# TAI SHING

## Tai Shing International (Holdings) Limited

(incorporated in the Cayman Islands with limited liability)

Stock Code: 8103

# Annual Report 2012

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

**GEM has been positioned as a market designed to accommodate companies to which a higher investment risk may be attached than other companies listed on the Stock Exchange. Prospective investors should be aware of the potential risks of investing in such companies and should make the decision to invest only after due and careful consideration. The greater risk profile and other characteristics of GEM mean that it is a market more suited to professional and other sophisticated investors.**

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

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*This report, for which the directors ("**Directors**") of Tai Shing International (Holdings) Limited ("**Company**") collectively and individually accept full responsibility, includes particulars given in compliance with the Rules Governing the Listing of Securities on GEM for the purpose of giving information with regard to the Company. The Directors, having made all reasonable enquiries, confirm that to the best of their knowledge and belief the information contained in this report is accurate and complete in all material respects and not misleading or deceptive, and there are no other matters the omission of which would make any statement herein or this report misleading.*

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# CORPORATE INFORMATION

## BOARD OF DIRECTORS

### Executive Directors

Mr. Wong Chung Wai, Eric *(resigned on 6th January 2012)*
Mr. Chan Yun Sang
*(appointed as chairman on 6th January 2012)*
Mr. Choi King Lit *(resigned on 12th January 2012)*
Mr. Han Fangfa
Ms. Ju Lijun *(appointed on 31st October 2011)*
Mr. Liu Bo *(appointed on 11th November 2011)*
Ms. Huang Miaochan *(appointed on 15th December 2011)*
Mr. Ip Ho Ming *(appointed on 13th February 2012)*
Ms Wong Sau Wai Serena
*(appointed on 13th February 2012)*

### Non-executive Director

Dr. Pan Jin

### Independent non-executive Directors

Mr. Tang Sze Lok
Mr. Yan Yonghong *(retired on 24th August 2011)*
Mr. Lee Kwok Yung *(resigned on 11th November 2011)*
Mr. Chan Wai Kwong, Peter *(resigned on 15th March 2012)*
Mr. Xu Jingbin *(appointed on 11th November 2011)*
Ms. Hu Yun *(appointed on 15th December 2011)*

## COMPANY SECRETARY

Mr. Young Wai Ching, *ACCA, CPA*

## COMPLIANCE OFFICER

Mr. Wong Chung Wai, Eric *(resigned on 6th January 2012)*
Mr. Chan Yun Sang *(appointed on 6th January 2012)*

## AUTHORISED REPRESENTATIVES

Mr. Chan Yun Sang
Mr. Wong Chung Wai, Eric *(resigned on 6th January 2012)*
Mr. Liu Bo *(appointed on 6th January 2012)*

## AUDIT COMMITTEE

Mr. Tang Sze Lok *(Chairman)*
Mr. Xu Jingbin
Ms. Hu Yun

## REMUNERATION COMMITTEE

Mr. Tang Sze Lok *(Chairman)*
Mr. Xu Jingbin
Ms. Hu Yun

## NOMINATION COMMITTEE

Mr. Tang Sze Lok *(Chairman)*
Mr. Xu Jingbin
Ms. Hu Yun

## AUDITORS

CCTH 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

21/F Malahon Centre
10-12 Stanley Street
Central
Hong Kong

## LEGAL ADVISERS

Leung & Lau
P.C. Woo & Co.

## PRINCIPAL BANKER

DBS Bank (Hong Kong) 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

# CORPORATE INFORMATION

## HONG KONG BRANCH WARRANT REGISTRAR AND TRANSFER OFFICE

Tricor Services Limited
Level 28, Three Pacific Place
1 Queen's Road East
Hong Kong
(register kept in Macau)

## STOCK CODE

08103

## WEBSITE

www.equitynet.com.hk/8103/

# CHAIRMAN'S STATEMENT

## BUSINESS REVIEW

For the year under review, the principal activities of Tai Shing International (Holdings) Limited ("**Company**") and its subsidiaries (collectively, the "**Group**") included (i) system development; (ii) professional services; and (iii) insurance brokerage business.

For the year under review, the Group recorded a consolidated turnover of approximately HK$80.9 million which represented an increase of approximately 61% as compared with that of the corresponding year.

For the year under review, the loss attributable to owners of the Company was approximately HK$22.8 million while the Group recorded a loss of HK$47.5 million during the year ended 31st March 2011.

## BUSINESS OUTLOOK

It has been the Company's long term goal to maximize shareholders' value. In view of the intense market competition for the Group's existing business particularly for the security and surveillance division, the Group has been exploring business opportunities to expand its operations and enhance its earnings.

During the year under review, the Group has successfully completed two acquisitions.

As disclosed in the announcements of the Company dated 2nd September 2011, 5th September 2011 and 12th September 2011, the Group has successfully acquired the entire issued share capital of Joint Bridge Investments Limited, a company incorporated in the British Virgin Islands with limited liability (together with its subsidiaries, the "**Joint Bridge Group**"). 北京楷峰科技有限公司 (unofficial English translation being Beijing Kai Feng Technology Limited), being a member of the Joint Bridge Group, is principally engaged in the development and application of computer software and system integration and computer technology consultancy services. It was considered that the acquisition of the Joint Bridge Group was in line with the Group's principal business activities and is expected to contribute additional income to the Group.

Furthermore, as disclosed in the announcements of the Company dated 23rd May 2011, 24th June 2011 and 15th July 2011, the Company has successfully acquired 51% of the equity interest of 上海景福保險經紀有限公司 (unofficial English translation being Shanghai Jingfu Insurance Brokerage Company Limited) (formerly known as 青島博達保險經紀有限公司 (unofficial English translation being Qingdao Boda Insurance Brokerage Company Limited)) ("**Shanghai Jingfu**"), a limited liability company established in the People's Republic of China ("**PRC**"). In view of the increasing recognition of the importance of risk management and the rising demand for insurance in the PRC, it was considered that the acquisition has provided an opportunity for the Group to participate in the insurance market in the PRC and could further enhance the investment portfolio and future earnings of the Group.

In respect of the possible acquisitions as disclosed in the previous financial year ended 31st March 2011, during the financial year under review, as mentioned above, the Company has successfully acquired 51% of the equity interest of Shanghai Jingfu, while the possible acquisition of Gold Depot Investments Limited, a company incorporated in the British Virgin Islands with limited liability ("**Gold Depot Acquisition**") and the possible acquisition of Fame Thrive Limited, a company incorporated in the British Virgin Islands with limited liability ("**Fame Thrive Acquisition**"), are still under negotiations between the Company and the respective potential vendors. Please refer to (i) the announcements of the Company dated 20th April 2011, 17th May 2011, 17th October 2011 and 30th December 2011; and (ii) the announcements of the Company dated 30th December 2010, 6th May 2011, 30th June 2011, 30th December 2011, 6th March 2012 and 31st May 2012, for further details of the Gold Depot Acquisition and the Fame Thrive Acquisition respectively.

I would like to thank the members of the board of directors ("**Directors**") of the Company and all the employees of the Group for their contribution and dedication to the business development of the Group.

