TAI SHING

Tai Shing International (Holdings) Limited

(incorporated in the Cayman Islands with limited liability)

Stock Code: 8103

Annual Report 2010

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

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CORPORATE INFORMATION

BOARD OF DIRECTORS

Executive Directors
Mr. Luk Yat Hung *(Chairman)*
Ms. Li Wenli
Mr. Chan Yun Sang *(appointed on 15 March 2010)*
Mr. Ng Chi Wing *(appointed on 15 April 2010)*
Mr. Wong Chung Wai, Eric
(appointed on 15 March 2010)

Independent non-executive Directors
Professor Ip Ho Shing, Horace
Mr. Tang Sze Lok
Mr. Yan Yonghong
Mr. Peng Lijun
Mr. Lee Kwok Yung *(appointed on 15 April 2010)*

COMPANY SECRETARY

Mr. Young Wai Ching, ACCA, CPA

COMPLIANCE OFFICER

Ms. Li Wenli

AUTHORISED REPRESENTATIVES

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

AUDIT COMMITTEE

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

REMUNERATION COMMITTEE

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

AUDITOR

SHINEWING (HK) CPA Limited

REGISTERED OFFICE

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

PRINCIPAL PLACE OF BUSINESS IN HONG KONG

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99 Queen's Road
Central
Hong Kong

LEGAL ADVISERS

P.C Woo & Co.
Leung & Lau

PRINCIPAL BANKER

Hongkong and Shanghai Banking
Corporation Limited

PRINCIPAL SHARE REGISTRAR

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

HONG KONG BRANCH SHARE REGISTRAR

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

STOCK CODE

08103

WEBSITE

www.ilinkfin.net/tai_shing

CHAIRMAN'S STATEMENT

BUSINESS REVIEW

For the year under review, Tai Shing International (Holdings) Limited ("Company") and its subsidiaries (collectively, the "Group") recorded a consolidated turnover of approximately HK$68.6 million which represented a decrease of approximately 36% as compared with that of the preceding financial year. The decrease is principally due to a drop in revenue generated by our security and surveillance system division. In the year under review this division did not enter into any new contract.

Furthermore, Beijing Tongfang Electronic Science & Technology Limited ("Beijing Tongfang"), a wholly-owned subsidiary of the Company, which is engaged in research, development and provision of integrated management information system for power plants, has recorded a profit in the year under review despite a decrease in Turnover. Competition in this market remained keen, and Beijing Tongfang recorded a small drop in turnover in the year under review.

BUSINESS OUTLOOK

Market competition is expected to remain keen for both security and surveillance system division and power plant management information system division. Hence, the Group is actively seeking opportunities to expand its business into other markets. As disclosed in the announcement of the Company dated 14 June 2010, the proposed acquisition of Fullmark Management Limited would provide an opportunity for the Group to expand its scope of IT consultancy services by pontificating in the insurance market in the People's Republic of China, which is expected to have arising demand.

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

Sincerely yours,

Luk Yat Hung
Chairman

Hong Kong, 29 June 2010

MANAGEMENT DISCUSSION AND ANALYSIS

FINANCIAL PERFORMANCE

During the year ended 31 March 2010, the Group recorded a turnover of HK$68.6 million (2009: HK$108.0 million) representing a decrease of approximately 36% as compared with the turnover for the year ended 31 March 2009. The decrease was principally due to a fall in revenue contributed by the security and surveillance system division. The administrative expenses were approximately HK$14.1 million for the year ended 31 March 2010 as compared to HK$12.6 million of the previous corresponding year, representing an increase of approximately 12%. Other operating expenses decreased to HK$4.9 million (2009: HK$22.7 million) which was mainly due to the decrease in impairment loss recognised in respect of trade receivables of approximately HK$9.8 million (2009: increased in HK$9.9 million) and impairment loss recognised on other receivables and retention receivables of approximately HK$7.6 million (2009: increased in HK$5.0 million). Profit attributable to the owners amounted to approximately HK$3.6 million (2009: HK$11.4 million).

LIQUIDITY, FINANCIAL RESOURCES AND CAPITAL STRUCTURE

As at 31 March 2010, shareholders' funds of the Group amounted to approximately HK$55.7 million (2009: HK$28.0 million). Current assets amounted to approximately HK$128.5 million (2009: HK$103.7 million), of which approximately HK$25.9 million (2009: HK$3.7 million) were bank balances and cash. Current liabilities were approximately HK$75.0 million (2009: HK$78.9 million) mainly comprised of trade and other payables, amounts due to customers for contract work and receipts in advance. Total borrowings of the Group as at 31 March 2010 were HK$11.4 million (2009: HK$11.2 million) which were unsecured short-term bank loan with an effective interest rate of 5.841% (2009: 5.841%). Capital commitments of the Group as at 31 March 2010 were HK$4.8 million (2009: Nil) which are for the acquisition of motor vehicles.

On 1 March 2010, a total of 16,380,000 ordinary shares of HK$0.05 each in the Company beneficially owned by Wide Source Group Ltd. were placed to the following placees pursuant to the placing agreement entered into between Wide Source Group Ltd., the Company and VC Brokerage Limited dated 23 February 2010:

Name of Placee	Number of shares allocated
Galaxy China Special Situations Fund SPC, for and on behalf of its Segregated Portfolio, Galaxy China Special Situations Segregate Portfolio 1	7,000,000
Galaxy China Deep Value Fund	7,380,000
Cheever Capital Management (Asia) Ltd.	2,000,000

Pursuant to the subscription agreement between the Company and Wide Source Group Ltd. dated 23 February 2010, on 4 March 2010, the Company issued 16,380,000 new ordinary shares of HK$0.05 each in the Company (with an aggregate nominal value of HK$819,000) at a price of HK$1.01 per share to Wide Source Group Ltd., as a top-up subscription, raising net proceeds of approximately HK$15.5 million for working capital of the Group under the general mandate granted to the Directors at the annual general meeting of the Company held on 6 August 2009. The net price to the Company of each subscription share is approximately HK$0.95. As at 23 February 2010, the closing price of the shares of the Company was HK$1.26 per share. The new shares issued rank pari passu with other shares in issue in all respects. The reason for making the issue of the new shares was to enlarge the equity base of the Company and provide general working capital for the Company's business expansion. Please refer to the announcements of the Company dated 23 February 2010, 26 February 2010 and 4 March 2010 for details.

On 4 March 2010, a total of 5,000,000 ordinary shares of HK$0.05 each in the Company beneficially owned by Wide Source Group Ltd. were placed to the following placees pursuant to the placing agreement entered into between Wide Source Group Ltd., the Company and VC Brokerage Limited dated 1 March 2010:

Name of placee	**Number of shares allocated**
Hui Hing Choi	1,500,000
Huge Mars International Limited	2,500,000
Harmony Asset Limited	1,000,000

Pursuant to the subscription agreement between the Company and Wide Source Group Ltd. dated 1 March 2010, on 4 March 2010, the Company issued 5,000,000 new ordinary shares of HK$0.05 each in the Company (with an aggregate nominal value of HK$250,000) at a price of HK$1.60 per share to Wide Source Group Ltd., as a top-up subscription, raising net proceeds of approximately HK$7.6 million for working capital of the Group under the general mandate granted to the Directors at the annual general meeting of the Company held on 6 August 2009. The net price to the Company of each subscription shares is approximately HK$1.52. As at 1 March 2010, the closing price of the shares of the Company was HK$1.88 per share. The new shares issued rank pari passu with other shares in issue in all respects. The reason for making the issue of the new shares was to enlarge the equity base of the Company and provide general working capital for the Company's business expansion. Please refer to the announcements of the Company dated 1 March 2010 and 10 March 2010 for details.

MANAGEMENT DISCUSSION AND ANALYSIS

Wide Source Group Ltd. is wholly-owned by Mr. Luk Yat Hung, the chairman of the board of directors and an executive director of the Company.

Subsequent to the financial year under review, on 16 April 2010, each share of HK$0.05 of the Company has been subdivided into 10 shares of HK$0.005 each after obtaining the approval from the shareholders of the Company on 15 April 2010. Prior to such subdivision, the entire issued share capital of the Company comprised of 130,570,000 shares of HK$0.05 each. Upon the subdivision becoming effective, the entire issued share capital of the Company became comprising 1,305,700,000 shares of HK$0.005 each.

Save for the abovementioned, during the year under review, there was no other material changes on the capital structure of the Company.

GEARING RATIO

The gearing ratio calculated on the basis of total liabilities over the total shareholders' fund as at 31 March 2010 was 135% (2009: 282%).

FOREIGN CURRENCY EXPOSURE

During the year ended 31 March 2010, the Group experienced only immaterial exchange rate fluctuations, as the Group's operations were mainly denominated in Hong Kong dollars and Renminbi. The risks of exchange rate difference is considered minimal and the Group has not employed any financial instruments for hedging purposes.

NEW PRODUCTS AND SERVICES

The Group did not launch any new products or services during the year under review.

SIGNIFICANT INVESTMENTS, MATERIAL ACQUISITIONS AND DISPOSAL OF SUBSIDIARIES

Reference is made to the announcements by the Company dated 11 February 2010 and 14 June 2010.

On 11 February 2010, the Company has entered into a memorandum of understanding dated 11 February 2010 with Expertone Holdings Limited ("Expertone"), a company incorporated in the British Virgin Islands, whereas the Company and Expertone Holdings Limited have, in principle, come to a preliminary understanding in relation to the sale and purchase of the entire issued share capital of Fullmark Management Limited ("Fullmark"), a company incorporated in the British Virgin Islands.

On 14 June 2010, a wholly-owned subsidiary of the Company and Expertone entered into a conditional agreement for the acquisition of the entire issued share capital of, and shareholder's loan to, Fullmark at an aggregate consideration of HK$180 million (which shall be satisfied as to HK$70 million in cash and as to HK$110 million by the allotment and issue, credited as fully paid, 407,407,407 consideration shares by the Company).

The principal assets of Fullmark are the InsureLink System and its indirect holding of approximately 24.99% equity interest in 東大保險代理股份有限公司 (Dongda Insurance Agency Company Limited), a company established in the People's Republic of China ("PRC"), which provides property and life insurance agency services. Pursuant to the purchase and sale agreement, if the consolidated audited net profit after tax of Fullmark (under the PRC GAAP) for the year ending 31 December 2010 is less than RMB16.5 million, Expertone will pay the the Group a compensation in accordance with the terms of the sale and purchase agreement.

Detailed terms of the acquisition are set out in the Company's announcement dated 14 June 2010. As at the date of this report, the agreement has not yet become unconditional and completion has not yet taken place.

Save for the abovementioned, as at 31 March 2010 and up to the date of this report, the Group did not have any other significant investments, material acquisitions or disposal of subsidiaries.

FUTURE PLANS FOR MATERIAL INVESTMENTS OR CAPITAL ASSETS

Save for the proposed acquisition of Fullmark as disclosed above, as at 31 March 2010, the Group have no other known plans for material investments or capital assets.

SEGMENT INFORMATION

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

For management purposes, the Group is currently organised into two operating divisions namely:

- systems development; and
- professional services.

MANAGEMENT DISCUSSION AND ANALYSIS

For the year ended 31 March 2010, the turnover of the systems development accounts for 93.3% of the total turnover of the Group (2009: 97.9%).

For the year ended 31 March 2010, professional services amounts for 6.7% of the total turnover of the Group (2009: 2.1%).

Turnover generated from PRC represented over 90% of the total turnover of the Group for the year ended 31 March 2010 and 2009.

EMPLOYEES AND REMUNERATION POLICIES

As at 31 March 2010, the Group had 4 and 186 (2009: a total of 211) employees in Hong Kong and PRC respectively including the executive directors of the Company. Total staff costs including directors' remuneration for the year under review amounted to approximately HK$21.2 million (2009: HK$22.3 million).The decrease was mainly due to a fall in the number of employees in the information technology sector in the PRC. The Group's remuneration policies are in line with the prevailing market practices and are determined on the basis of performance and experience of individual employees.

