable Date, no member of the Group was engaged in any litigation or arbitration of material importance and no litigation, arbitration or claim of material importance was known to the Directors to be pending or threatened against any member of the Group.

8. DIRECTORS’ INTERESTS IN COMPETING BUSINESS

As at the Latest Practicable Date, none of the Directors nor their respective associates had any business which competes or is likely to compete, either directly or indirectly, with the business of the Group.

9. SERVICE CONTRACTS

Mr. Tang Sze Lok (“Mr. Tang”), an independent non-executive Director, has entered into a letter of appointment with the Company for a term of one year commencing from 4 February 2009 and such appointment will be subject to retirement by rotation and re-election at the annual general meeting in accordance with the articles of association of the Company. Mr. Tang is entitled to a director’s fee of HK\$30,000 per annum which is determined with reference to his duties and responsibilities as well as the Company’s remuneration policy.

Save as disclosed above, none of the Directors had service contract with the Company or any of its subsidiaries or associated companies (i) which (including both continuous and fixed term contract) have been entered into or amended within 6 months before the date of the Announcement; (ii) which are continuous contracts with a notice period of 12 months or more; (iii) which are fixed term contracts with more than 12 months to run irrespective of the notice period; or are not determinable by the Group within one year without payment of compensation (other than statutory compensation).

10. MATERIAL CONTRACTS

The following contracts (not being contracts in the ordinary course of business of the Company) have been entered into by members of the Group within two years immediately preceding the date of the Announcement and up to the Latest Practicable Date which are or may be material:

- (i) the Supplemental Underwriting Agreement;
- (ii) the Underwriting Agreement; and
- (iii) the placing agreement dated 3 December 2007 entered into between the Company and Polaris Capital (Asia) Limited in relation to the placing of 18,195,000 new Shares at a placing price of HK\$0.562 per Share.

11. EXPERTS AND CONSENTS

- (a) The following are the qualifications of the experts who have given their opinions and advice which are included in this circular:

Name	Qualification
SHINEWING (HK) CPA Limited	Certified Public Accountants
Vinco Capital	a corporation licensed under the SFO to carry on type 1 (dealing in securities) and type 6 (advising on corporate finance) regulated activities

- (b) Neither SHINEWING (HK) CPA Limited nor Vinco Capital has any shareholding, directly or indirectly, in any member of the Group or any right (whether legally enforceable or not) to subscribe for or to nominate persons to subscribe for securities in any member of the Group.
- (c) Each of SHINEWING (HK) CPA Limited and Vinco Capital has given and has not withdrawn its respective written consent to the issue of this circular with the inclusion of its respective letter and/or report and/or references to its respective name and/or its opinion in the form and context in which they are included.
- (d) Neither SHINEWING (HK) CPA Limited nor Vinco Capital had any direct or indirect interest in any asset which had been acquired, or disposed of by, or leased to any member of the Group, or was proposed to be acquired, or disposed of by, or leased to any member of the Group since 31 March 2009, the date to which the latest published audited financial statements of the Group were made up.

12. EXPENSES

The estimated expenses in connection with the Rights Issue, including the underwriting commission, financial advisory fees, printing, registration, translation, legal and accountancy charges and other related expenses are estimated to amount to approximately HK\$1.8 million and will be payable by the Company.

13. DOCUMENTS AVAILABLE FOR INSPECTION

Copies of the following documents are available for inspection at the office of Leung & Lau at 13th Floor, Public Bank Centre, 120 Des Voeux Road Central, Hong Kong during normal business hours on any week day, except Saturdays, Sundays and public holidays from the date of this circular up to and including 7 July 2009 and at the EGM:

- (a) the memorandum and articles of association of the Company;
- (b) the memorandum and articles of association of WS;
- (c) the 2008 and 2009 annual reports of the Company containing audited consolidated financial statements of the Group for the two years ended 31 March 2008 and 2009;
- (d) the letter from Vinco Capital containing its advice to the Independent Board Committee and the Independent Shareholders, the text of which is set out in the section headed “Letter from Vinco Capital” in this circular;
- (e) the letter of recommendation from the Independent Board Committee to the Independent Shareholders, the text of which is set out in the section headed “Letter from the Independent Board Committee” in this circular;
- (f) the written consents referred to in the paragraph headed “Experts and consents” in this appendix;
- (g) the letter from SHINEWING (HK) CPA Limited in respect of the pro forma financial information following completion of the Rights Issue, the text of which is set out in appendix II to this circular;
- (h) the letter of appointment between Mr. Tang and the Company referred to in the paragraph headed “Service contracts” in this appendix; and
- (i) copies of the material contracts referred to in the paragraph headed “Material contracts” in this appendix.