Sincerely yours

**Chan Yun Sang**
*Chairman and executive Director*

Hong Kong
29th June 2012

## FINANCIAL PERFORMANCE

During the year ended 31st March 2012, the Group recorded a turnover of approximately HK$80.9 million (2011: HK$50.2 million), representing an increase of approximately 61% as compared with the turnover for the year ended 31st March 2011. As a result of improved income from services and new product sales, turnover was increased by 61% as compared to year ended 31st March 2011. Income and gains were further enhanced by the reduction of acquisition consideration in relation to Fullmark Management Limited.

However, such gains were largely offset by an increase of amortisation charge of approximately $19.3 million, up from $6.2 million in year ended 31st March 2011. The Group has also significantly increased in its research and development initiatives. The Group recorded a loss attributable to owners of the Company amounted to approximately HK$22.8 million for the year under review (2011: HK$47.5 million).

The board of director expects the companies' financial performance to improve in the coming year of year ending 31st March 2013 due to increase in sales of existing product and completion of proposed acquisitions.

## LIQUIDITY, FINANCIAL RESOURCES AND CAPITAL STRUCTURE

As at 31st March 2012, the shareholders' funds of the Group amounted to approximately HK$319.6 million (2011: HK$236.5 million). Current assets amounted to approximately HK$133.2 million (2011: HK$111.0 million), of which approximately HK$23.9 million (2011: HK$17.5 million) were cash and cash equivalents. Current liabilities were approximately HK$125.8 million (2011: HK$112.5 million) mainly comprised of trade and other payables, amounts due to customers for contract work, amount due to a substantial shareholder and receipts in advance. Total borrowings of the Group as at 31st March 2012 were approximately HK$12.3 million (2011: 12 million) which were unsecured short-term bank loan with an effective interest rate of 7.872% (2011: 6.666%).

During the year ended 31st March 2012, a share consolidation in which every 10 ordinary shares of HK$0.005 each (each, a "**Pre-Share Consolidation Share**") in the then share capital of the Company was consolidated into one consolidated share of HK$0.05 each ("**Share Consolidation**") took place on 11th November 2011. All shares of the Company created as a result of the Share Consolidation ranked pari passu in all respects with each other, and the Company has made the following issue for cash of equity securities made otherwise than to the Company's shareholders in proportion to their shareholdings and which has not been specifically authorised by the Company's shareholders:

### (i) Placing of new shares under general mandate on 18th May 2011

On 28th April 2011, the Company announced that it had entered into a placing agreement with Kingsway Financial Services Group Limited dated 27th April 2011 ("**April 2011 Placing Agreement**"). As disclosed in the announcement of the Company dated 28th April 2011, the placing under the April 2011 Placing Agreement represented an opportunity to enlarge the equity base. Completion of the Placing Agreement took place on 18th May 2011 and the Company has allotted and issued a total of 393,500,000 Pre-Share Consolidation Shares (equivalent to 39,350,000 ordinary Shares after the Share Consolidation) to not less than six placees at the price of HK$0.161 per Pre-Share Consolidation Share, represented a discount of approximately 6.94% to the closing price of HK$0.173 per Pre-Share Consolidation Share as quoted on The Stock Exchange of Hong Kong Limited ("**Stock Exchange**") on 17th May 2011. The net proceeds received by the Company from such placing amounted to approximately HK$61.2 million, which was intended to be used to finance future investments and/or for future business development and/or as general working capital. The net price of each Pre-Share Consolidation Share issued was approximately HK$0.156 and the aggregate nominal value of the Shares issued was HK$1,967,500. Approximately HK$25 million of the net proceeds have been utilized for payment of deposit for the acquisition of 51% equity interest in 上海景福保險經紀有限公司 (unofficial English translation being Shanghai Jingfu Insurance Brokerage Company Limited) (formerly known as 青島博達保險經紀有限公司 (unofficial English translation being Qingdao Boda Insurance Brokerage Company Limited)) ("**Shanghai Jingfu**"), the details of which are disclosed in the announcements of the Company dated 23rd May 2011, 24th June 2011 and 15th July 2011. The remaining net proceeds have been utilized as general working capital.

### (ii) Placing of new shares under general mandate on 1st December 2011

On 23rd November 2011, the Company announced that it had entered into a placing agreement with Metro Capital Securities Limited dated 23rd November 2011 ("**November 2011 Placing Agreement**"). As disclosed in the announcement of the Company dated 23rd November 2011, the placing under the November 2011 Placing Agreement represented an opportunity to enlarge the equity base and the shareholders' base of the Company. Completion of the Placing took place on 1st December 2011 and the Company has allotted and issued a total of 12,820,000 Shares to not less than six placees at the price of HK$0.21 per Share, represented a premium of approximately 3.96% to the closing price of HK$0.202 per Share as quoted on the Stock Exchange on 30th November 2011. The net proceeds received by the Company from such placing amounted to approximately HK$2.39 million, which was intended to be used as general working capital. The net price of each Share issued was approximately HK$0.19 and the aggregate nominal value of the Shares issued was HK$2,435,800. All the net proceeds have been utilized as general working capital.

Further to the above, during the year under review, the Company announced on 18th January 2012 that it had entered into a placing agreement with Grand Vinco Capital Limited for the private placing of unlisted warrants ("**Warrants**") of the Company at an issue price of HK$0.02, each entitles the holder thereof to subscribe in cash for one Share at an initial subscription price of HK$0.19, subject to adjustment, at any time for a period of three years commencing from the date of allotment and issue of the Warrants. Pursuant to such placing agreement, as disclosed in the announcement of the Company dated 3rd April 2012, the Company has issued 57,380,000 Warrants conferring the right to the holders of such Warrants to subscribe for up to HK$10,902,200 in aggregate for Shares (i.e. up to 57,380,000 Shares) on 3rd April 2012 under the specific mandate obtained from the shareholders of the Company at the extraordinary general meeting held on 24th February 2012. As at the date of this report, none of the subscription rights attached to the Warrants have been exercised. The net proceeds received by the Company from such placing amounted to approximately HK$0.75 million and had been used as general working capital.

Save for the abovementioned, during the year under review, there were no 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 31st March 2012 was approximately 40.1% (2011: 49%).

## FOREIGN CURRENCY EXPOSURE

During the year ended 31st March 2012, the Group experienced only immaterial exchange rate fluctuations, as the Group's operations were mainly denominated in Hong Kong dollars and Renminbi. As the risk on exchange rate difference considered being minimal, the Group did not employ any financial instruments for hedging purposes.

## NEW PRODUCTS AND SERVICES

By acquiring Joint Bridges Investments Limited, the company has acquired new capabilities to provide a new range of software integration, computer consulting and system integration products and services.

## SIGNIFICANT INVESTMENTS, MATERIAL ACQUISITIONS AND DISPOSALS OF SUBSIDIARIES AND AFFILIATED COMPANIES DURING THE PERIOD UNDER REVIEW

There were no significant investments held by the Company during the year ended 31st March 2012.

During the period under review, the Company has completed the following material acquisitions:

### (i) Acquisition of 51% of the registered capital of Shanghai Jingfu

On 24th June 2011, 鑫約福(上海)貿易有限公司(unofficial English translation being Fullmark (Shanghai) Trading Company Limited), a limited liability company established in the People's Republic of China ("**PRC**") and a wholly-owned subsidiary of the Company, and Fei Luxi (費露熙) entered into an agreement in relation to the acquisition of 51% of the registered capital of Shanghai Jingfu, a limited liability company established in the PRC.