The Group had not made any changes to its remuneration policy and no bonuses were granted to any of its executive directors or employees for the year ended 31 March 2010.

The Company has conditionally adopted a new share option scheme on 22 October 2003 to replace the old share option scheme adopted on 26 August 2000. Pursuant to both schemes, the directors and employees of the Company and its subsidiaries may be granted options to subscribe for shares of the Company. During the year ended 31 March 2010, no option was granted under the share option scheme.

CHARGES ON GROUP'S ASSETS AND CONTINGENT LIABILITIES

Details of charges on the Group's assets and contingent liabilities are set out in Note 37 to the consolidated financial statements.

DIRECTORS AND SENIOR MANAGEMENT PROFILE

EXECUTIVE DIRECTORS

Mr. Luk Yat Hung, aged 50, the chairman of the board of the directors of the Company, 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. Mr. Luk is also a director of various subsidiaries of the Company. Mr. Luk is also the sole director of Wide Source Group Ltd., which, as at 31 March 2010, was interested in approximately 16.50% of the issued share capital of the Company.

Ms. Li Wenli, aged 39, chief executive officer and compliance officer. Ms. Li graduated from Hebei University of Technology with a bachelor degree in computer science and engineering and holds a master degree in economics with Peking University. Prior to joining the Group, Ms. Li held senior positions with China Textile Machinery Co., Ltd. and Shanghai Guojia Industrial Co., Ltd., companies listed in The Shanghai Stock Exchange. She is a director and vice general manager of Beijing Tongfang Electronic Science & Technology Co., Ltd., a wholly-owned subsidiary of the Company.

Mr. Wong Chung Wai, Eric, aged 48, is experienced in fund management and corporate planning. Prior to joining the Company in March 2010, he held various senior management positions in a number of companies which provide corporate planning and financial services. Presently, Mr. Wong is an independent non-executive director of Soluteck Holdings Limited (Stock Code: 08111), a company incorporated in the Cayman Islands whose securities are listed on the growth enterprise market ("GEM") of The Stock Exchange of Hong Kong Limited. Mr. Wong is also a director of Trend Brilliant Limited, a wholly-owned subsiding of the Company incorporated in Hong Kong. Mr. Wong has been appointed an executive director of the Company on 15 March 2010.

Mr. Chan Yun Sang, aged 48, has over 22 years of experience in the banking industry. Mr. Chan has been appointed as an executive director of the Company an 15 March 2010.

Mr. Ng Chi Wing, aged 48, has over 20 years of experience in banking industry specialized in documentation of letters of credit and import and export bills administration. Mr. Ng has been appointed as an executive director of the Company on 15 April 2010.

INDEPENDENT NON-EXECUTIVE DIRECTORS

Professor Ip Ho Shing, Horace, aged 53, joined the Group as an independent non-executive director in July 2003 and he is a member of the audit committee of the Company. Professor Ip graduated from the University of London with a bachelor of science degree in applied physics and a doctorate degree in image processing. He is the chair professor of the Department of Computer Science and a director of the Centre for Innovative Applications of Internet and Multimedia Technologies - AIMtech Centre of the City University of Hong Kong.

DIRECTORS AND SENIOR MANAGEMENT PROFILE

Mr. Tang Sze Lok, aged 39, 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. Mr. Tang has over 14 years' experience in auditing, financial accounting and implementation of internal, financial, operational and compliance control and financial reporting system. He also has experience in mergers and acquisitions and financial due diligence review.

Mr. Yan Yonghong, aged 43, 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. He 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 43, joined the Group in December 2004. Mr. Peng graduated from Jianghan Petroleum University major in architectural civil engineering. He 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. Lee Kwok Yung, aged 54, is a solicitor of the High Court of Hong Kong and has been a practicing solicitor for over 21 years. Mr. Lee holds a diploma from the College of Radiographers and an honours degree in law from the University of London, and a postgraduate certificate in laws from the University of Hong Kong. He is a partner of Messrs. Hau, Lau, Li & Yeung, Solicitors & Notaries. He has been serving as an independent non-executive director of another listed company, G.A. Holdings Limited (Stock Code: 08126) since June 2002, a company incorporated in the Cayman Islands whose securities are listed on GEM. Mr. Lee has been appointed as an independent non-executive director of the Company on 15 April 2010.

SENIOR MANAGEMENT

Mr. Young Wai Ching, aged 41, 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.

Tai Shing International (Holdings) Limited (the "Company") is committed to high standards of corporate governance in the interest of its shareholders. It has and will continue to identify and adopt the best corporate governance practices appropriate to the Company.

CODE ON CORPORATE GOVERNANCE PRACTICES

The Company has complied with the code provisions set out in the Code on Corporate Governance Practices contained in Appendix 15 to the Rules Governing the Listing of Securities on the Growth Enterprise Market of the Stock Exchange of Hong Kong Limited ("GEM Listing Rules") throughout the year ended 31 March 2010.

SECURITIES TRANSACTIONS BY DIRECTORS

The Company adopted the required standard of dealings as set out in Rules 5.48 to 5.67 of the GEM Listing Rules as the code of conduct regarding securities transactions in securities of the Company by directors. Having made specified enquiry with the directors of the Company, all the directors confirmed that they have complied with the required standard of dealings for the year ended 31 March 2010.

BOARD OF DIRECTORS

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

As at 31 March 2010, the Board comprised of eight Directors, including four executive Directors, namely Mr. Luk Yat Hung (as chairman of the Board ("Chairman")), Ms. Li Wenli (as Chief Executive Officer), Mr. Chan Yun Sang and Mr. Wong Chung Wai, Eric, and four independent non-executive Directors, namely, Professor Ip Ho Shing, Horace, Mr. Tang Sze Lok, Mr. Yan Yonghong and Mr. Peng Lijun. One of the independent non-executive Director has appropriate professional qualifications, or accounting or related financial management expertise. Biographical details of the Directors are set out on pages 9 to 10 of the annual report of the Company for the year ended 31 March 2010 ("2010 Annual Report").

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

The positions of the Chairman and the Chief Executive Officer are held by separate individuals. The role of the Chairman is separate from that of the Chief Executive Officer. The Chairman is responsible for the leadership and effective running of the Board, and for ensuring that all key and appropriate issues are discussed by the Board in a timely and constructive manner, while the Chief Executive Officer, supported by other Board members and the senior management, is responsible for the day-to-day management of the Group's business, including the implementation of major strategies and initiatives adopted by the Board.

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

In the financial year ended 31 March 2010 the Board held four regular meetings, and the attendance records of the meetings are set out below:

	Attended
Executive Directors	
Mr. Luk Yat Hung *(Chairman)*	4/4
Ms. Li Wenli *(Chief Executive Officer)*	4/4
Mr. Wong Chung Wai, Eric (appointed on 15 March 2010)	1/1
Mr. Chan Yun Sang (appointed on 15 March 2010)	1/1
Independent non-executive Directors	
Professor Ip Ho Shing, Horace	4/4
Mr. Tang Sze Lok	4/4
Mr. Yan Yonghong	4/4
Mr. Peng Lijun	4/4

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

REMUNERATION OF DIRECTORS

The remuneration committee was established in 2005 with written terms of reference. Members of the committee comprises Professor Ip Ho Shing, Horace (chairman) and Mr. Tang Sze Lok, both are independent non-executive Directors.

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

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

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

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

NOMINATION OF DIRECTORS

The Company has not established a nomination committee. A board meeting was held on 15 March 2010 for nomination and appointment of additional Directors. The attendance records of the meeting are set out below:

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

The Company has not experienced any casual vacancy for members of the Board during the year under review. In the event that there is such circumstance, the Director appointed to fill a casual vacancy should be subject to election by shareholders at the first general meeting after his appointment. The Board selects and nominates candidates based on whether they possess the skills and experience required by the Group's development. The Board is responsible for considering suitable candidates to serve as Directors and approving and terminating the appointment of Directors.

The Chairman is mainly responsible for looking for suitable candidates to join the Board when there are vacancies or when it is necessary to hire additional directors. The Chairman will propose the appointment of the candidates concerned to each member of the Board, each member of the Board will review the qualifications of the candidates concerned and decide whether they are suitable to join the Company based on their caliber, experience and background.

Pursuant to the articles of association of the Company, at each annual general meeting, one-third of the Directors for the time being, or, if their number is not three or a multiple of three, then the number nearest to but not less than one-third, shall retire from office by rotation provided that every Director, including those appointed for a specific term, shall be subject to retirement by rotation at least once every three years. A retiring Director shall be eligible for re-election.

DIRECTORS' RESPONSIBILITY FOR THE FINANCIAL STATEMENTS AND INTERNAL CONTROL

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

The Directors' responsibilities in the preparation of the financial statements and the auditor's responsibilities are set out in the "Independent Auditor's Report" contained in page 26 of the 2010 Annual Report.

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

AUDIT COMMITTEE

The Company has established an audit committee ("Audit Committee") with written terms of reference in compliance with Rule 5.28 and 5.33 of the GEM Listing Rules. As at 31 March 2010, the Audit Committee comprised four independent non-executive Directors of the Company, one of them had the appropriate professional qualifications, accounting or related financial management expertise. The Audit Committee was chaired by Mr. Tang Sze Lok and the other members are Professor Ip Ho Shing, Horace, Mr. Yan Yonghong and Mr. Peng Lijun.

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

The Audit Committee held 4 meetings in the financial year ended 31 March 2010. The attendance records of the Audit Committee meetings are set out below:

Name of member	Attendance
Mr. Tang Sze Lok *(Chairman)*	4/4
Professor Ip Ho Shing, Horace	4/4
Mr. Yan Yonghong	4/4
Mr. Peng Lijun	4/4

For the financial year ended 31 March 2010, the Audit Committee reviewed with senior management and the auditors of the Company their audit findings, the accounting principles and practices adopted by the Company, legal and regulatory compliance, and financial reporting matters (including the unaudited quarterly and interim results and audited consolidated financial statements for the year ended 31 March 2010).

The audited consolidated results of the Group for the year ended 31 March 2010 have been reviewed by the Audit Committee.

AUDITOR'S REMUNERATION

The audit works of the Group for the year ended 31 March 2010 were performed by SHINEWING (HK) CPA Limited.

The total fee paid/payable in repect of the statutory audit and non-audit services provided by the external auditors is set out in the following table:

	2010	2009
	HK$'000	HK$'000
SHINEWING (HK) CPA Limited		
— Audit services	**640**	550
— Special services	**120**	—
	760	550

DIRECTOR'S REPORT

The board ("Board") of directors ("Directors") of Tai Shing International (Holdings) Limited ("the Company") has the pleasure in presenting their report together with the audited financial statements of the Company and its subsidiaries (collectively the "Group") for the year ended 31 March 2010.

PRINCIPAL ACTIVITIES AND SEGEMENT INFORMATION

The principal activity of the Company is investment holding and the activities of the subsidiaries are set out in Note 39 to the consolidated financial statements.

An analysis of the Group's performance for the year ended 31 March 2010 by business and geographical segments are set out in Note 10 to the consolidated financial statements.

RESULTS

The results of the Group for the year ended 31 March 2010 are set out in the consolidated statement of comprehensive income on page 28.

PLANT AND EQUIPMENT

Details of the movements in plant and equipment of the Group during the year ended 31 March 2010 are set out in Note 19 to the consolidated financial statements.

SHARE CAPITAL

Details of the movements in share capital of the Group during the year ended 31 March 2010 are set out in Note 33 to the consolidated financial statements.

RESERVES

Details of the movements in reserves of the Group during the year under review are set out in the consolidated statement of changes in equity on page 30.

SUFFICIENCY OF PUBLIC FLOAT

The Company has maintained a sufficient public that throughout the year ended 31 March 2010.

DISTRIBUTABLE RESERVES

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

As at 31 March 2010, in the opinion of the Directors, the Company's reserves available for distribution to shareholders was approximately HK$27.8 million.