Copies of the above documents will be available for inspection on the Company’s website at www.taishingtnt.com and the SFC’s website at www.sfc.hk during the period from the date of this circular up to and including completion of the Rights Issue.

14. PARTIES INVOLVED IN THE RIGHTS ISSUE AND CORPORATE INFORMATION

Principal place of business in Hong Kong	24th Floor Prosperous Commercial Building 54-58 Jardine's Bazaar Causeway Bay Hong Kong
Registered office	Cricket Square Hutchins Drive P.O. Box 2681 Grand Cayman KY1-1111 Cayman Islands
Financial adviser	Optima Capital Limited Unit 3618, 36th Floor Bank of America Tower 12 Harcourt Road Central Hong Kong
Underwriter	Wide Source Group Ltd. Room 2702-3, 27/F. CC Wu Building 302-8 Hennessy Road Wanchai Hong Kong
Legal advisers to WS	<i>As to Hong Kong Law</i> Leung & Lau 13th Floor Public Bank Centre 120 Des Voeux Road Central Central Hong Kong
Legal advisers to the Company	<i>As to Cayman Islands Law</i> Conyers Dill & Pearman Cricket Square Hutchins Drive P.O. Box 2681 Grand Cayman KY1-1111 Cayman Islands
Auditors	SHINEWING (HK) CPA Limited <i>Certified Public Accountants</i> 16/F United Centre 95 Queensway Hong Kong

Principal bankers	Hongkong and Shanghai Banking Corporation Limited G/F Hay Wah Building 71-85B Hennessy Road Wan Chai Hong Kong
Principal share registrar and transfer office	Butterfield Fulcrum Group (Cayman) Limited Butterfield House 68 Fort Street George Town Grand Cayman Cayman Islands
Hong Kong branch share registrar and transfer office	Computershare Hong Kong Investor Services Limited Shops 1712-1716, 17th Floor Hopewell Centre 183 Queen's Road East Hong Kong
Authorised representatives	Mr. Luk Yat Hung 24th Floor Prosperous Commercial Building 54-58 Jardine's Bazaar Causeway Bay Hong Kong Mr. Young Wai Ching, <i>ACCA, AHKSA</i> 24th Floor Prosperous Commercial Building 54-58 Jardine's Bazaar Causeway Bay Hong Kong
Company secretary	Mr. Young Wai Ching, <i>ACCA, AHKSA</i>
Compliance Officer	Ms. Li Wenli
Audit Committee	Mr. Tang Sze Lok (<i>Chairman</i>) Professor Ip Ho Shing, Horace Mr. Yan Yonghong Mr. Peng Lijun

15. DIRECTORS AND SENIOR MANAGEMENT PROFILE

Particulars of Directors and senior management

Name	Correspondence Address
Executive Director	
Mr. Luk Yat Hung	24th Floor Prosperous Commercial Building 54-58 Jardine's Bazaar Causeway Bay Hong Kong
Ms. Li Wenli	24th Floor Prosperous Commercial Building 54-58 Jardine's Bazaar Causeway Bay Hong Kong
Independent non-executive Director	
Professor Ip Ho Shing, Horace	24th Floor Prosperous Commercial Building 54-58 Jardine's Bazaar Causeway Bay Hong Kong
Mr. Yan Yonghong	24th Floor Prosperous Commercial Building 54-58 Jardine's Bazaar Causeway Bay Hong Kong
Mr. Peng Lijun	24th Floor Prosperous Commercial Building 54-58 Jardine's Bazaar Causeway Bay Hong Kong
Mr. Tang Sze Lok	24th Floor Prosperous Commercial Building 54-58 Jardine's Bazaar Causeway Bay Hong Kong
Senior management	
Mr. Young Wai Ching	24th Floor Prosperous Commercial Building 54-58 Jardine's Bazaar Causeway Bay Hong Kong

Executive Directors

Mr. Luk Yat Hung, aged 48, 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 37, joined the Group in November 2004 as 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 Join date, 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 51, joined the Group as an independent non-executive Director in July 2003 and he is a member of the audit committee of the Company. Professor Ip graduated from the University of London with a Bachelor of Science degree in Applied Physics and a Doctorate degree in Image Processing. He is the Chair Professor of the Department of Computer Science and a director of the Centre for Innovative Applications of Internet and Multimedia Technologies - AIMtech Centre of the City University of Hong Kong.