The consideration for the acquisition of 51% of the registered capital of Shanghai Jingfu was HK$33,000,000, which has been satisfied by the Company as to HK$25,039,940.12 in cash and as to HK$7,960,059.88 by the allotment and issue of 49,196,909 new Pre-Shares Consolidation Shares (equivalent to 4,919,690 Shares after the Share Consolidation), credited as fully paid at HK$0.1618 per Pre-Share Consolidation Share on 15th July 2011, represented a premium of 4.39% to the closing price of HK$0.155 per Pre-Share Consolidation Share as quoted on the Stock Exchange on 13th July 2012.

Shanghai Jingfu is a limited liability company established in the PRC on 14th July 2005. The principal business of Shanghai Jingfu is, among others, the provision of insurance brokerage service in Qingdao and its surrounding areas.

Details of the above acquisition are disclosed in the announcements of the Company dated 23rd May 2011, 24th June 2011 and 15th July 2011.

### (ii) Acquisition of the entire issued share capital of Joint Bridge Investments Limited ("Joint Bridge")

Pursuant to the sale and purchase agreement dated 2nd September 2011 entered into between the Company, Mr. Liang Zhuo Hui and Ms. Chen Nan, the Company has acquired the entire issued share capital of Joint Bridge, a company incorporated in the British Virgin Islands with limited liability, on 10th September 2011.

The consideration for the acquisition of the entire issued share capital of Joint Bridge was HK$40,000,000, which has been be satisfied by the allotment and issue of 400,000,000 new Pre-Share Consolidation Shares (equivalent to 40,000,000 Shares after the Share Consolidation) at an issue price of HK$0.10 per Pre-Share Consolidation Share, represented a 17.65% premium to the closing price of HK$0.085 per Pre-Share Consolidation Share as quoted on the Stock Exchange on 9th September 2011. Completion of such acquisition took place on 12th September 2011.

Joint Bridge is a limited liability company established in the British Virgin Islands, and the principal business activity of Joint Bridge is investment holding and the principal non-current asset of Joint Bridge is its 100% equity interest in Most Power Investment Limited ("**Most Power**"), a company incorporated in Hong Kong with limited liability. The principal business of Most Power is investment holding and the sole non-current asset of Most Power is its 100% equity interest in 北京楷峰科技有限公司 (unofficial English translation being Beijing Kai Feng Technology Limited), a limited liability company established in the PRC) ("**Beijing Kai Feng**"). The principal businesses of Beijing Kai Feng include development and application of computer software, development application of computer hardware and system integration, computer technology consultancy services and technology transfer.

Details of the above acquisition are disclosed in the announcements of the Company dated 2nd September 2011, 5th September 2011 and 12th September 2011.

# MANAGEMENT DISCUSSION AND ANALYSIS

## FUTURE PLANS FOR MATERIAL INVESTMENTS OR CAPITAL ASSETS

After the year ended 31st March 2012, the Group may undertake the following investments or acquisitions:

### (i) Possible acquisition of the entire issued share capital of Fame Thrive Limited

On 30th December 2010, the Company and an independent third party entered into a memorandum of understanding in respect of the possible acquisition of the entire issued share capital of Fame Thrive Limited, a company incorporated in the British Virgin Islands with limited liability. Pursuant to the memorandum of understanding, Fame Thrive Limited will implement a reorganisation whereby it will, directly or indirectly, establish a wholly-foreign owned enterprise in the PRC and such wholly-foreign owned enterprise will enter into a co-operation arrangement with 東大保險經紀有限責任公司 (unofficial English translation being Dongda Insurance Brokerage Company Limited), a company established in the PRC . 東大保險經紀有限責任公司 (unofficial English translation being Dongda Insurance Brokerage Company Limited) provides property and life insurance professional insurance brokers services (such as engineering insurance, cargo transportation insurance liability insurance and group life insurance) and reinsurance brokers service.

Subsequently on 6th May 2011, the Company entered into an addendum to the memorandum of understanding with the prospective seller to provide for the payment of HK$20,000,000 to the prospective seller as an interest-free refundable earnest money for the possible acquisition of the entire issued share capital of Fame Thrive Limited and as part payment of the consideration if the formal acquisition agreement is entered into between the Company and the prospective seller. The earnest money was paid by the Company to the prospective seller upon signing of the addendum.

Pursuant to the addenda entered into between the prospective seller and the Company on 30th June 2011, 30th December 2011, 29th February 2012 and 31st May 2012, the exclusivity period in which the prospective seller shall not, whether by herself or through other third parties, discuss with any other third parties in relation to the possible acquisition has been, up to the date of this annual report, extended to 31st July 2012.

The final consideration for the possible acquisition has not yet been determined but is expected to be not less than HK$150 million, and may be satisfied by the Company (or its nominee) to the prospective seller (i) in cash; (ii) by issuing of new Shares; (iii) by issuing convertible notes by the Company; or (iv) a combination of any of the above (i), (ii) and/or (iii), or such any other forms of payment to be agreed by the prospective seller and the Company in the formal acquisition agreement.

Details of the above possible acquisition are disclosed in the announcements of the Company dated 30th December 2010, 6th May 2011, 30th June 2011, 30th December 2011, 6th March 2012 and 31st May 2012.

### (ii) Possible acquisition of not less than 50% of the entire issued share capital of Gold Depot Investments Limited

On 20th April 2011, the Company and Gold Tycoon Limited, a company incorporated in the British Virgin Islands with limited liability, entered into the memorandum of broad terms in relation to the proposed acquisition of not less than 50% of the entire issued share capital of the Gold Depot Investments Limited, a company incorporated in the British Virgin Islands with limited liability, in which the Company understood that Gold Depot Investments Limited directly or indirectly owns an exploration right and a mining right of a gold mine located in Guizhou, the PRC.

Subsequently on 17th May 2011, the Company and Gold Tycoon Limited entered into the addendum to the memorandum of broad terms to provide for the payment of HK$25,000,000 to Gold Tycoon Limited as an interest-free refundable earnest money for the possible acquisition of not less than 50% of the entire issued share capital of Gold Depot Investments Limited and as part payment of the consideration if the definitive agreement is entered into between the Company (or its nominee) and Gold Tycoon Limited. The earnest money was paid by the Company to Gold Tycoon Limited upon signing of the addendum.

Pursuant to the addenda entered into between the Company and Gold Tycoon Limited on 17th October 2011, 30th December 2011 and 29th June 2012, the exclusivity period in which Gold Tycoon Limited shall not, among other things, directly or indirectly, discuss or negotiate with any other party for the purpose of frustrating or impeding the furtherance of the transaction contemplated under the memorandum of broad terms has been, up to the date of this annual report, extended to 30th September 2012.

The final consideration of the above possible acquisition has not yet been determined and may be satisfied by the Group (i) in cash; (ii) by issue of new Shares; (iii) by issuing convertible note by the Company; and/or (iv) a combination of any of the above (i), (ii) and/or (iii).

Details of the above possible acquisition are disclosed in the announcements of the Company dated 20th April 2011, 17th May 2011, 7th October 2011 and 30th December 2011.

In the event that any of the possible/proposed acquisitions are not proceeded with, the earnest money paid by the Group will be refunded by the relevant vendors.

## SEGMENT INFORMATION

During the period under review, the Group is principally engaged in three business segments. The Group presents its segmental information based on the nature of the products and services provided.