MAJOR CUSTOMERS AND SUPPLIERS

For the year, the aggregate percentage of purchases attributable to the Group's five largest suppliers is approximately 34% of the total purchases of the Group and the largest supplier included therein amounted to approximately 12%.

For the year, the aggregate percentage of sales attributable to the Group's five largest customers accounted for approximately 28% of the total sales of the Group and the largest customer included therein amounted to approximately 9%.

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

DIVIDENDS

The Directors do not recommend the payment of any final dividend for the year ended 31 March 2010.

RETIREMENT BENEFITS SCHEME

Details of the Group's retirement benefits scheme for the year ended 31 March 2010 are set out in Note 17 to the consolidated financial statements.

RELATED PARTY TRANSACTIONS

Details of the Group's related party transactions are set out in Note 40 to the consolidated financial statements.

DIRECTOR'S REPORT

DIRECTORS

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

Executive Directors

Mr. Luk Yat Hung
Ms. Li Wenli
Mr. Wong Chung Wai, Eric (appointed on 15 March 2010)
Mr. Chan Yun Sang (appointed on 15 March 2010)
Mr. Ng Chi Wing (appointed on 15 April 2010)

Independent non-executive Directors

Professor Ip Ho Shing, Horace
Mr. Tang Sze Lok
Mr. Yan Yonghong
Mr. Peng Lijun
Mr. Lee Kwok Yung (appointed on 15 April 2010)

The biographical details of the Directors are set out on pages 9 to 10 of this report.

RETIREMENT OF DIRECTORS

Subject to the retirement by rotation provisions in the articles of association and the requirements of the Code on Corporate Governance Practices as set out in Appendix 15 of the Rules ("GEM Listing Rules") Governing the Listing of Securities on the Growth Enterprise Market of The Stock Exchange of Hong Kong Limited ("Stock Exchange"), Mr. Wong Chung Wai Eric, Mr. Chan Yun Sang, Mr. Ng Chi Wing and Mr. Lee Kwok Yung being appointed during the year will retire and being eligible, offer themselves for re-election. Mr. Peng Lijun and Mr. Luk Yat Hung will retire by rotation and will not offer themselves for re-election.

DIRECTORS' SERVICE CONTRACTS

Save as except Mr. Wong Chung Wai, Eric, Mr. Chan Yun Sang, Mr. Ng Chi Wing and Mr. Lee Kwok Yung, each of the Directors has entered into a service contract with the Company.

Each of the independent non-executive Directors (save and except Mr. Lee Kwok Yung) has entered into a service agreement with the Company for a term of 12-month period. The appointment will be automatically renewed for successive 12-month periods unless terminated by either party in writing prior to the expiry of the term. Mr. Lee Kwok Yung is appointed for a term of one year and is subject to retirement by rotation and other related provisions as stipulated in the articles of association of the Company.

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

INDEPENDENT NON-EXECUTIVE DIRECTORS CONFIRMATION OF INDEPENDENCE

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

DIRECTORS' REMUNERATION

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

DIRECTORS' AND CHIEF EXECUTIVE'S INTERESTS IN SECURITIES

As at 31 March 2010, the relevant interests or short positions of the Directors and chief executive of the Company in the shares, underlying shares and debentures of the Company or any of its associated corporations (within the meaning of Part XV of the Securities and Futures Ordinance (Chapter 571, the Laws of Hong Kong) ("SFO")) which were required to be notified to the Company and the Stock Exchange pursuant to Divisions 7 and 8 of Part XV of the SFO (including interests or short positions which they have taken or deemed to have under such provisions of the SFO), or which are required, pursuant to Section 352 of the SFO, to be entered in the register maintained by the Company referred to therein, or which are required, pursuant to the required standard of dealing by the Directors under the GEM Listing Rules relating to securities transactions by the Directors, to be notified to the Company and the Stock Exchange, were as follows:

LONG POSITIONS IN THE SHARES OF THE COMPANY

Name of Director	Nature of shares interested	Number of shares interested	Approximate percentage of issued share capital
Mr. Luk Yat Hung *(Note)*	Interest in controlled corporation	21,542,476(L)	16.5%

Note: The letter "L" denotes long position. Mr. Luk Yat Hung was deemed to be interested in 21,542,476 shares in the Company as a result of him being beneficially interested in 100% of the issued share capital of Wide Source Group Ltd. which in turn was interested in 21,542,476 shares in the Company as at 31 March 2010.

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

As at 31 March 2010, no long positions of the Directors and chief executive in the underlying shares of equity derivatives and debentures of the Company and its associated corporations were recorded in the register or as otherwise notified to the Company and the Stock Exchange pursuant to Rule 5.46 of the GEM Listing Rules.

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

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

Save as disclosed above, as at 31 March 2010, none of the Directors or chief executive of the Company or their respective associates had any interests or short positions in the shares, underlying shares of equity derivatives and debentures of the Company or any of its associated corporations (within the meaning of Part XV of the SFO) which would have to be notified to the Company and the Stock Exchange pursuant to Divisions 7 and 8 of Part XV of the SFO (including interests or short positions which they are taken or deemed to have under such provisions of the SFO), or which were required to be kept under Section 352 of the SFO, or as otherwise notified to the Company and the Stock Exchange pursuant to the minimum standards of dealing by the Directors of listed issuers as referred to in Rule 5.46 of the GEM Listing Rules.

SUBSTANTIAL SHAREHOLDERS

So far as is known to the Directors of the Company, as at 31 March 2010, the following persons who had an interest or short position in the shares of the Company as recorded in the register required to be kept under Section 336 of the SFO:

Name of shareholder	Capacity	Number of shares interested	Approximate percentage of issued share capital
Luk Yat Hung	Interest in controlled corporation	21,542,476(L) (note 2)	16.50%
Wide Source Group Ltd	Beneficial owner	21,542,476(L) (note 2)	16.50%
Resuccess Investments Limited	Beneficial owner	15,890,000(L) (note 3)	12.17%
Tsinghua Tongfang Co. Limited	Interest in controlled corporation	15,890,000(L) (note 3)	12.17%
Tsinghua Holdings Company Ltd	Interest in controlled corporation	15,890,000(L) (note 3)	12.17%
Galaxy Asset Management (H.K.) Ltd	Investment manager	14,480,000(L) (note 4)	11.53%
Deutsche Bank Aktiengesellschaft	Security interest	7,480,000(L)	5.96%
UBS AG	Security interest	7,000,000(L)	5.57%
Chan Mui Chai	Beneficial owner	6,620,000(L)	5.07%

Notes:

1. The letter "L" denotes long position.

2. As at 31 March 2010, the entire issued share capital of Wide Source Group Ltd. was owned by Mr. Luk Yat Hung. Accordingly, Mr. Luk Yat Hung was deemed to be interested in all the shares in the Company in which Wide Source Group Ltd. was interested.

3. Based on the information made available to the Directors, Tsinghua Holdings Company Limited was interested in approximately 33.05% of the share capital of Tsinghua Tongfang Co., Limited, which in turn, was interested in the entire issued share capital of Resuccess Investments Limited. Accordingly, each of Tsinghua Holdings Company Limited and Tsinghua Tongfang Co., Limited was deemed to be interested in all the shares in the Company in which Resuccess Investments Limited was interested. The percentage holding of each of Tsinghua Holdings Company Limited, Tsinghua Tongfang Co., Limited and Resuccess Investments Limited was calculated based on the information set out in their respective latest filings with the Company, divided by the number of issued shares of the Company as at 31 March 2010.

4. Galaxy Asset Management (H.K.) Limited is the investment manager of two funds, namely, Galaxy China Deep Vaule Fund ("Galaxy Fund I") (which as at 31 March 2010 was interested in 7,480,000 shares of the Company) and Galaxy China Special Situation Fund SPC, for and on behalf of its segregated portfolio, Galaxy China Special Situations Segregated Portfolio 1 ("Galaxy Fund II") (which as at 31 March 2010 was interested in 7,000,000 shares of the Company). Accordingly, Galaxy Asset Management (H.K.) Limited was deemed to be interested in all the shares in the Company in which Galaxy Fund I and Galaxy Fund II were interested.

LONG POSITIONS IN UNDERLYING SHARES OF THE COMPANY

As at 31 March 2010, no long positions of other persons or substantial shareholders in the underlying shares of equity derivatives of the Company and its associated corporations were recorded in the register.

SHORT POSITIONS IN SHARES OF THE COMPANY

As at 31 March 2010, no short positions of other persons or substantial shareholders in the shares of the Company and its associated corporations were recorded in the register.

SHORT POSITIONS IN UNDERLYING SHARES OF THE COMPANY

As at 31 March 2010, no short positions of other persons or substantial shareholders in the underlying shares of equity derivatives of the Company and its associated corporations were recorded in the register.

Save as disclosed above, as at 31 March 2010, the Directors were not aware of any other person who has an interest or short position in the shares or underlying shares (including interest in options, if any) of the Company as recorded in the register required to be kept under Section 336 of the SFO.

DIRECTORS' INTERESTS IN CONTRACTS

No contracts of significance in relation to the Group's business to which any member of the Group was a party and in which a Director of the Group had a material interest, whether directly or indirectly, subsisted at the end of the year ended 31 March 2010 or at any time during such period.

DIRECTORS' COMPETING INTERESTS

As of 31 March 2010, none of the Directors, the substantial shareholders or the management shareholders of the Company or their respective associates (as defined under the GEM Listing Rules) had any business or interest in a business which competes or may compete with the business of the Group.

SHARE OPTION SCHEME

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

(a) Purpose of the New Scheme

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

(b) Participants of the New Scheme

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

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

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

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

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

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

(c) Basis for determining the subscription price

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

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

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

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

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

(d) Total number of securities available far issue under the New Scheme

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

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

As at 31 March 2010, the total number of shares available for issue under the New Scheme was 10,919,000 shares representing 10% of the issued share capital of the Company.

(e) Maximum entitlement of each Participant

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

(f) Time of exercise of Option

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

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

(g) Remaining life of the New Scheme

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

No option has been granted by the Company under both of the Old Scheme and the New Scheme during the year under review and no option was outstanding as at 31 March 2010.

Save as disclosed herein, as at 31 March 2010, none of the Directors, chief executive, substantial shareholders or management shareholders or their respective associates (as defined under the GEM Listing Rules) had any right to subscribe for the shares of the Group.

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

During the year ended 31 March 2010, neither the Company nor any of its subsidiaries has purchased, sold or redeemed any of the Company's listed securities.

FIVE-YEAR SUMMARY

A summary of results and of the assets and liabilities of the Group for the last five financial years is set out on page 86 of this report.

PRE-EMPTIVE RIGHTS

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

AUDITOR

SHINEWING (HK) CPA Limited acted as auditor of the Company for the past three years.

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

On behalf of the Board

Wong Chung Wai, Eric
Director

Hong Kong, 29 June 2010

INDEPENDENT AUDITOR'S REPORT

信永中和
ShineWing

SHINEWING (HK) CPA Limited
43/F.,The Lee Gardens
33 Hysan Avenue
Causeway Bay, Hong Kong

TO THE MEMBERS OF TAI SHING INTERNATIONAL (HOLDINGS) LIMITED
泰盛國際(控股)有限公司
(incorporated in the Cayman Islands with limited liability)

We have audited the consolidated financial statements of Tai Shing International (Holdings) Limited (the "Company") and its subsidiaries (collectively referred to as the "Group") set out on pages 28 to 85, which comprise the consolidated statement of financial position as at 31st March 2010, the consolidated statement of comprehensive income, consolidated statement of changes in equity and consolidated statement of cash flows for the year then ended, and a summary of significant accounting policies and other explanatory notes.

DIRECTORS' RESPONSIBILITY FOR THE CONSOLIDATED FINANCIAL STATEMENTS

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

AUDITOR'S RESPONSIBILITY

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

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

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

OPINION

In our opinion, the consolidated financial statements give a true and fair view of the state of affairs of the Group as at 31st March 2010 and of the Group's profit and cash flows for the year then ended in accordance with Hong Kong Financial Reporting Standards and have been properly prepared in accordance with the disclosure requirements of the Hong Kong Companies Ordinance.