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

Mr. Peng Lijun, aged 41, joined the Group in December 2004. Mr. Peng graduated from Jiangnan 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.

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 acquisition and financial due diligence review.

Senior management

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

16. MISCELLANEOUS

- (i) The registered office of WS is located at Akara Building, 24 De Castro Street, Wickhams Cay I, Road Town, Tortola, British Virgin Islands and its principal place of business in Hong Kong is at Room 2702-3, 27/F., CC Wu Building, 302-8 Hennessy Road, Wanchai, Hong Kong. It is wholly and beneficially owned by Mr. Luk, who is also the sole director of WS.
- (ii) The audit committee of the Company reviews the internal accounting procedures of the Company 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.
- (iii) In the event of inconsistency, the English text of this circular and the accompanying form of proxy shall prevail over the Chinese text.

NOTICE OF EGM

TAI SHING

Tai Shing International (Holdings) Limited

泰盛國際（控股）有限公司*

(Incorporated in the Cayman Islands with limited liability)

(Stock Code: 8103)

NOTICE OF EXTRAORDINARY GENERAL MEETING

NOTICE IS HEREBY GIVEN that an extraordinary general meeting (the “Meeting”) of Tai Shing International (Holdings) Limited (the “Company”) will be held at 9:00 a.m. on Tuesday, 7 July 2009 at Joint Professional Centre, Unit 1, Ground Floor, The Center, 99 Queen’s Road Central, Hong Kong for the purpose of considering and, if thought fit, passing the following resolutions as ordinary resolutions of the Company:

ORDINARY RESOLUTIONS

1. **“THAT** subject to and conditional upon: (i) the passing of ordinary resolution numbered 2 as set out in the notice convening this meeting; (ii) the Executive (as defined in the Circular (as defined below)) granting to WS (as defined in the Circular) and parties acting in concert with it the Whitewash Waiver (as defined in the Circular) and the satisfaction of any condition attached to the Whitewash Waiver imposed by the Executive; (iii) The Stock Exchange of Hong Kong Limited granting the listing of, and permission to deal in, the Rights Shares (as defined below) (in both nil-paid and fully-paid forms); (iv) the filing and registration of all documents relating to the Rights Issue (as defined below), which are required by law to be filed or registered with the Registrar of Companies in Hong Kong in accordance with the Companies Ordinance of Hong Kong; and (v) the obligations of WS under the Underwriting Agreement (as defined in the Circular) becoming unconditional and not being terminated in accordance with the terms of that agreement:
 - (a) the Underwriting Agreement be and is hereby confirmed, approved and ratified;
 - (b) the issue by way of rights (“**Rights Issue**”) of not less than 218,380,000 shares of HK\$0.05 each in the share capital of the Company (“**Rights Shares**”) to the shareholders (“**Shareholders**”) of the Company whose names appear on the register of members of the Company on Tuesday, 7 July 2009 in the proportion of two Rights Shares for every share of the Company then held at the subscription price of HK\$0.10 per Rights Share and otherwise on the terms and conditions set out in a circular dated 19 June 2009 (“**Circular**”), a copy of which has been produced to this meeting marked “A” and signed by the chairman of this meeting for the purpose of identification, be and is hereby approved;