In accordance with the Group's internal financial reporting, the Group has determined that business segments be presented as the primary reporting format and geographical segments as the secondary reporting format.

The Group reports its business into three business segments namely:

- systems development;
- professional services; and
- insurance brokerage business.

Turnover generated from the PRC represented over 90% of the total turnover of the Group for the year ended 31st March 2012 and 2011.

## EMPLOYEES AND REMUNERATION POLICIES

As at 31st March 2012, the Group had 21 and 76 (2011: 19 and 109) employees in Hong Kong and the PRC respectively, which included the Directors. Total staff costs including Directors' remuneration for the year under review amounted to approximately HK$15.2 million (2011: HK$36.4 million).

Employees' remunerations are determined in accordance with their experiences, competence, qualifications and nature of duties and the current market trend. Apart from the basic salary, discretionary bonus and other incentives may be offered to the employees of the Group to reward their performance and contributions. The emoluments of the Directors are determined by the remuneration committee of the Company having regard to the performance of the individuals and market trend.

The Group has 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 31st March 2012.

The Company adopted a share option scheme on 22nd October 2003 ("**Share Option Scheme**"). Pursuant to the Share Option Scheme, the Directors and employees of the Group may be granted options to subscribe for shares of the Company. At the annual general meeting of the Company held on 24th August 2011, the then limit of the total number of shares of the Company which may be issued upon the exercise of all options to be granted under the Share Option Scheme has been refreshed. During the year ended 31st March 2012, no option was granted under the Share Option Scheme.

## CHARGES ON THE GROUP'S ASSETS AND CONTINGENT LIABILITIES

Details of charges on the Group's assets and contingent liabilities are set out in Note 42 to the consolidated financial statements.

# DIRECTORS AND SENIOR MANAGEMENT PROFILE

The biographical details in respect of the directors ("**Directors**") and the senior management of Tai Shing International (Holdings) Limited ("**Company**") as at the date of this report are as follows:

## EXECUTIVE DIRECTORS

Mr. Chan Yun Sang, aged 50, has over 23 years of experience in the banking industry. Mr. Chan was appointed as an executive Director on 15th March 2010 and the chairman of the board of Directors on 6th January 2012.

Mr. Han Fangfa, aged 49, holds a graduation certificate (畢業證) from the China University of Geosciences (中國地質大學) in hydrogeology and engineering geology (水文地質及工程地質專業). Mr. Han has been engaged in the work of geosciences for over 27 years and is a Senior Engineer in geology and minerals (地礦高級工程師). Mr. Han is experienced in project management. Mr. Han was appointed as an executive Director on 16th March 2011.

Ms. Ju Lijun, aged 49, obtained the People's Republic of China ("**PRC**") Certificate of Accounting Professional in 2002. Ms. Ju has been engaged in the business of accounting for over 18 years. Ms. Ju was appointed as an executive Director on 31st October 2011.

Mr. Liu Bo, aged 44, holds a Master of Business Administration from the University of Birmingham. Mr. Liu has held various senior positions in the fields of marketing. business strategies and corporate management. Mr. Liu was appointed as an executive Director on 11th November 2011.

Ms. Huang Miaochan, aged 30, holds a degree of Master of Laws in PRC Law from the Open University of Hong Kong and has experience in human resources management-related work. Mr. Huang was appointed as an executive Director on 15th December 2011.

Mr. Ip Ho Ming, aged 43, has been employed as a consultant to the fund-raising department of a financial institution in the People's Republic of China in the past seven years. Mr. Ip is the spouse of the sister of Ms. Wong Sau Wai Serena. Mr. Ip was appointed as an executive Director on 13th February 2012.

Ms. Wong Sau Wai Serena, aged 49, is a registered estate agent in Hong Kong. Ms. Wong has over eight years experience in real estate transactions. Ms. Wong is the sister of Mr. Ip Ho Ming's spouse. Ms. Wong was appointed as an executive Director on 13th February 2012.

## NON-EXECUTIVE DIRECTOR

Dr. Pan Jin, aged 50, holds a Doctor of Engineering degree from Tsinghua University. Dr. Pan has joined Tsinghua Tongfang Co. Ltd. since 1998, a company established in the PRC and the shares of which are listed on the Shanghai Stock Exchange, and has been appointed as the general manager of the Department of Investments of Tsinghua Tongfang Co. Ltd. in May 2010, responsible for conducting feasibility due diligence, corporate finance, investment and management matters. Dr. Pan was appointed a director of Tangshan Jingyuan Yufeng Electronics Co. Ltd., a company established in the People's Republic of China and the shares of which are listed on the Shenzhen Stock Exchange. Dr. Pan was appointed as a non-executive Director on 22nd October 2010.

# DIRECTORS AND SENIOR MANAGEMENT PROFILE

## INDEPENDENT NON-EXECUTIVE DIRECTORS

Mr. Tang Sze Lok, aged 41, 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. Tang was appointed as an independent non-executive Director on 4th February 2009.

Mr. Xu Jingbin, aged 32, has passed several securities-related examinations organized by the Securities Association of China (中國證券業協會) and the China Futures Association (中國期貨業協會) and has extensive management experience. Mr. Xu was appointed as an independent non-executive Director on 11th November 2011.

Ms. Hu Yun, aged 32, holds a degree of Bachelor of Business Studies from Massey University of New Zealand and has extensive management experience. Ms. Hu was appointed as an independent non-executive Director on 15th December 2011.

## SENIOR MANAGEMENT

Mr. Young Wai Ching, aged 43, is the company secretary of the Company. Mr. Young is a practising member of the Hong Kong Institute of Certified Public Accountants and a member of the Chartered Association of Certified Accountants of the United Kingdom. He has over 16 years working experience in an accounting firm in Hong Kong performing auditing and management functions. Mr. Young was appointed as the company secretary of the Company on 25th July 2003.

Mr. Chan Yun Sang, aged 50, is the compliance officer of the Company. Mr. Chan, an executive Director and chairman of the board of Directors, was appointed as the Company's compliance officer on 6th January 2012 in place of Mr. Wong Chun Wai, Eric. Please refer to the sub-section headed "Executive Directors" above for Mr. Chan's biographical details.

# CORPORATE GOVERNANCE REPORT

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

## CODE ON CORPORATE GOVERNANCE PRACTICES

Save as disclosed below, the Company has complied with the code provisions set out in the then Code on Corporate Governance Practices ("**Code**") contained in the then 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 31st March 2012.

In light of the amendments to the GEM Listing Rules with effect from 1st April 2012, from the year ending 31st March 2013 onwards, the Company will follow the corporate governance code set out in Appendix 15 to the GEM Listing Rules.

Pursuant to code provision A.2.1 of the Code, the roles of chairman and chief executive officer should be separate and should not be performed by the same individual. During the year under review, the role of chief executive officer was assumed by Mr. Wong Chung Wai, Eric, who was an executive Director and the chairman of the board of Directors ("**Board**") until 6th January 2012, and presently assumed by Mr. Chan Yun Sang, who is an executive Director and the chairman of the Board. The Board is presently identifying a suitable candidate to be appointed as the chief executive officer and will make further announcement upon its appointment.

## 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 the Directors.

Having made specified enquiry with the Directors, all the Directors confirmed that they had complied with the required standard of dealings for the year ended 31st March 2012.

## BOARD OF DIRECTORS

The Board 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.