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

Hong Kong
29th June 2010

CONSOLIDATED STATEMENT OF COMPREHENSIVE INCOME

For the year ended 31st March 2010

	Notes	**2010 HK$'000**	2009 HK$'000
Turnover	9	**68,583**	108,003
Cost of services provided		**(52,278)**	(61,987)
Gross profit		**16,305**	46,016
Other operating income	9	**12,281**	6,300
Selling and distribution expenses		**(5,806)**	(2,730)
Administrative expenses		**(14,110)**	(12,640)
Other operating expenses	11	**(4,921)**	(22,653)
Finance costs	12	**(602)**	(559)
Share of results of associates	21	**—**	(5)
Profit before taxation		**3,147**	13,729
Income tax credit (expense)	13	**497**	(2,280)
Profit for the year	14	**3,644**	11,449
Exchange difference arising on translation and total other comprehensive income for the year		**(86)**	2
Total comprehensive income for the year		**3,558**	11,451
Earnings per share — Basic and diluted	16	**HK0.33 cents**	HK1.05 cents

CONSOLIDATED STATEMENT OF FINANCIAL POSITION

At 31st March 2010

	Notes	2010 HK$'000	2009 HK$'000
Non-current assets			
Plant and equipment	19	**1,887**	3,025
Intangible asset	20	**—**	—
Interests in associates	21	**—**	—
Goodwill	22	**—**	131
Deposit paid for acquisition of plant and equipment	23	**300**	—
		2,187	3,156
Current assets			
Trade and other receivables	24	**51,955**	27,769
Deposit for acquisition of a subsidiary	25	**25,000**	—
Amounts due from customers for contract work	26	**24,014**	70,852
Financial assets at fair value through profit or loss	27	**529**	330
Pledged bank deposits	28	**1,106**	1,002
Bank balances and cash	28	**25,857**	3,745
		128,461	103,698
Current liabilities			
Amounts due to customers for contract work	26	**8,044**	8,022
Trade and other payables	29	**36,207**	32,254
Receipts in advance		**7,308**	16,839
Warranty provision	30	**947**	1,418
Amount due to a substantial shareholder	31	**9,152**	6,950
Income tax payable		**1,866**	2,201
Bank borrowings	32	**11,449**	11,187
		74,973	78,871
Net current assets		**53,488**	24,827
		55,675	27,983
Capital and reserves			
Share capital	33	**6,529**	5,460
Reserves		**49,146**	22,523
		55,675	27,983

The consolidated financial statements on pages 28 to 85 were approved and authorised for issue by the board of directors on 29th June 2010 and are signed on its behalf by:

Wong Chung Wai, Eric
Director

Chan Yun Sang
Director

CONSOLIDATED STATEMENT OF CHANGES IN EQUITY

For the year ended 31st March 2010

	Share capital HK$'000	Share premium HK$'000	General reserve HK$'000 (Note a)	Capital reserve HK$'000 (Note b)	Exchange translation reserve HK$'000	Accumulated losses HK$'000	Total HK$'000
At 1st April 2008	5,460	22,905	1,904	1,200	4,215	(19,152)	16,532
Total comprehensive income for the year, net of tax	—	—	—	—	2	11,449	11,451
Transfer	—	—	175	—	—	(175)	—
At 31st March 2009	5,460	22,905	2,079	1,200	4,217	(7,878)	27,983
Total comprehensive income for the year, net of tax	—	—	—	—	(86)	3,644	3,558
Issue of shares upon							
— placement of shares	1,069	23,475	—	—	—	—	24,544
— transaction cost attributable to placement of shares	—	(410)	—	—	—	—	(410)
Transfer	—	—	360	—	—	(360)	—
At 31st March 2010	6,529	45,970	2,439	1,200	4,131	(4,594)	55,675

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 STATEMENT OF CASH FLOWS

For the year ended 31st March 2010

	2010 HK$'000	2009 HK$'000
OPERATING ACTIVITIES		
Profit before taxation	**3,147**	13,729
Adjustments for:		
Depreciation	**1,055**	1,517
Fair value gains on financial assets at fair value through profit or loss	**(33)**	(27)
Finance costs	**602**	559
(Gain) loss on disposal of financial assets at fair value through profit or loss	**(121)**	232
Impairment loss recognised in respect of goodwill	**131**	—
Impairment loss recognised in respect of trade receivables	**4,008**	13,867
Impairment loss recognised in respect of other receivables	**782**	5,827
Impairment loss recognised in respect of retention receivables	**—**	2,727
Interest income	**(33)**	(112)
Loss on disposals of plant and equipment	**57**	7
Provision for warranty, net	**(278)**	1,058
Reversal of impairment loss in respect of trade receivables	**(5,152)**	(1,422)
Reversal of impairment loss in respect of other receivables	**(832)**	(2,291)
Reversal of impairment loss in respect of retention receivables	**(1,311)**	—
Share of results of associates	**—**	5
Operating cash flow before movements in working capital	**2,022**	35,676
(Increase) decrease in trade and other receivables	**(21,001)**	3,989
Decrease (increase) in amounts due from (to) customers for contract work	**47,300**	(55,822)
Increase (decrease) in trade and other payables	**3,213**	(1,432)
(Decrease) increase in receipts in advance	**(9,812)**	4,710
Decrease in warranty provision	**(211)**	(130)
Cash from (used in) operations	**21,511**	(13,009)
PRC Enterprise Income Tax refund	**110**	89
NET CASH FROM (USED IN) OPERATING ACTIVITIES	**21,621**	(12,920)

CONSOLIDATED STATEMENT OF CASH FLOWS

For the year ended 31st March 2010

	Notes	2010 HK$'000	2009 HK$'000
INVESTING ACTIVITIES			
Deposit paid for acquisition of a subsidiary		**(25,000)**	—
Purchase of financial assets at fair value through profit or loss		**(749)**	(363)
Deposit paid for acquisition of plant and equipment		**(300)**	—
Purchases of plant and equipment		**(95)**	(259)
(Increase) decrease in pledged bank deposits		**(80)**	1,207
Proceeds from disposal of financial assets at fair value through profit or loss		**714**	402
Proceeds from disposals of plant and equipment		**179**	981
Interest received		**33**	112
Net cash inflow in respect of acquisition of a subsidiary	35	**—**	24
NET CASH (USED IN) FROM INVESTING ACTIVITIES		**(25,298)**	2,104
FINANCING ACTIVITIES			
Proceeds from placement of shares, net of expenses		**24,134**	—
New bank borrowings raised		**11,449**	20,132
Advance from (repayment to) a substantial shareholder		**1,908**	(2,481)
Repayment of bank borrowings		**(11,187)**	(17,895)
Interest paid		**(602)**	(559)
Repayments to associates		**—**	(282)
NET CASH FROM (USED IN) FINANCING ACTIVITIES		**25,702**	(1,085)
NET INCREASE (DECREASE) IN CASH AND CASH EQUIVALENTS		**22,025**	(11,901)
CASH AND CASH EQUIVALENTS AT THE BEGINNING OF THE YEAR		**3,745**	15,651
EFFECT OF FOREIGN EXCHANGE RATE CHANGES		**87**	(5)
CASH AND CASH EQUIVALENTS AT THE END OF THE YEAR, representing bank balances and cash		**25,857**	3,745

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$"). Other than the subsidiary established in the People's Republic of China (the "PRC") whose functional currency is Renminbi ("RMB"), the functional currency of the Company and its subsidiaries (the "Group") is HK$.

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 principal subsidiaries are set out in Note 39.

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

In the current year, the Group has applied the following new and revised standards, amendments to standards and interpretations ("new and revised HKFRSs") issued by the Hong Kong Institute of Certified Public Accountants (the "HKICPA").

Hong Kong Accounting Standard ("HKAS") 1 (Revised 2007)	Presentation of Financial Statements
HKAS 23 (Revised 2007)	Borrowing Costs
HKAS 32 and HKAS 1 (Amendments)	Puttable Financial Instruments and Obligations Arising on Liquidation
HKFRS 1 and HKAS 27 (Amendments)	Cost of an Investment in a Subsidiary, Jointly Controlled Entity or Associate
HKFRS 2 (Amendment)	Vesting Conditions and Cancellations
HKFRS 7 (Amendment)	Improving Disclosures about Financial Instruments
HKFRS 8	Operating Segments
HK (IFRIC) — Interpretation ("Int") 9 and HKAS 39 (Amendments)	Embedded Derivatives
HK (IFRIC) — Int 13	Customer Loyalty Programmes
HK (IFRIC) — Int 15	Agreements for the Construction of Real Estate
HK (IFRIC) — Int 16	Hedges of a Net Investment in a Foreign Operation
HK (IFRIC) — Int 18	Transfers of Assets from Customers
HKFRSs (Amendments)	Improvements to HKFRSs issued in 2008, except for the amendment to HKFRS 5 that is effective for annual periods beginning on or after 1st July 2009
HKFRSs (Amendments)	Improvements to HKFRSs issued in 2009 in relation to the amendment to paragraph 80 of HKAS 39

Except as described below, the adoption of the above new and revised HKFRSs had no material effect on the consolidated financial statements of the Group for the current or prior accounting periods.

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

New and revised HKFRSs affecting presentation and disclosure only

HKAS 1 (Revised 2007) "Presentation of Financial Statements"

HKAS 1 (Revised 2007) has introduced terminology changes (including revised titles for the consolidated financial statements) and changes in the format and content of the consolidated financial statements.

HKFRS 8 "Operating Segments"

HKFRS 8 is a disclosure standard. The adoption of HKFRS 8 has not resulted in a re-designation of the Group's reportable segments nor changes in basis of measurement of segment profit or loss, segment assets and segment liabilities.

Improving Disclosures about Financial Instruments
(Amendments to HKFRS 7 "Financial Instruments: Disclosures")

The amendments to HKFRS 7 expand the disclosures required in relation to fair value measurements in respect of financial instruments which are measured at fair value. The amendments also expand and amend the disclosures required in relation to liquidity risk. The Group has not provided comparative information for the expanded disclosures in accordance with the transitional provision set out in the amendments.

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)	Amendment to HKFRS 5 as part of improvements to HKFRSs 2008[1]
HKFRSs (Amendments)	Improvements to HKFRSs 2009[2]
HKFRSs (Amendments)	Improvements to HKFRSs 2010[3]
HKAS 24 (Revised)	Related Party Disclosures[7]
HKAS 27 (Revised)	Consolidated and Separate Financial Statements[1]
HKAS 32 (Amendment)	Classification of Rights Issues[5]
HKAS 39 (Amendment)	Eligible Hedged Items[1]
HKFRS 1 (Revised)	First-time Adoption of HKFRSs[1]
HKFRS 1 (Amendment)	Additional Exemptions for First-time Adopters[4]
HKFRS 1 (Amendment)	Limited Exemptions from Comparative HKFRS 7 Disclosures for First-time Adopters[6]
HKFRS 2 (Amendment)	Group Cash settled Share-based Payment Transactions[4]
HKFRS 3 (Revised)	Business Combinations[1]
HKFRS 9	Financial Instruments[8]
HK(IFRIC) — INT 14 (Amendment)	Prepayments of a Minimum Funding Requirement[7]
HK(IFRIC) — INT 17	Distributions of Non-cash Assets to Owners[1]
HK(IFRIC) — INT 19	Extinguishing Financial Liabilities with Equity Instruments[6]

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

[1] Effective for annual periods beginning on or after 1st July 2009.
[2] Effective for annual periods beginning on or after 1st July 2009 and 1st January 2010, as appropriate.
[3] Effective for annual periods beginning on or after 1st July 2010 and 1st January 2011, as appropriate.
[4] Effective for annual periods beginning on or after 1st January 2010.
[5] Effective for annual periods beginning on or after 1st February 2010.
[6] Effective for annual periods beginning on or after 1st July 2010.
[7] Effective for annual periods beginning on or after 1st January 2011.
[8] Effective for annual periods beginning on or after 1st January 2013.

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.