* For identification purpose only

NOTICE OF EGM

- (c) the directors (“**Directors**”) of the Company be and are hereby authorised to allot and issue the Rights Shares pursuant to or in connection with the Rights Issue provided that in the case of Shareholders whose addresses as shown on the register of members of the Company on Tuesday, 7 July 2009 are in any place outside Hong Kong and the Directors, based on the enquiry made by the Company, consider it necessary or expedient not to offer the Rights Shares to such Shareholders (“**Excluded Shareholders**”) on account either of legal restrictions under the laws of the relevant place or the requirements of the relevant regulatory body or stock exchange in that place, the Rights Shares shall not be issued to the Excluded Shareholders but shall be aggregated and issued to a nominee to be named by the Company and such Rights Shares shall be sold in the market as soon as practicable after dealings in Rights Shares in their nil-paid form commence and the proceeds of such sale (after deduction of expenses) of more than HK\$100 will be paid to the Excluded Shareholders and the Company shall retain any individual amount of HK\$100 or less;
 - (d) the Directors be and are hereby authorised to make such other exclusions or other arrangements in relation to the Excluded Shareholders as they may deem necessary or expedient and generally to do such things or make such arrangements as they may think fit to effect the Rights Issue; and
 - (e) the Directors be and are hereby authorised to do all such acts and things, to sign and execute all such further documents and to take such steps as the Directors may in their absolute discretion consider necessary, appropriate, desirable or expedient to give effect to or in connection with the Rights Issue and the Underwriting Agreement or any transactions contemplated thereunder.”
2. “**THAT** subject to the Executive (as defined in the Circular (as defined below)) granting to WS (as defined in the Circular) and parties acting in concert with it the Whitewash Waiver (as defined in the Circular) and the satisfaction of any condition attached to the Whitewash Waiver imposed by the Executive, the waiver pursuant to Note 1 on dispensations from Rule 26 of the Hong Kong Code on Takeovers and Mergers (“**Takeovers Code**”) waiving any obligation on the part of WS and parties acting in concert with it to make a mandatory general offer to the holders of securities of the Company to acquire securities of the Company other than those already owned by WS and parties acting in concert with it which would otherwise arise under Rule 26.1 of the Takeovers Code as a result of the fulfillment of WS’s underwriting obligations under the Underwriting Agreement (as defined in the Circular), the principal terms of which are set out in a circular of the Company to its shareholders dated 19 June 2009 (“**Circular**”), a copy of which has been produced to this meeting marked “A” and signed by the chairman of this meeting for the purpose of identification, be and is hereby approved.”

By order of the board of directors of
Tai Shing International (Holdings) Limited
Luk Yat Hung
Chairman and Executive Director

Hong Kong, 19 June 2009

NOTICE OF EGM

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

Principal place of business in Hong Kong:
24/F., Prosperous Commercial Building
54-58 Jardine's Bazaar, Causeway Bay
Hong Kong

Notes:

1. Any member of the Company entitled to attend and vote at the meeting may appoint one or more than one proxy to attend and to vote on his behalf. A proxy need not be a member of the Company.
2. Where there are joint registered holders of any share, any one of such persons may vote at the meeting, either personally or by proxy, in respect of such share as if he were solely entitled thereto; but if more than one of such joint holders be present at the meeting personally or by proxy, that one of the said persons so present whose name stands first on the register of members of the Company in respect of such share shall alone be entitled to vote in respect thereof.
3. To be valid, the form of proxy duly completed and signed in accordance with the instructions printed thereon together with the power of attorney or other authority, if any, under which it is signed or a certified copy thereof must be delivered to the office of the branch share registrar of the Company, Computershare Hong Kong Investor Services Limited at Shops 1712-1716, 17th Floor, Hopewell Centre, 183 Queen's Road East, Wanchai, Hong Kong not less than 48 hours before the time appointed for holding the meeting or any adjournment thereof.
4. Whether or not you propose to attend the meeting in person, you are strongly urged to complete and return the form of proxy in accordance with the instructions printed thereon. Completion and return of the form of proxy will not preclude you from attending the meeting and voting in person if you so wish. In the event that you attend the meeting after having lodged the form of proxy, it will be deemed to have been revoked.
5. In compliance with the Rules Governing the Listing of Securities on the Growth Enterprise Market of The Stock Exchange of Hong Kong Limited and the Code on Takeovers and Mergers, all resolutions to be proposed at the meeting convened by this notice will be voted on by way of poll.

As at the date of this notice, the Board comprises the following Directors:

Executive Directors:

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

Independent non-executive Directors:

Professor Ip Ho Shing, Horace
Mr. Yan Yonghong
Mr. Peng Lijun
Mr. Tang Sze Lok