The Board also assumes the corporate governance duties of the Company, which include:

(i) the development and review of the Company's policies and practices on corporate governance and make recommendations to the board;

(ii) the review and monitor of the training and continuous professional development of Directors and senior management;

(iii) the review and monitor of the Company's policies and practices on compliance with legal and regulatory requirements;

(iv) the development, review and monitor of the code of conduct and compliance manual (if any) applicable to employees and directors of the Group; and

(v) the review of the Company's compliance with the Code and disclosure in the corporate governance report of the Company.

As at 31st March 2012, the Board comprised eleven Directors, including (i) seven executive Directors, namely Mr. Chan Yun Sang (as chairman of the Board), Mr. Han Fangfa, Ms. Ju Lijun, Mr. Liu Bo, Ms. Huang Miaochan, Mr. Ip Ho Ming and Ms. Wong Sau Wai Serena; (ii) one non-executive Director, namely Dr. Pan Jin; and (iii) three independent non-executive Directors, namely Mr. Tang Sze Lok, Mr. Xu Jingbin and Ms. Hu Yun. One of the independent non-executive Director, namely Mr. Tang Sze Lok, has appropriate professional qualifications, or accounting or related financial management expertise.

In determining the independence of independent non-executive Directors, the Board has followed 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 Rule 5.09 of the GEM Listing Rules. Based on such confirmation, the Company is of the view that all the independent non-executive Directors have met the independence guidelines set out in Rule 5.09 of the GEM Listing Rules and considers that they are independent.

Pursuant to the code provision A.2.1 of the Code, the roles of chairman and chief executive officer should be separate and should not be performed by the same individual. The chairman of the Board 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 of the Company, supported by other members of the Board 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 Group.

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 more 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.

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

During the financial year ended 31st March 2012, the Board held four regular meetings, and the attendance records of the meetings are set out below:

| | **Attendance** |
|---|---|
| **Executive Directors** | |
| Mr. Wong Chung Wai, Eric *(resigned on 6th January 2012)* | 3/3 |
| Mr. Chan Yun Sang *(appointed as chairman on 6th January 2012)* | 4/4 |
| Mr. Choi King Lit *(resigned on 12th January 2012)* | 3/3 |
| Mr. Han Fangfa *(appointed on 16th March 2011)* | 2/4 |
| Ms. Ju Lijun *(appointed on 31st October 2011)* | 1/2 |
| Mr. Liu Bo *(appointed on 11th November 2011)* | 2/2 |
| Ms. Huang Miaochan *(appointed on 15th December 2011)* | 1/2 |
| Mr. Ip Ho Ming *(appointed on 13th February 2012)* | 1/1 |
| Ms Wong Sau Wai Serena *(appointed on 13th February 2012)* | 1/1 |
| **Non-executive Director** | |
| Dr. Pan Jin | 4/4 |
| **Independent non-executive Directors** | |
| Mr. Tang Sze Lok | 4/4 |
| Mr. Yan Yonghong *(retired on 24th August 2011)* | 0/2 |
| Mr. Lee Kwok Yung *(resigned on 11th November 2011)* | 2/2 |
| Mr. Chan Wai Kwong, Peter *(resigned on 15th March 2012)* | 3/3 |
| Mr. Xu Jingbin *(appointed on 11th November 2011)* | 2/2 |
| Ms. Hu Yun *(appointed on 15th December 2011)* | 1/2 |

As at 31st March 2012, in respect of the non-executive Director, Mr. Tang Sze Lok 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.

Each of Dr. Pan Jin, Mr. Xu Jingbin and Ms. Hu Yun has not entered into any service contract with the Company and has been appointed for a term of one year subject to retirement by rotation and other related provisions as stipulated in the articles of association of the Company.

There is no relationship (including financial, business, family or material/relevant relationship(s)) among members of the Board, except for the in-law relationship between Mr. Ip Ho Ming and Ms. Wong Sau Wai Serena.

## REMUNERATION OF DIRECTORS

The remuneration committee of the Company was established in 2005 with written terms of reference. During the year ended 31st March 2012, the composition of the remuneration committee of the Company was as follows:

| Name of member | 1st April 2011 to 11th November 2011 | 11th November 2011 to 29th March 2012 | 29th March 2012 to 31st March 2012 |
|---|---|---|---|
| Mr. Tang Sze Lok | Member | Chairman | Chairman |
| Mr. Lee Kwok Yung *(resigned as an independent non-executive Director on 11th November 2011)* | Chairman | – | – |
| Mr. Xu Jingbin *(appointed as an independent non-executive Director on 11th November 2011)* | – | Member | Member |
| Ms. Hu Yun *(appointed as an independent non-executive Director on 15th December 2011)* | – | – | Member |

The remuneration committee of the Company is mainly responsible for, among other matters, making recommendations to the Board on the Company's policy and structure for all remuneration of Directors and senior management and on the establishment of a formal and transparent procedure for developing policy on such remuneration.

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

During the year ended 31st March 2012, the remuneration committee of the Company held one meeting. Details of the attendance of the remuneration committee meeting are set out below:

| Name of member | Attendance |
|---|---|
| Mr. Tang Sze Lok | 1/1 |
| Mr. Lee Kwok Yung *(resigned as an independent non-executive Director on 11th November 2011)* | 0/0 |
| Mr. Xu Jingbin *(appointed as an independent non-executive Director on 11th November 2011)* | 1/1 |
| Ms. Hu Yun *(appointed as an independent non-executive Director on 15th December 2011)* | 1/1 |

During the year ended 31st March 2012, the remuneration committee of the Company has considered and reviewed the existing terms of appointment of the Directors. The remuneration committee of the Company considers that the existing terms of appointment of the Directors are fair and reasonable.

## NOMINATION OF DIRECTORS

On 29th March 2012, the Company established its nomination committee with written terms of reference, which is responsible for:

(i) reviewing the structure, size and composition (including the skills, knowledge and experience) of the Board on a regular basis and make recommendations to the board regarding any proposed changes;

(ii) identifying individuals suitably qualified to become Board members and select or make recommendations to the Board on the selection of individuals nominated for directorships;

(iii) assessing the independence of independent non-executive Directors; and

(iv) making recommendations to the Board on relevant matters relating to the appointment or re-appointment of Directors and succession planning for directors in particular the chairman and the chief executive officer.

The nomination committee comprised of Mr. Tang Sze Lok, Mr. Xu Jingbin and Ms. Hu Yun, each an independent non-executive Director, with Mr. Tang Sze Lok as the chairman of the nomination committee.

As the nomination committee was only formed on 29th March 2012, during the year ended 31st March 2012, the nomination committee of the Company has not yet held any meeting.

Prior to 29th March 2012, the Company did not have a nomination committee. Instead, the Board was responsible for considering suitable candidate to serve as Directors and approving and terminating the appointment of Directors. The Board selected and nominated candidates based on whether they possess the skills and experience required by the Group's development.

The chairman of the Board was 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 would propose the appointment of the candidates concerned to each member of the Board, each member of the Board would review the qualifications of the candidates concerned and decide whether they are suitable to join the Company based on their calibre, experience and background.