HKFRS 9 "Financial Instruments" introduces new requirements for the classification and measurement of financial assets and will be effective from 1st January 2013, with earlier application permitted. The standard requires all recognised financial assets that are within the scope of HKAS 39 "Financial Instruments: Recognition and Measurement" to be measured at either amortised cost or fair value. Specifically, debt investments that (i) are held within a business model whose objective is to collect the contractual cash flows and (ii) have contractual cash flows that are solely payments of principal and interest on the principal outstanding are generally measured at amortised cost. All other debt investments and equity investments are measured at fair value. The application of HKFRS 9 might affect the classification and measurement of the Group's financial assets.

The directors of the Company anticipate that the application of the other new revised standards, amendments or interpretations will have no material impact on the consolidated financial statements.

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.

3. SIGNIFICANT ACCOUNTING POLICIES *(Continued)*

(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 statement of comprehensive income 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 is carried at cost less any accumulated impairment losses and is presented separately in the consolidated statement of financial position.

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 profit or loss. An impairment loss for goodwill is not reversed in subsequent periods.

On 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 statement of financial position 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. Significant influence is the power to participate in the financial and operating policy decisions of the investee but is not control or joint control over those policies.

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 statement of financial position 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.

3. SIGNIFICANT ACCOUNTING POLICIES *(Continued)*

(e) Investments in associates *(Continued)*

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.

(f) Intangible assets

Research and development expenditure

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 (or from the development phase of an internal project) is recognised if, and only if, all the following have been demonstrated:

- the technical feasibility of completing the intangible asset so that it will be available for use or sale;
- the intention to complete the intangible asset and use or sell it;
- the ability to use or sell the intangible asset;
- how the intangible asset will generate probable future economic benefits;
- the availability of adequate technical, financial and other resources to complete the development and to use or sell the intangible asset; and
- the ability to measure reliably the expenditure attributable to the intangible asset during its development.

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 listed above. 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 measured at cost less accumulated amortisation and accumulated impairment losses (if any).

3. SIGNIFICANT ACCOUNTING POLICIES *(Continued)*

(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 profit or loss in the period 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 end of the reporting period, 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 the amount can be measured reliably and its receipt is considered probable.

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.

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

3. SIGNIFICANT ACCOUNTING POLICIES *(Continued)*

(i) Financial instruments

Financial assets and financial liabilities are recognised on the consolidated statement of financial position 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 to the net carrying amount on initial recognition.

Interest income is recognised on an effective interest basis for debt instruments other than those financial assets classified as at fair value through profit or loss, of which interest income is included in net gains or losses.

Financial assets at fair value through profit or loss

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.

3. SIGNIFICANT ACCOUNTING POLICIES *(Continued)*

(i) Financial instruments *(Continued)*

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

Financial assets at fair value through profit or loss are measured at fair value, with changes in fair value arising from remeasurement 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. Subsequent to initial recognition, loans and receivables (including trade and other receivables, deposit paid for acquisition of a subsidiary, 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 on financial assets

Financial assets, other than those at fair value through profit or loss, are assessed for indicators of impairment at the end of each reporting period. 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 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.

3. SIGNIFICANT ACCOUNTING POLICIES *(Continued)*

(i) Financial instruments *(Continued)*

Impairment loss on financial assets *(Continued)*

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

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

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

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

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.

3. SIGNIFICANT ACCOUNTING POLICIES *(Continued)*

(i) Financial instruments *(Continued)*

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 and bank borrowings are subsequently measured at amortised cost, using the effective interest method.

Equity instruments

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

Derecognition

Financial assets are derecognised when the rights to receive cash flows from the assets expire or, the financial assets are transferred and the Group has transferred substantially all the risks and rewards of ownership of the financial assets. On derecognition of a financial asset, the difference between the asset's carrying amount and the sum of the consideration received and receivable and the cumulative gain or loss that had been recognised in other comprehensive income 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 best estimate of the consideration required to settle the present obligation at the end of the reporting period, taking into account the risks and uncertainties surrounding the obligation. Where a provision is measured using the cash flows estimated to settle the present obligation, its carrying amount is the present value of those cash flows (where the effect is material).

3. SIGNIFICANT ACCOUNTING POLICIES *(Continued)*

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

At the end of the reporting period, the Group reviews the carrying amounts of its tangible and intangible assets to determine whether there is any indication that those assets have suffered an impairment loss. If any such indication exists, the recoverable amount of the asset is estimated in order to determine the extent of the impairment loss, if any. 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.

ii) Professional service income

Professional service income 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 (including financial assets at fair value through profit or loss) is accrued on a time basis, by reference to the principal outstanding and at the effective interest rate applicable, which is the rate that exactly discounts the estimated future cash receipts through the expected life of the financial assets to that assets net carrying amount on initial recognition.

3. SIGNIFICANT ACCOUNTING POLICIES *(Continued)*

(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 statement of comprehensive income 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 end of the reporting period.

Deferred tax is recognised on temporary 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. Deferred tax liabilities are generally recognised for all taxable temporary differences. Deferred tax assets are generally recognised for all deductible temporary difference to the extent that it is probable that taxable profits will be available against which those 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 associated with 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 assets arising from deductible temporary differences associated with such investments and interests are only recognised to the extent that it is probable that there will be sufficient taxable profits against which to utilise the benefits of the temporary differences and they are expected to reverse in the foreseeable future.

Deferred tax assets and liabilities are measured at the tax rates that are expected to apply in the period in which the liability is settled or the asset is realised, based on tax rate (and tax laws) that have been enacted or substantively enacted by the end of the reporting period. The measurement of deferred tax liabilities and assets reflects the tax consequences that would follow from the manner in which the Group expects, at the end of the reporting period, to recover or settle the carrying amount of its assets and liabilities. Deferred tax is recognised in to profit or loss, except when it relates to items that are recognised in other comprehensive income or directly in equity, in which case the deferred tax is also recognised in other comprehensive income or directly in equity, respectively.

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 the end of each reporting period, monetary items denominated in foreign currencies are retranslated at the rates prevailing at that 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 end of the reporting period, 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 in other comprehensive income and accumulated in equity (the exchange translation reserve).

(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 lessee. All other leases are classified as operating leases.

Operating lease payments are recognised as an expense 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 schemes are charged as an expense when employees have rendered service entitling them to the contributions.

(q) Borrowing costs

All borrowing costs are recognised in profit or loss 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

The critical judgment, apart from those involving estimations (see below), that the directors have made in the process of applying the entity's accounting policies and that have the most significant effect on the amounts recognised in the consolidated financial statements.

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 with reference to the work performed to date and costs incurred. The actual outcomes in terms of total cost or revenue may be different from the estimates at the end of the reporting period, such differences will impact the revenue and the profit or loss recognised in the period in which such estimation 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 end of the reporting period, 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. At 31st March 2010, the carrying amount of goodwill was Nil (2009: HK$131,000) net of impairment loss of approximately HK$131,000 (2009: Nil). Details of impairment testing on goodwill are set out in Note 22(b).

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

Key sources of estimation uncertainty *(Continued)*

Depreciation of plant and equipment

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

Income taxes

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

Warranty provision

The Group makes warranty provision based on information available prior to the issuance of the consolidated financial statements indicating that it is probable that the Group will be required to settle the present obligations. As disclosed in Note 30, 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 statement of comprehensive income will result. Likewise, if the costs are settled for an amount that is less than the estimation, a future credit to consolidated statement of comprehensive income 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. At 31st March 2010, the carrying amount of trade receivables and retention receivables were approximately HK$42,320,000 (2009: HK$15,226,000) (net of impairment loss of approximately HK$23,288,000 (2009: HK$24,052,000)) and HK$3,402,000 (2009: HK$2,035,000) (net of HK$1,464,000 impairment loss (2009: HK$2,727,000)), respectively.

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

Key sources of estimation uncertainty *(Continued)*

Impairment loss recognised in respect of other receivables

The policy for provision 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 receivable. At 31st March 2010, the carrying amount of other receivables was approximately HK$6,233,000 (2009: HK$10,508,000) (net of impairment loss of approximately HK$17,004,000 (2009: 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 borrowings as disclosed in Note 32, bank balances and cash as disclosed in Note 28 and equity attributable to owners of the Company, comprising issued share capital and reserves. The directors of the Company review the capital structure on a regular basis. As part of this review, the directors of the Company consider the cost of capital and the risks associated with each class of capital, and take appropriate actions to adjust the Group's capital structure. The overall strategy of the Group remains unchanged from prior periods.

6. FINANCIAL INSTRUMENTS

Categories of financial instruments

	2010 **HK$'000**	2009 HK$'000
Financial assets at fair value through profit or loss	**529**	330
Loans and receivables (including bank balances and cash)	**102,614**	32,094
Financial liabilities at amortised cost	**56,808**	50,391

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, deposit paid for acquisition of a subsidiary, pledged bank deposits, bank balances and cash, trade and other payables, amount due to a substantial shareholder and bank borrowings 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 2010 and 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 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 exposed to cash flow interest rate risk in relation to its variable-rate pledged bank deposits (see Note 28 for details of this deposit) and bank borrowings (see Note 32 for details of this borrowings) for the two years ended 31st March 2010 and 2009. It is the Group's policy to keep its pledged bank deposits and bank borrowings at floating rate of interests so as to minimise the fair value interest rate risk.

The Group's bank deposits are short-term in nature and the exposure of the interest rate risk is minimal and no sensitivity to interest rate risk is presented.

The Group's exposure to interest rates on financial liabilities is 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 borrowings.

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

Interest rate risk *(Continued)*

Sensitivity analysis

As of 31st March 2010, it is estimated that a general 50 basis point increase or decrease in interest rates, with all other variables held constant, would decrease or increase the Group's profit for the year ended and increase or decrease the Group's accumulated losses by approximately HK$ 192,000 (2009: HK$ 51,000).

The above sensitivity analysis has been determined assuming that a change in interest rates had occurred at the end of the reporting period and had been applied to the exposure to interest rate risk for financial instruments in existence at that date. The 50 basis point increase or decrease represents directors' assessment of a reasonably possible change in interest rates over the period until the next reporting period. The analysis was performed on the same basis for year ended 31st March 2009.

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.

Credit risk

At 31st March 2010, 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 statement of financial position.

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 the end of reporting period 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's concentration of credit risk by geographical locations is mainly in the PRC including Hong Kong (country of domicile). At 31st March 2010, the Group has concentration of credit risk as 36% (2009: 14%) and 66% (2009: 44%) of the total trade receivables was due from the Group's largest customer and the five largest customers, respectively which are included in the systems development business segment.

The credit risk on liquid funds is limited because the counterparties are banks in Hong Kong with high credit ratings assigned by international credit rating agencies and authorised banks in the PRC with high credit ratings.

None of the Group's financial assets are secured by collateral or other credit enhancements.

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

Liquidity risk

In the management of the liquidity risk, the Group monitors and maintains a level of cash and cash equivalents deemed adequate by the management to finance the Group's operations and mitigate the effects of fluctuations in cash flows. The management monitors the utilisation of bank borrowings and ensures compliance with loan covenants.

The following table details the Group's remaining contractual maturity for its non-derivative financial liabilities based on the agreed repayment terms. The table has been drawn up based on the undiscounted cash flows of financial liabilities based on the earliest date on which the Group can be required to pay. The table includes both interest and principal cash flows. To the extent that interest flows are floating rate, the undiscounted amount is derived from interest rate curve at the end of reporting period.

	At 31st March 2010	
	Carrying amount HK$'000	**Within 1 year or on demand and total undiscounted cash flows HK$'000**
Non-derivative financial liabilities		
Trade and other payables	**36,207**	**35,397**
Amount due to a substantial shareholder	**9,152**	**9,152**
Bank borrowings	**11,449**	**12,118**
	56,808	**56,667**

	At 31st March 2009	
	Carrying amount HK$'000	Within 1 year or on demand and total undiscounted cash flows HK$'000
Non-derivative financial liabilities		
Trade and other payables	32,254	32,254
Amount due to a substantial shareholder	6,950	6,950
Bank borrowings	11,187	11,732
	50,391	50,936

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

Liquidity risk *(Continued)*

The amounts included above for variable interest rate instruments for non-derivative financial liabilities is subject to change if changes in variance interest rates differ to those estimates of interest rates determined at the end of the reporting period.