During the year ended 31st March 2012 and prior to the formation of the nomination committee, the Board has held a total of seven meetings relating to the appointment and resignation of Directors, and the attendance of the Directors are as follows:

| | **Attendance** |
|---|---|
| **Executive Directors** | |
| Mr. Wong Chung Wai, Eric *(resigned on 6th January 2012)* | 3/3 |
| Mr. Chan Yun Sang | 7/7 |
| Mr. Choi King Lit *(resigned on 12th January 2012)* | 4/4 |
| Mr. Han Fangfa | 5/7 |
| Ms. Ju Lijun *(appointed on 31st October 2011)* | 3/6 |
| Mr. Liu Bo *(appointed on 11th November 2011)* | 5/5 |
| Ms. Huang Miaochan *(appointed on 15th December 2011)* | 2/4 |
| Mr. Ip Ho Ming *(appointed on 13th February 2012)* | 1/1 |
| Ms Wong Sau Wai Serena *(appointed on 13th February 2012)* | 1/1 |
| **Non-executive Director** | |
| Dr. Pan Jin | 4/7 |
| **Independent non-executive Directors** | |
| Mr. Tang Sze Lok | 7/7 |
| Mr. Yan Yonghong *(retired on 24th August 2011)* | 0/0 |
| Mr. Lee Kwok Yung *(resigned on 11th November 2011)* | 1/1 |
| Mr. Chan Wai Kwong, Peter *(resigned on 15th March 2012)* | 6/6 |
| Mr. Xu Jingbin *(appointed on 11th November 2011)* | 5/5 |
| Ms. Hu Yun *(appointed on 15th December 2011)* | 2/4 |

## DIRECTORS' RESPONSIBILITY FOR THE FINANCIAL STATEMENTS AND INTERNAL CONTROL

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

The Directors' responsibilities in the preparation of the financial statements and the auditor's responsibilities are set out in the section headed "Independent auditor's report" of this 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 with written terms of reference in compliance with Rules 5.28 and 5.33 of the GEM Listing Rules and the Code. The composition of the audit committee of the Company is as follows:

| Name of member | 1st April 2011 to 11th November 2011 | 11th November 2011 to 15th March 2012 | 15th March 2012 to 31st March 2012 |
|---|---|---|---|
| Mr. Tang Sze Lok | Chairman | Chairman | Chairman |
| Mr. Lee Kwok Yung *(resigned as an independent non-executive Director on 11th November 2011)* | Member | – | – |
| Mr. Chan Wai Kwong, Peter *(resigned as an independent non-executive Director on 15th March 2012)* | Member | Member | – |
| Mr. Xu Jingbin *(appointed as an independent non-executive Director on 11th November 2011)* | – | Member | Member |
| Ms. Hu Yun *(appointed as an independent non-executive Director on 15th December 2011)* | – | – | Member |

The audit committee of the Company 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 of the Company held four meetings during the financial year ended 31st March 2012. The attendance records of the audit committee meetings are set out below:

| Name of member | Attendance |
|---|---|
| Mr. Tang Sze Lok | 4/4 |
| Mr. Lee Kwok Yung *(ceased to be as a member of the audit committee on 11th November 2011)* | 2/2 |
| Mr. Chan Wai Kwong, Peter *(ceased as a member of the audit committee on 15th March 2012)* | 3/3 |
| Mr. Xu Jingbin *(appointed as a member of the audit committee on 11th November 2011)* | 1/2 |
| Ms. Hu Yun *(appointed as a member of the audit committee on 15th March 2012)* | 0/1 |

For the financial year ended 31st March 2012, the audit committee of the Company 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 31st March 2012).

The audited consolidated results of the Group for the year ended 31st March 2012 have been reviewed by the audit committee of the Company.

## DIRECTORS' RESPONSIBILITY FOR THE FINANCIAL STATEMENTS AND INTERNAL CONTROL

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

The Directors' responsibilities in the preparation of the financial statements and the auditor's responsibilities are set out in the section headed "Independent auditor's report" of this 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.

## AUDITOR'S REMUNERATION

The audit works of the Group for the year ended 31st March 2012 were performed by CCTH CPA Limited.

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

| | **2012**<br>**HK$'000** | 2011<br>HK$'000 |
|---|---|---|
| CCTH CPA Limited | | |
| – Audit services | **560** | 450 |
| – Non-audit services | **250** | – |
| Total | **810** | 450 |

# DIRECTOR'S REPORT

The board ("**Board**") of directors ("**Directors**") of Tai Shing International (Holdings) Limited ("**Company**", together with its subsidiaries, the "**Group**") is pleased to present its report together with the audited financial statements of the Group for the year ended 31st March 2012.

## PRINCIPAL ACTIVITIES AND SEGMENT INFORMATION

The principal activity of the Company is investment holding and the activities of the subsidiaries are set out in Note 44 to the consolidated financial statements.

An analysis of the Group's performance for the year ended 31st March 2012 by business and geographical segments are set out in Note 10 to the consolidated financial statements.

## ANNUAL RESULTS

The annual results of the Group for the year ended 31st March 2012 are set out in the section headed "Consolidated statement of comprehensive income" of this report.

## PLANT AND EQUIPMENT

Details of the movements in plant and equipment of the Group during the year ended 31st March 2012 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 31st March 2012 are set out in Note 37 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 section headed "Consolidated statement of changes in equity" of this report.

## SUFFICIENCY OF PUBLIC FLOAT

The Company has maintained a sufficient public float throughout the year ended 31st March 2012.

## 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 31st March 2012, in the opinion of the Directors, the Company's reserves available for distribution to shareholders was approximately HK$319.6 million (2011: HK$236.5 million).

## BORROWINGS AND INTEREST CAPITALISED

Particulars of borrowings of the Group as at 31st March 2012 are set out in Note 35 to the consolidated financial statements.

## MAJOR CUSTOMERS AND SUPPLIERS

For the year, the aggregate percentage of purchases attributable to the Group's five largest suppliers is approximately 78% of the total purchases of the Group and the largest supplier included therein amounted to approximately 40%.

For the year, the aggregate percentage of sales attributable to the Group's five largest customers accounted for approximately 46% of the total sales of the Group and the largest customer included therein amounted to approximately 30%.

At no time during the year have the Directors, chief executive, substantial 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 31st March 2012.

## RETIREMENT BENEFITS SCHEME

Details of the Group's retirement benefits scheme for the year ended 31st March 2012 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 45 to the consolidated financial statements. Such related party transactions do not fall under the definition of connected transaction or continuing connected transaction under 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**").

## DIRECTORS

During the year ended 31st March 2012 and up to the date of this report, the Board comprises the following Directors:

### Executive Directors
Mr. Wong Chung Wai, Eric *(resigned on 6th January 2012)*
Mr. Chan Yun Sang *(appointed as chairman on 6th January 2012)*
Mr. Choi King Lit *(resigned on 12th January 2012)*
Mr. Han Fangfa
Ms. Ju Lijun *(appointed on 31st October 2011)*
Mr. Liu Bo *(appointed on 11th November 2011)*
Ms. Huang Miaochan *(appointed on 15th December 2011)*
Mr. Ip Ho Ming *(appointed on 13th February 2012)*
Ms Wong Sau Wai Serena *(appointed on 13th February 2012)*

### Non-executive Director
Dr. Pan Jin

### Independent non-executive Directors
Mr. Tang Sze Lok
Mr. Yan Yonghong *(retired on 24th August 2011)*
Mr. Lee Kwok Yung *(resigned on 11th November 2011)*
Mr. Chan Wai Kwong, Peter *(resigned on 15th March 2012)*
Mr. Xu Jingbin *(appointed on 11th November 2011)*
Ms. Hu Yun *(appointed on 15th December 2011)*

The biographical details of the Directors as at the date of this report are set out in the section of "Directors and senior management profile" of this report.