8. FAIR VALUE

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

- the fair value of financial assets with standard terms and conditions and traded in active liquid markets are determined with reference to quoted market bid prices and ask prices respectively; and

- the fair value of other financial assets and financial liabilities (excluding derivate instruments) is determined in accordance with generally accepted pricing models based on discounted cash flow analysis using prices from observable current market transactions and dealer quotes for similar instrument.

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 revenue arising from installation and development of systems and net amounts received and receivable for services provided by the Group to outside customers net of sales related taxes.

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

	2010 HK$'000	2009 HK$'000
Turnover		
Systems development	**63,981**	105,697
Professional service income	**4,602**	2,306
	68,583	108,003
Other operating income		
Fair value gains on financial assets at fair value through profit or loss	**33**	27
Gain on disposal of financial assets at fair value through profit or loss	**121**	—
Interest income	**33**	112
Reversal of impairment loss in respect of trade receivables	**5,152**	1,422
Reversal of impairment loss in respect of other receivables	**832**	2,291
Reversal of impairment loss in respect of retention receivables	**1,311**	—
Sundry income	**59**	189
Value added tax refund (Note)	**4,740**	2,259
	12,281	6,300
Total revenues	**80,864**	114,303

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

The Group has adopted HKFRS 8 "Operating Segments" with effect from 1st January 2009. HKFRS 8 is a disclosure standard that requires operating segments to be identified on the basis of internal reports about components of the Group that are regularly reviewed by the chief operating decision maker for the purpose of allocating resources to segments and assessing their performance. In contrast, the predecessor standard (HKAS 14 "Segment Reporting") required an entity to identify two sets of segments (business and geographical), using a risks and returns approach.

In the past, the Group's primary reporting format was business segments. The application of HKFRS 8 has not resulted in a re-designation of the Group's reportable segments as compared with the primary reportable segments determined in accordance with HKAS 14. Nor has the adoption of HKFRS 8 changed the basis of measurement of segment profit or loss.

For management purposes, the Group is currently organised into two operating divisions - systems development and professional services.

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.

(a) Segment revenues and results

The following is an analysis of the Group's revenues and results by reportable segments.

	For the year ended 31st March					
	Systems development		Professional services		Consolidated	
	2010	2009	**2010**	2009	**2010**	2009
	HK$'000	HK$'000	**HK$'000**	HK$'000	**HK$'000**	HK$'000
TURNOVER						
Revenue from external customers	**63,981**	105,697	**4,602**	2,306	**68,583**	108,003
RESULT						
Segment results	**5,728**	17,630	**1,329**	1,947	**7,057**	19,577
Interest income					**33**	112
Unallocated income					**213**	216
Unallocated expenses					**(3,554)**	(5,612)
Finance costs					**(602)**	(559)
Share of results of associates					**—**	(5)
Income tax credit (expense)					**497**	(2,280)
Profit for the year					**3,644**	11,449

There are no sales between the reportable segments for both years ended 31st March 2010 and 2009.

10. SEGMENT INFORMATION *(Continued)*

(a) Segment revenues and results *(Continued)*

The accounting policies of the reportable segments are the same as the Group's accounting policies described in Note 3. Segment results represents the results of each segment without allocation of interest income, central administration costs and directors' remunerations, finance costs, share of results of associates and income tax credit (expense). This is the measure reported to the chief operating decision maker of the Group for the purposes of resource allocation and assessment of segment performance.

(b) Segment assets and liabilities

The following is an analysis of the Group's assets and liabilities by reportable segments.

	At 31st March					
	Systems development		Professional services		Consolidated	
	2010	2009	**2010**	2009	**2010**	2009
	HK$'000	HK$'000	**HK$'000**	HK$'000	**HK$'000**	HK$'000
ASSETS						
Segment assets	**77,043**	97,674	**1,396**	3,359	**78,439**	101,033
Unallocated corporate assets						
— Deposit paid for acquisition of plant and equipment					**300**	—
— Deposit paid for acquisition of a subsidiary					**25,000**	—
— Financial asset at fair value through profit or loss					**529**	330
— Bank balances and cash					**25,857**	3,745
— Others					**523**	1,746
Total assets					**130,648**	106,854
LIABILITIES						
Segment liabilities	**41,215**	49,042	**858**	3,696	**42,073**	52,738
Unallocated corporate liabilities						
— Amount due to a substantial shareholder					**9,152**	6,950
— Income tax payable					**1,866**	2,201
— Bank borrowings					**11,449**	11,187
— Others					**10,433**	5,795
Total liabilities					**74,973**	78,871

10. SEGMENT INFORMATION *(Continued)*

(b) Segment assets and liabilities *(Continued)*

For the purposes of monitoring segment performance and allocating resources between segments:

- all assets are allocated to reportable segments other than deposit paid for acquisition of plant and equipment, deposit paid for acquisition of a subsidiary, financial assets at fair value through profit or loss and bank balances and cash. Assets used jointly by reportable segments are allocated on the basis of the revenues earned by individual reportable segments; and

- all liabilities are allocated to reportable segments other than amount due to a substantial shareholder, income tax payable and bank borrowings. Liabilities for which reportable segments are jointly liable are allocated in proportion to segment assets.

(c) Geographical information

For the two years ended 31st March 2010 and 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.

10. SEGMENT INFORMATION *(Continued)*

(d) Other segment information

Amounts included in the measure of segment profit or loss or segment assets:

	For the year ended 31st March							
	Systems development		Professional services		Unallocated		Consolidated	
	2010 HK$'000	2009 HK$'000	**2010 HK$'000**	2009 HK$'000	**2010 HK$'000**	2009 HK$'000	**2010 HK$'000**	2009 HK$'000
Other segment information								
Additions to non-current assets (Note)	**88**	251	**7**	8	**—**	—	**95**	259
Depreciation	**587**	716	**18**	21	**450**	780	**1,055**	1,517
Loss on disposals of plant and equipment	**53**	—	**4**	—	**—**	7	**57**	7
Impairment loss recognised in respect of trade receivables	**3,104**	13,867	**904**	—	**—**	—	**4,008**	13,867
Impairment loss recognised in respect of retention receivables	**—**	2,727	**—**	—	**—**	—	**—**	2,727
Impairment loss recognised in respect of other receivables	**340**	2,634	**—**	—	**442**	3,193	**782**	5,827
Impairment loss recognised in respect of goodwill	**—**	—	**—**	—	**131**	—	**131**	—
Reversal of impairment loss in respect of trade receivables	**(5,152)**	(231)	**—**	(1,191)	**—**	—	**(5,152)**	(1,422)
Reversal of impairment loss in respect of retention receivables	**(1,311)**	—	**—**	—	**—**	—	**(1,311)**	—
Reversal of impairment loss recognised in respect of other receivables	**(832)**	(2,291)	**—**	—	**—**	—	**(832)**	(2,291)
(Gain) loss on disposal of financial assets at fair value through profit or loss	**—**	—	**—**	—	**(121)**	232	**(121)**	232

Note: Non-current assets excluded financial instruments.

10. SEGMENT INFORMATION *(Continued)*

(e) Information about major customers

Revenues from customers of the corresponding years contributing over 10% of the total revenue of the Group as follows:

	Revenue generated from	**2010 HK$'000**	2009 HK$'000
Company A	System development	**N/A***	20,132
Company B	System development	**N/A***	10,961
Company C	System development	**N/A***	10,942

* The corresponding revenue does not contribute over 10% of the total revenue of the Group in the respective year.

11. OTHER OPERATING EXPENSES

	2010 HK$'000	2009 HK$'000
Impairment loss recognised in respect of trade receivables	**4,008**	13,867
Impairment loss recognised in respect of other receivables	**782**	5,827
Impairment loss recognised in respect of retention receivables	**—**	2,727
Impairment loss recognised in respect of goodwill	**131**	—
Loss on disposal of financial assets at fair value through profit or loss	**—**	232
	4,921	22,653

12. FINANCE COSTS

	2010 HK$'000	2009 HK$'000
Interest on bank borrowings due within one year	**602**	559

13. INCOME TAX (CREDIT) EXPENSE

	2010 HK$'000	2009 HK$'000
PRC Enterprise Income Tax		
— current	1,372	2,280
— overprovision in prior years	(1,869)	—
	(497)	2,280

(i) 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.

(ii) Under the Law of the PRC on Enterprise Income Tax (the "EIT Law") and Implementation Regulation of the EIT Law, the standard tax rate is 25%.

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% (2009: 15%) which was effective from 1st January 2008 to 31st December 2010.

13. INCOME TAX (CREDIT) EXPENSE *(Continued)*

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

	2010 HK$'000	2009 HK$'000
Profit before taxation	**3,147**	13,729
Tax at the applicable tax rate of 15% (2009: 15%)	**472**	2,059
Effect of different tax rates of subsidiaries operating in other jurisdictions	**(441)**	3,259
Overprovision in prior years	**(1,869)**	—
Tax effect of exemptions granted to a PRC subsidiary	**—**	(8,767)
Tax effect of income not taxable for tax purposes	**(722)**	(592)
Tax effect of expenses not deductible for tax purposes	**1,857**	3,585
Utilisation of other deductible temporary differences previously not recognised	**(266)**	—
Tax effect of tax losses and other deductible temporary differences not recognised	**472**	2,736
Income tax (credit) expense	**(497)**	2,280

Details of deferred taxation are set out in Note 34.

14. PROFIT FOR THE YEAR

Profit for the year has been arrived at after charging:

	2010 HK$'000	2009 HK$'000
Staff costs (including directors' emoluments (Note 18))		
Wages, salaries and other benefits	**19,368**	19,605
Retirement benefits scheme contributions	**1,845**	2,661
Total staff costs	**21,213**	22,266
Auditor's remuneration	**640**	552
Depreciation	**1,055**	1,517
Loss on disposals of plant and equipment	**57**	7
Operating lease charges in respect of land and buildings	**1,826**	1,778
Net exchange loss	**—**	8
Research and development expenditure	**3,472**	478

15. DIVIDENDS

No dividend was paid or proposed during the year ended 31st March 2010, nor has any dividend been proposed since the end of the reporting date (2009: Nil).

16. EARNINGS PER SHARE

The calculation of basic earnings per share is based on the profit for the year attributable to owners of the Company of approximately HK$3,644,000 (2009: HK$11,449,000) and the weighted average number of 1,107,479,180 (2009: 1,091,900,000) ordinary shares in issue during the year.

The weighted average number of ordinary shares for the purpose of basic earnings per share has been adjusted for the subdividion of shares effective on 16th April 2010.

Diluted earnings per share is the same as basic earnings per share because the Company had no dilutive potential shares for both years.

17. STAFF COSTS (EXCLUDING DIRECTORS' EMOLUMENTS)

	2010	2009
	HK$'000	HK$'000
Wages, salaries and other benefits	**19,079**	19,180
Retirement benefits scheme contributions	**1,843**	2,661
	20,922	21,841

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 profit or loss 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 statement of comprehensive income as they become payable in accordance with the rules of the pensions schemes. No forfeited contributions may be used by the employer to reduce the existing level of contributions.