# DIRECTOR'S REPORT

## RETIREMENT OF DIRECTORS

Subject to the retirement by rotation provisions in the articles of association and the requirements of the then Code on Corporate Governance Practices as set out in Appendix 15 to the GEM Listing Rules, (i) Ms. Ju Lijun; (ii) Mr. Liu Bo; (iii) Ms. Huang Miaochan; (iv) Mr. Ip Ho Ming; (v) Ms. Wong Sau Wai Serena; (vi) Mr. Xu Jingbin and (vii) Ms. Hu Yun who are Directors being appointed after the last annual general meeting of the Company will retire and being eligible, offer themselves for re-election.

## DIRECTORS' SERVICE CONTRACTS

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.

Each of the non-executive Director and the independent non-executive Director were appointed for a term of one year from the date of his appointment or re-appointment as a Director.

## INDEPENDENT NON-EXECUTIVE DIRECTORS CONFIRMATION OF INDEPENDENCE

The Company has received from each of Mr. Tang Sze Lok, Mr. Xu Jingbin and Ms. Hu Yun an annual confirmation of his or her independence pursuant to Rule 5.09 of the GEM Listing Rules and the Company considers that each of the independent non-executive Directors 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 31st March 2012, 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 Directors | Nature of shares interested | Number of shares interested | Approximate percentage of issued share capital *(note 3)* |
|---|---|---|---|
| Mr. Chan Yun Sang *(note 1)* | Beneficial owner | 1,000,000 | 0.32% |
| Mr. Ip Ho Ming *(note 2)* | Interest of spouse | 10,000 | 0.003% |

*Notes:*

1. Mr. Chan Yun Sang is an executive Director. As at 31st March 2012, Mr. Chan Yun Sang is interested in 200,000 shares of the Company and an option to subscribe up to 800,000 shares of the Company.

2. Mr. Ip Ho Ming is an executive Director.

3. As at 31st March 2012, the issued share capital of the Company is 316,938,145 shares.

### Long positions in underlying shares and debentures of the Company

As at 31st March 2012, no long positions of the Directors and chief executive of the Company 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 and debentures of the Company

As at 31st March 2012, 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 31st March 2012, 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, as at 31st March 2012, 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:

### Long position in shares of the Company

| **Name of shareholder** | **Capacity** | **Number of shares held** | **Approximate percentage of shareholding** *(note)* |
|---|---|---|---|
| Mr. Chiu Wai Shing | Beneficial owner | 35,544,000 | 11.21% |
| Resuccess Investments Limited | Beneficial owner *(note 2)* | 15,890,000 | 5.01% |
| Tsinghua Tongfang Co. Limited | Interest of controlled corporation *(note 2)* | 15,890,000 | 5.01% |

*Notes:*

1. As at 31st March 2012, the issued share capital of the Company is 316,938,145 shares.

2. Resuccess Investments Limited is a company incorporated in the British Virgin Islands with limited liability and is wholly-owned by Tsinghua Tongfang Co. Limited. Accordingly, Tsinghua Tongfang Co. Limited is interested or deemed to be interested in the 15,890,000 shares held by Resuccess Investments Limited pursuant to Part XV of the SFO.

## LONG POSITIONS IN UNDERLYING SHARES OF THE COMPANY

As at 31st March 2012, 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 31st March 2012, 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 31st March 2012, 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 31st March 2012, 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.

## CONTRACTS OF SIGNIFICANCE

No contract 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 31st March 2012.

No contract of significance between the Company, or any of its subsidiaries, and a controlling shareholder or any of its subsidiaries subsisted during the year ended 31st March 2012.

No contract of significance for the provision of services to the Company or any of its subsidiaries by a controlling shareholder or any of its subsidiaries subsisted during the year ended 31st March 2012.

## DIRECTORS' COMPETING INTERESTS

As of 31st March 2012, none of the Directors, the substantial shareholders 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

The Company adopted a share option scheme ("**Scheme**") on 22nd October 2003.

### (a) Purpose of the Scheme

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

### (b) Participants of the Scheme

Under the 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 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) Maximum numbers available for issue**

The total number of shares of the Company which may be issued upon exercise of all options to be granted under the 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 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 Scheme shall not exceed 30% of the shares of the Company in issue from time to time.

At the annual general meeting of the Company held on 24th August 2011, the General Scheme Limit was refreshed.

As at 31st March 2012, the total number of shares available for issue under the Scheme was 26,411,814 shares of the Company, representing approximately 8.33% of the issued share capital of the Company as at 31st March 2012.

**(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 the option

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

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

### (g) Remaining life of the Scheme

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

### (h) Movements of the options granted under the Scheme

During the year ended 31st March 2012, no option was granted under the Scheme. During the year ended 31st March 2012, the movements of the options granted under the Scheme are as follows:

| | Number of options outstanding as at 1st April 2011 *(note 1)* | Date of grant | Number of options granted during the year | Vesting period | Number of options exercised during the year | Closing price of the securities immediately before the date on which the options were exercised | Number of options cancelled or lapsed during the year | Number of options outstanding as at 31st March 2012 *(note 1)* | Exercise price of the option and exercise period *(note 1)* | Closing price immediately before the date on which the options were granted *(note 1)* |
|---|---|---|---|---|---|---|---|---|---|---|
| **Directors** | | | | | | | | | | |
| Mr. Wong Chung Wai, Eric *(note 2)* | 800,000 | 5th July 2010 | Nil | Nil | Nil | Nil | Nil | 800,000 | HK$2.8 (5th July 2010 to 4th July 2015) | HK$2.8 |
| Mr. Chan Yun Sang *(note 3)* | 800,000 | 5th July 2010 | Nil | Nil | Nil | Nil | Nil | 800,000 | HK$2.8 (5th July 2010 to 4th July 2015) | HK$2.8 |
| **Others** | | | | | | | | | | |
| Employee | 800,000 | 5th July 2010 | Nil | Nil | Nil | Nil | 800,000 | Nil | HK$2.8 (5th July 2010 to 4th July 2015) | HK$2.8 |
| Employee | 1,145,000 | 6th July 2010 | Nil | Nil | Nil | Nil | Nil | 1,145,000 | HK$2.78 (6th July 2010 to 5th July 2015) | HK$2.8 |

Save as disclosed herein, as at 31st March 2012, none of the Directors, chief executive, substantial shareholders of the Company or their respective associates (as defined under the GEM Listing Rules) had any right to subscribe for the shares of the Company.

*Notes:*

1. The number of options, the exercise price and the closing price were adjusted taking into account the share consolidation of the shares of the Company on 11th November 2011 in which every ten then share of HK$0.005 each was consolidated into one share of HK$0.05 each.

2. Mr. Wong Chung Wai, Eric was a former executive Director and the chairman of the Board.

3. Mr. Chan Yun Sang is an executive Director and the chairman of the Board.

## SERVICE OPTION

In addition, in consideration for the services of Mr. Wong Chi Keung as described in the circular of the Company dated 30th September 2010, the Company has granted to Fantasy Top Limited (as nominated by Mr. Wong Chi Keung) a service option to subscribe for up to 6,000,000 ordinary shares of the Company of HK$0.05 each at the exercise price of HK$1 per service option share until 23rd February 2013.