18. DIRECTORS' AND SENIOR MANAGEMENT'S EMOLUMENTS

(a) Directors' emoluments

The emoluments paid or payable to each of the eight (2009: eight) directors were as follows:

	For the year ended 31st March 2010			
	Fees	Salaries and other benefits	Retirement benefit scheme contributions	Total
	HK$'000	HK$'000	HK$'000	HK$'000
Executive directors:				
Ms. Li Wenli	**30**	**—**	**—**	**30**
Mr. Wong Chung Wai, Eric (appointed on 15th March 2010)	**8**	**18**	**1**	**27**
Mr. Chan Yun Sang (appointed on 15th March 2010)	**8**	**15**	**1**	**24**
Mr. Luk Yat Hung	**—**	**—**	**—**	**—**
Independent non-executive directors:				
Professor Ip Ho Shing, Horace	**120**	**—**	**—**	**120**
Mr. Peng Lijun	**30**	**—**	**—**	**30**
Mr. Yan Yonghong	**30**	**—**	**—**	**30**
Mr. Tang Sze Lok	**30**	**—**	**—**	**30**
	256	**33**	**2**	**291**

18. DIRECTORS' AND SENIOR MANAGEMENT'S EMOLUMENTS *(Continued)*

(a) Directors' emoluments *(Continued)*

	For the year ended 31st March 2009			
	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 (Resigned on 16th March 2009)	110	—	—	110
Mr. Luk Yat Hung (re-designated from non-executive director to executive director on 16th March 2009)	—	—	—	—
Non-executive director:				
Mr. Luk Yat Hung (re-designated as executive director on 16th March 2009)	—	—	—	—
Independent non-executive directors:				
Mr. Chung Shui Ming, Timpson (resigned on 4th February 2009)	100	—	—	100
Professor Ip Ho Shing, Horace	120	—	—	120
Mr. Peng Lijun	30	—	—	30
Mr. Yan Yonghong	30	—	—	30
Mr. Tang Sze Lok (appointed on 4th February 2009)	5	—	—	5
	425	—	—	425

No directors waived or agreed to waive any emoluments during the two years ended 31st March 2010 and 2009.

18. DIRECTORS' AND SENIOR MANAGEMENT'S EMOLUMENTS *(Continued)*

(b) Senior management's emoluments

Of the five individuals with the highest emoluments in the Group, none (2009: none) were directors of the Company whose emoluments are set out in the above.

For the year ended 31st March 2010, the emoluments of the five (2009: five) highest paid individuals were as follows:

	2010	2009
	HK$'000	HK$'000
Salaries and other benefits	**1,022**	1,207
Retirement benefits scheme contributions	**140**	134
	1,162	1,341

Their emoluments fall within the following band:

	Number of individuals	
	2010	2009
Nil - HK$1,000,000	**5**	5

(c)

No emoluments have been paid by the Group to the directors or the five highest paid individuals as an inducement to join or upon joining the Group or as compensation for loss of office during the two years ended 31st March 2010 and 2009.

19. PLANT AND EQUIPMENT

	Leasehold improvements HK$'000	Furniture and fixtures HK$'000	Computer and office equipment HK$'000	Motor vehicles HK$'000	Total HK$'000
COST					
At 1st April 2008	1,576	42	5,596	3,820	11,034
Exchange realignment	1	—	2	1	4
Additions	—	—	250	9	259
Disposals	—	—	(1,255)	(1,708)	(2,963)
At 31st March 2009	1,577	42	4,593	2,122	8,334
Exchange realignment	37	—	102	39	178
Additions	—	—	95	—	95
Disposals	—	—	(536)	(909)	(1,445)
At 31st March 2010	1,614	42	4,254	1,252	7,162
ACCUMULATED DEPRECIATION					
At 1st April 2008	1,051	35	2,868	1,810	5,764
Exchange realignment	1	—	1	1	3
Provided for the year	315	4	744	454	1,517
Eliminated on disposals	—	—	(987)	(988)	(1,975)
At 31st March 2009	1,367	39	2,626	1,277	5,309
Exchange realignment	34	—	63	23	120
Provided for the year	213	3	610	229	1,055
Eliminated on disposals	—	—	(446)	(763)	(1,209)
At 31st March 2010	1,614	42	2,853	766	5,275
CARRYING VALUES					
At 31st March 2010	—	—	1,401	486	1,887
At 31st March 2009	210	3	1,967	845	3,025

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 2008	2,945
Exchange realignment	1
At 31st March 2009	2,946
Exchange realignment	69
At 31st March 2010	3,015
IMPAIRMENT	
At 1st April 2008	2,945
Exchange realignment	1
At 31st March 2009	2,946
Exchange realignment	69
At 31st March 2010	3,015
CARRYING VALUES	
At 31st March 2010	—
At 31st March 2009	—

The Group's intangible asset arose from the development of distributed component oriented simulation environment. The directors of the Company had reviewed the carrying values of the Group's intangible asset and considered that it was unlikely that the development costs have any future value in use. Total impairment loss of these development costs in the amount of approximately HK$3,015,000 (2009:HK$2,946,000) had been recognised.

21. INTERESTS IN ASSOCIATES

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

Acon Enterprises Limited ("Acon") and its wholly owned subsidiary, Tai Shing (Hong Kong) Limited became associates of the Group on 1st February 2008. On 29th July 2008, the Group acquired additional 74.5% equity 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
Total assets	—
Total liabilities	—
Net assets	—
Group's share of net assets of associates	—
Revenue	—
Loss for the period	(102)
Group's share of results of associates for the period	(5)

22. GOODWILL

(a)

	2010 HK$'000	2009 HK$'000
COST		
At 1st April	**131**	—
Arising on acquisition of a subsidiary (Note 35)	**—**	131
At 31st March	**131**	131
IMPAIRMENT		
At 1st April	**—**	—
Impairment loss recognised in the year	**131**	—
At 31st March	**131**	—
CARRYING VALUES		
At 31st March 2010		—
At 31st March 2009		131

(b) IMPAIRMENT TESTING ON GOODWILL

For the purpose of impairment testing, goodwill set out above has been allocated to one cash generating unit (2009: one). The goodwill is represented by the acquisition of Acon and its subsidiaries ("Acon Group") which were engaged in the research, development and provision of integrated management information systems.

Due to the uncertainties in the operating environment of Acon Group following the global financial tsunami in 2008 and the intense competition within the industry, the directors of the Company have made due assessment of the future viability of Acon Group. It was considered that the carrying amount of goodwill arising on acquisition of Acon Group in the amount of approximately HK$ 131,000 (2009: Nil) was fully impaired during the year ended 31st March 2010.

23. DEPOSIT PAID FOR ACQUISITION OF PLANT AND EQUIPMENT

Balance at 31st March 2010 represents deposits paid for acquisition of motor vehicles. Details of the related capital commitments at 31st March 2010 are set out in Note 36(a).

24. TRADE AND OTHER RECEIVABLES

	2010 HK$'000	2009 HK$'000
Trade and bills receivables	**65,608**	39,278
Less: Impairment loss recognised in respect of trade receivables	**(23,288)**	(24,052)
	42,320	15,226
Retention receivables	**4,866**	4,762
Less: Impairment loss recognised in respect of retention receivables	**(1,464)**	(2,727)
	3,402	2,035
Prepayments, deposits and other receivables	**23,237**	27,140
Less: Impairment loss recognised in respect of other receivables	**(17,004)**	(16,632)
	6,233	10,508
	51,955	27,769

(a) 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.

(b) An aged analysis of trade and bills receivables based on the date of invoice, net of impairment loss recognised is as follows:

	2010 HK$'000	2009 HK$'000
0-30 days	**10,513**	3,751
31-90 days	**2,791**	5,076
Over 90 days	**29,016**	6,399
	42,320	15,226

24. TRADE AND OTHER RECEIVABLES *(Continued)*

(c) At 31st March 2010, amounts of approximately HK$3,402,000 (2009: HK$2,035,000) net of impairment loss, recognised included in retention receivables are due for settlement more than 12 months (Note 26).

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

	2010 HK$'000	2009 HK$'000
At 1st April	**24,052**	11,599
Exchange realignment	**550**	8
Reversal during the year	**(5,152)**	(1,422)
Recognised during the year	**4,008**	13,867
Written off as uncollectible	**(170)**	—
At 31st March	**23,288**	24,052

At 31st March 2010, included in the impairment loss of trade receivables are individually impaired trade receivables with an aggregate balances of approximately HK$23,288,000 (2009: HK$24,052,000) which are due to long outstanding. The Group does not hold any collateral over these balances.

(e) The movements in impairment losses of retention receivables are as follows:

	2010 HK$'000	2009 HK$'000
At 1st April	**2,727**	—
Exchange realignment	**48**	—
Reversal during the year	**(1,311)**	—
Recognised during the year	**—**	2,727
At 31st March	**1,464**	2,727

At 31st March 2010, the directors of the Company reviewed the carrying values of the retention receivables and in light of the long outstanding, an impairment loss of retention receivables are individually impaired with aggregate balances of HK$1,464,000 (2009: HK$2,727,000) was recognised. The Group does not hold any collateral over these balances.

24. TRADE AND OTHER RECEIVABLES *(Continued)*

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

	2010 HK$'000	2009 HK$'000
At 1st April	**16,632**	13,088
Exchange realignment	**422**	8
Reversal during the year	**(832)**	(2,291)
Recognised during the year	**782**	5,827
At 31st March	**17,004**	16,632

Included in the impairment loss are individually impaired other receivables with an aggregate balance of approximately HK$17,004,000 (2009: HK$ 16,632,000) which are due to long outstanding. The Group does not hold any collateral over these balances.

(g) At 31st March 2010 and 2009, the analysis of trade and bills receivables that were past due but not impaired are as follows:

			Past due but not impaired	
	Total	Neither past due nor impaired	<90days	Over 90 days but less than 1 year
	HK$'000	HK$'000	HK$'000	HK$'000
31st March 2010	42,320	5,147	8,157	29,016
31st March 2009	15,226	2,386	6,441	6,399

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.

25. DEPOSIT PAID FOR ACQUISITION OF A SUBSIDIARY

Balance at 31st March 2010 represents a refundable deposit of HK$25,000,000 (2009: Nil) paid to Expertone Holdings Limited ("Expertone"), an independent third party in connection with the proposed acquisition of Fullmark Management Limited ("Fullmark"). The Company entered into a conditional sales and purchase agreement on 14th June 2010, details of the proposed acquisition are set out in the announcement of the Company dated 14th June 2010.

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

	2010 HK$'000	2009 HK$'000
Contracts in progress at the end of the reporting period:		
Contract costs incurred plus recognised profits less recognised losses	**146,119**	208,879
Less: Progress billings	**(130,149)**	(146,049)
	15,970	62,830
Analysed for reporting purposes as:		
Amounts due from customers for contract work	**24,014**	70,852
Amounts due to customers for contract work	**(8,044)**	(8,022)
	15,970	62,830

At 31st March 2010, retentions held by customers for contract works, net of impairment loss recognised, amounted to approximately HK$3,402,000 (2009: HK$2,035,000) (Note 24).

27. FINANCIAL ASSETS AT FAIR VLAUE THROUGH PROFIT OR LOSS

	2010 HK$'000	2009 HK$'000
Equity securities listed in the PRC, at fair value	**529**	330

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

28. PLEDGED BANK DEPOSITS AND BANK BALANCES AND CASH

The Group's bank deposits of approximately HK$1,106,000 (2009: HK$1,002,000) were pledged to banks to secure performance bond issued for the Group (Note 37 (a)).

At 31st March 2010, bank balances and cash comprise of cash held by the Group and short-term bank deposits of approximately HK$25,857,000 (2009: HK$3,745,000) with an original maturity of three months or less.

Bank balances and pledged bank deposits carried interest at average market rates of 0.36% per annum (2009: 0.60% per annum).

At 31st March 2010, the Group's pledged bank deposits and bank balances and cash denominated in RMB amounted to approximately HK$14,371,000 (2009: HK$4,722,000). 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.

29. TRADE AND OTHER PAYABLES

	2010	2009
	HK$'000	HK$'000
Trade payables	**16,327**	17,787
Accrued expenses and other payables	**19,880**	14,467
	36,207	32,254

An aged analysis of trade payables presented based on the invoice date at the end of the reporting period is as follows:

	2010	2009
	HK$'000	HK$'000
0-30 days	**547**	1,892
31-90 days	**1,105**	2,397
Over 90 days	**14,675**	13,498
	16,327	17,787

29. TRADE AND OTHER PAYABLES *(Continued)*

Included in accrued expenses and other payables are amounts in total of approximately HK$150,000 (2009: HK$441,000) representing accrued directors' fees due to the Company's directors.

The average credit period granted by the suppliers of the Group is 30-90 days (2009: 30-90 days). The Group has financial risk management policies in place to ensure that all payables are settled within the credit time frame.

30. WARRANTY PROVISION

	2010	2009
	HK$'000	HK$'000
At 1st April	**1,418**	490
Exchange realignment	**18**	—
Utilisation of provision	**(211)**	(130)
Reversal of unused provision	**(1,146)**	(136)
Provision for the year	**868**	1,194
At 31st March	**947**	1,418

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.

31. AMOUNT DUE TO A SUBSTANTIAL SHAREHOLDER

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

32. BANK BORROWINGS

	2010 HK$'000	2009 HK$'000
Unsecured bank borrowings, due within one year at variable-rate	11,449	11,187

The effective interest rate on the Group's bank borrowings is 5.841% (2009: 5.841%).

The Group's bank borrowings are denominated in RMB.

At 31st March 2010 and 2009, the unsecured bank borrowings are secured by land and buildings owned by an independent third party.

During the year ended 31st March 2010, the Group obtained new loans in the amount of approximately HK$11,449,000 (2009: HK$20,132,000). These loans carry interest at prevailing market rate and will be repayable in 2011.

33. SHARE CAPITAL

Ordinary shares of HK$0.05 each	**Number of shares**	**HK$'000**
Authorised:		
At 1st April 2008, 31st March 2009 and 31st March 2010	4,000,000,000	200,000
At 1st April 2008 and 31st March 2009	109,190,000	5,460
Issue of shares upon placements (Note a)	21,380,000	1,069
At 31st March 2010	130,570,000	6,529

Notes:

(a) On 23rd February 2010 and 1st March 2010, the Company and Wide Source Group Ltd ("Wide Source"), a substantial shareholder of the Company, entered into subscription agreements pursuant to which Wide Source has agreed to subscribe for 16,380,000 and 5,000,000 ordinary shares of HK$0.05 each of the Company at the subscription price of HK$1.01 per share and HK$1.60 per share, respectively. The subscriptions were completed on 4th March 2010 and 10th March 2010, respectively. A sum of approximately HK$24,134,000 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.

34. DEFERRED TAXATION

At the end of the reporting period, the Group had unused tax losses of approximately HK$26,123,000 (2009: HK$23,264,000) 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 end of the reporting period, the Group has deductible temporary differences of approximately HK$43,657,000 (2009: HK$45,698,000). 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 EIT Law of PRC, withholding tax is imposed on dividends in respect of profits earned by the PRC subsidiaries from 1st April 2008 onwards (the “Post-2008 Earnings”). Deferred taxation has not been provided for in the consolidated financial statements in respect of temporary difference attributable to the Post-2008 Earnings amounting to approximately HK$8,780,000 (2009: Nil) 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.

35. ACQUISITION OF A SUBSIDIARY

As refer in Note 21, on 29th July 2008, the Group acquired an additional 74.5% equity interests in its 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 goodwill was attributable to the anticipated profitability from the acquired business.

35. ACQUISITION OF A SUBSIDIARY *(Continued)*

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

	HK$'000
Net liabilities acquired:	
Bank balances and cash	70
Other payables	(155)
	(85)
Goodwill (Note 22)	131
Total consideration	46
Satisfied by:	
Cash	46
Net cash inflow arising on acquisition:	
Cash consideration paid	(46)
Bank balances and cash acquired	70
	24

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

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.

36. COMMITMENTS

At the end of the reporting period, the Group had the following commitments:

(a) Capital commitments for the acquisition of motor vehicles

	2010	2009
	HK$'000	HK$'000
Contracted but not provided for	**4,809**	—

(b) Commitments under operating leases

The Group as lessee

The Group leases certain of its office premises 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 end of the reporting period, the Group had commitments for future minimum lease payments under non-cancellable operating leases which fall due within one year of approximately HK$308,000 (2009: HK$296,000).

37. CONTINGENT LIABILITIES

(a) At 31st March 2010, the Group's bank deposits of approximately HK$1,106,000 (2009: HK$1,002,000) were pledged to two banks for bank guarantees of approximately HK$1,106,000 (2009: HK$1,002,000) 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 the 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.

38. STATEMENT OF FINANCIAL POSITION OF THE COMPANY

	Notes	2010 HK$'000	2009 HK$'000
Non-current assets			
Plant and equipment		**1**	9
Investments in subsidiaries		**11,825**	11,824
		11,826	11,833
Current assets			
Amounts due from subsidiaries	(a)	**11,091**	2,630
Other receivables		**25,075**	263
Bank balances		**1,938**	18
		38,104	2,911
Current liabilities			
Amounts due to subsidiaries	(a)	**13,980**	123
Other payables		**1,663**	1,612
		15,643	1,735
Net current assets		**22,461**	1,176
		34,287	13,009
Capital and reserves			
Share capital		**6,529**	5,460
Reserves	(b)	**27,758**	7,549
		34,287	13,009

38. STATEMENT OF FINANCIAL POSITION OF THE COMPANY *(Continued)*

(a) Amounts due from (to) subsidiaries

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

(b) Reserves

	Share premium HK$'000	**Capital reserve** HK$'000 (Note)	**Accumulated losses** HK$'000	**Total** HK$'000
At 1st April 2008	22,905	1,200	(15,666)	8,439
Total comprehensive expenses for the year, net of tax	—	—	(890)	(890)
At 31st March 2009	22,905	1,200	(16,556)	7,549
Total comprehensive expenses for the year, net of tax	—	—	(2,856)	(2,856)
Issue of shares upon				
— placement of shares	23,475	—	—	23,475
— transaction cost attributable to placement of shares	(410)	—	—	(410)
At 31st March 2010	45,970	1,200	(19,412)	27,758

Note: 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.

39. PRINCIPAL SUBSIDIARIES

Details of the principal subsidiaries held by the Company as at 31st March 2010 and 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
Asia Security Net Technology Limited (formerly known as Acon)	British Virgin Island ("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 Electronic Science & Technology Co., Ltd	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 both years.

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.

40. RELATED PARTY TRANSACTIONS

The balances with related parties at the end of the reporting period 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.

41. EVENTS AFTER THE REPORTING PERIOD

(a) Pursuant to the ordinary resolution passed on 15th April 2010, the authorised share capital of the Company was subdivided from 4,000,000,000 ordinary shares of HK$0.05 each into 40,000,000,000 ordinary shares of HK$0.005 each. The share subdivision was effective from 16th April 2010.

(b) On 24th February 2010, the Company and Mr. Wong Chi Keung ("Mr. Wong"), an independent third parties, entered into a service agreement ("Service Agreement"), pursuant to which the Company has conditionally granted to Fantasy Top Limited, a company nominated by Mr. Wong to take up an option (the "Option"). The option is granted by the Company to Mr. Wong attached with it the right which is exercisable during the option period, to subscribe for up to 6,000,000 ordinary shares of HK$0.005 each of the Company at an exercise price of HK$1.00 per option share.

Pursuant to the Service Agreement, the grant of the Option would be subject to certain conditions ("Conditions"), details are set out in the announcement of the Company dated 24th February 2010. In the event that any of the Conditions is not fulfilled within 60 days after the date of the Service Agreement (the "Relevant Period"), the Service Agreement shall lapse and cease to have any effect and no party shall have any claim against the other.

On 23rd April 2010, the Company and Mr. Wong entered into a supplemental agreement, pursuant to which the Company and Mr. Wong had agreed to extend the last day of the Relevant Period to 30th June 2010 for fulfillment of the Conditions precedent to the grant of the Option.

On 14th June 2010, the Company and Mr. Wong entered into a second supplemental agreement, pursuant to which the Company and Mr. Wong had agreed to extend the last day of the Relevant Period to 30th September 2010 for fulfillment of the Conditions precedent to the grant of the Option.

(c) On 23rd April 2010, the Company, Wide Source and a placing agent (the "Placing Agent") entered into a placing agreement pursuant to which Wide Source has agreed to place, and the Placing Agent has agreed to procure placees, for the purchase of 130,000,000 ordinary shares of HK$0.005 each of the Company held by Wide Source at a placing price of HK$0.265 per share (the "Placing shares"). The placing was completed on 28th April 2010.

On 23rd April 2010, the Company and Wide Source entered into a subscription agreement pursuant to which Wide Source has agreed to subscribe for 130,000,000 ordinary shares of HK$0.005 each of the Company, at the subscription price of HK$0.265 per share. The subscription was completed on 6th May 2010. The net proceeds from the subscription received by the Company of approximately HK$ 33,270,000 will be used to finance future investments and/ or for future business development. The ordinary share issued ranked pari passu with the then existing ordinary shares of the Company in all respects.

41. EVENTS AFTER THE REPORTING PERIOD *(Continued)*

(d) On 28th April 2010, the Company and the Placing Agent entered into a placing agreement (the "GM Placing Agreement") pursuant to which the Company has agreed to place, and the Placing Agent has agreed to procure placees, for the purchase of 130,000,000 ordinary shares of HK$0.005 each of the Company at a placing price of HK$0.265 per share.

On 5th May 2010, the Company and the Placing Agent entered into a supplemental agreement pursuant to which the Company and the Placing Agent have agreed to reduce the maximum number of shares to be placed pursuant to the GM Placing Agreement from 130,000,000 shares to 30,000,000 shares. The placing was completed on 7th June 2010. The net proceeds from the placing received by the Company of approximately HK$7,630,000 will be used to finance future investments and/ or for future business development. The ordinary share issued ranked pari passu with the then existing ordinary shares of the Company in all respects.

(e) On 5th May 2010, the Company, Galaxy China Special Situations Fund SPC, for and on behalf of its Segregated Portfolio, Galaxy China Special Situations Segregated Portfolio1 (the "Galaxy Fund I"), a substantial shareholder of the Company and the Placing Agent entered into a subscription agreement I ("Subscription Agreement I) in relation to the issue of 40,000,000 ordinary shares of HK$0.005 each of the Company to Galaxy Fund I at the subscription price of HK$0.265 per share.

On the same day, the Company, Galaxy China Special Situations Fund SPC, for and on behalf Galaxy China Deep Value Fund (the "Galaxy Fund II"), substantial shareholder of the Company and the Placing Agent entered into a subscription agreement II ("Subscription Agreement II) in relation to the issue of 60,000,000 ordinary shares of HK$0.005 each of the Company to Galaxy Fund II at the subscription price of HK$0.265 per share.

Both subscriptions were duly approved by independent shareholders of the Company on 25th June 2010, detail are set out on in the announcement of the Company dated 25th June 2010.

FIVE YEAR SUMMARY

	For the year ended 31st March				
	2010	2009	2008	2007	2006
	HK$'000	HK$'000	HK$'000	HK$'000	HK$'000
Turnover	**68,583**	108,003	52,835	64,706	72,556
Profit (loss) before taxation	**3,147**	13,729	(19,326)	(2,084)	14,759
Income tax expense	**497**	(2,280)	(527)	(380)	(333)
Profit (loss) for the year from continuing operations	**3,644**	11,449	(19,853)	(2,464)	14,426
Profit for the year from discontinued operation	**—**	—	—	—	129
Profit (loss) for the year	**3,644**	11,449	(19,853)	(2,464)	14,555
Attributable to:					
Owners of the Company	**3,644**	11,449	(19,853)	(2,464)	11,441
Minority interests	**—**	—	—	—	3,114
	3,644	11,449	(19,853)	(2,464)	14,555

	At 31st March				
	2010	2009	2008	2007	2006
	HK$'000	HK$'000	HK$'000	HK$'000	HK$'000
Total assets	**130,648**	106,854	91,767	71,499	74,412
Total liabilities	**(74,973)**	(78,871)	(75,235)	(47,163)	(49,309)
	55,675	27,983	16,532	24,336	25,103
Equity attributable to owners of the Company	**55,675**	27,983	16,532	24,336	25,103
Minority interests	**—**	—	—	—	—
Net assets	**55,675**	27,983	16,532	24,336	25,103