During the year ended 31st March 2012, Fantasy Top Limited did not exercise any of the service option.

## EVENTS AFTER THE REPORTING PERIOD

Subsequent to the financial year ended 31st March 2012,

(i) on 3rd April 2012, the Company issued 57,380,000 unlisted warrants at the issue price of HK$0.02 per warrant conferring the right to the holders of such warrants to subscribe at the subscription price of HK$0.19 per share (subject to adjustment) for up to HK$10,902,200 in aggregate for shares of the Company of HK$0.05 each (i.e. up to 57,380,000 shares); and

(ii) on 3rd May 2012, the Company issued a convertible note to Mr. Wong Kwong Chau in the principal amount of HK$15,000,000, which entitles Mr. Wong (or the holder(s) of the convertible note) to exercise the rights to convert the outstanding principal amount in a multiple of HK$1,000,000 to the shares of the Company of HK$0.05 each at the conversion price of HK$0.25 per share (subject to adjustment).

As at the date of this annual report, the subscription rights attached to the abovementioned warrants and the conversion rights attached to the abovementioned convertible note have not been exercised.

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

During the year ended 31st March 2012, neither the Company nor any of its subsidiaries had purchased, sold or redeemed any of the Company's listed securities.

## FIVE YEAR SUMMARY

A summary of results and of the assets and liabilities of the Group for the last five financial years is set out in the section headed "Five year summary" 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.

## AUDITORS

CCTH CPA Limited acted as independent auditor of the Company for the past two years ended 31st March 2011 and 2012. SHINEWING (HK) CPA Limited acted as the independent auditor of the Company for the year ended 31st March 2010.

A resolution will be proposed to re-appoint CCTH CPA Limited as the auditors of the Company at the forthcoming annual general meeting.

On behalf of the Board

**Chan Yun Sang**
*Chairman and executive Director*

Hong Kong
29th June 2012

# INDEPENDENT AUDITOR'S REPORT

**TO THE SHAREHOLDERS 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 27 to 93, which comprise the consolidated statement of financial position as at 31st March 2012, the consolidated statement of comprehensive income, the consolidated statement of changes in equity and the consolidated statement of cash flows for the year then ended, and a summary of significant accounting policies and other explanatory information.

## DIRECTORS' RESPONSIBILITY FOR THE CONSOLIDATED FINANCIAL STATEMENTS

The directors of the Company are responsible for the preparation of these consolidated financial statements that give a true and fair view 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, and for such internal control as the directors determine is necessary to enable the preparation of the consolidated financial statements that are free from material misstatement, whether due to fraud or error.

## 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, in accordance with our agreed terms of engagement, 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 about 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 of the consolidated financial statements that give a true and fair view 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 2012, and of its loss and cash flows for the year then ended in accordance with Hong Kong Financial Reporting Standards and have been properly prepared in accordance with the disclosure requirements of the Hong Kong Companies Ordinance.

**CCTH CPA Limited**
*Certified Public Accountants*
**Kwong Tin Lap**
Practising Certificate Number: P01953

Hong Kong
29th June 2012

# CONSOLIDATED STATEMENT OF COMPREHENSIVE INCOME

For the year ended 31st March 2012

| | Notes | 2012<br>HK$'000 | 2011<br>HK$'000 |
|---|---|---|---|
| Revenue | 9 | **80,902** | 50,167 |
| Cost of services | | **(43,824)** | (39,184) |
| Gross profit | | **37,078** | 10,983 |
| Other income and gains | 9 | **42,280** | 13,960 |
| Selling and distribution expenses | | **(4,224)** | (6,628) |
| Administrative expenses | | **(60,216)** | (51,866) |
| Other expenses | 11 | **(32,846)** | (12,821) |
| Finance costs | 12 | **(1,100)** | (1,049) |
| Share of (losses)/profits of associates | | **(16)** | 123 |
| Loss before tax | | **(19,044)** | (47,298) |
| Income tax expense | 13 | **(3,808)** | (252) |
| Loss for the year | 14 | **(22,852)** | (47,550) |
| Other comprehensive income for the year | | | |
| Exchange difference arising on translation of foreign operations | | **880** | 144 |
| Total comprehensive expense for the year | | **(21,972)** | (47,406) |
| Loss for the year attributable to: | | | |
| Owners of the Company | | **(22,790)** | (47,550) |
| Non-controlling interests | | **(62)** | – |
| | | **(22,852)** | (47,550) |
| Total comprehensive expense attributable to: | | | |
| Owners of the Company | | **(21,962)** | (47,406) |
| Non-controlling interests | | **(10)** | – |
| | | **(21,972)** | (47,406) |
| Loss per share | 16 | | |
| – Basic | | **HK8.02 cents** | HK27.31 cents |
| – Diluted | | **N/A** | N/A |

# CONSOLIDATED STATEMENT OF FINANCIAL POSITION

At 31st March 2012

| | Notes | 2012 HK$'000 | 2011 HK$'000 |
|---|---|---|---|
| Non-current Assets | | | |
| Plant and equipment | 19 | **4,165** | 6,106 |
| Intangible assets | 21 | **189,189** | 143,543 |
| Interests in associates | 22 | **45,973** | 45,989 |
| Available-for-sale investments | 23 | **25,600** | 27,317 |
| Deposits paid for acquisition of subsidiaries | 24 | **45,000** | – |
| Deposits paid for acquisition of intangible assets | 25 | **7,500** | 18,500 |
| | | **317,427** | 241,455 |
| Current Assets | | | |
| Inventories | 26 | **14,390** | – |
| Trade and other receivables and prepayments | 27 | **76,251** | 73,897 |
| Amounts due from customers for contract work | 28 | **16,182** | 16,332 |
| Financial assets at fair value through profit or loss | 29 | **549** | 570 |
| Pledged bank deposits | 30 | **1,937** | 2,724 |
| Bank balances and cash | 30 | **23,855** | 17,490 |
| | | **133,164** | 111,013 |
| Current Liabilities | | | |
| Amounts due to customers for contract work | 28 | **17,029** | 12,095 |
| Trade and other payables | 31 | **63,903** | 32,114 |
| Contingent consideration payable | 32 | **–** | 35,000 |
| Receipts in advance | | **8,130** | 5,724 |
| Warranty provision | 33 | **31** | 53 |
| Amount due to a substantial shareholder | 34 | **17,147** | 10,930 |
| Income tax payable | | **6,256** | 3,711 |
| Bank borrowings | 35 | **12,336** | 11,954 |
| Obligations under finance leases | 36 | **1,008** | 961 |
| | | **125,840** | 112,542 |
| Net Current Assets/(Liabilities) | | **7,324** | (1,529) |
| Total Assets less Current Liabilities | | **324,751** | 239,926 |

# CONSOLIDATED STATEMENT OF FINANCIAL POSITION

At 31st March 2012

| | Notes | 2012<br>HK$'000 | 2011<br>HK$'000 |
|---|---|---|---|
| Capital and Reserves | | | |
| Share capital | 37 | **15,847** | 10,993 |
| Share premium and reserves | | **303,789** | 225,536 |
| Equity attributable to owners of the Company | | **319,636** | 236,529 |
| Non-controlling interests | | **2,683** | – |
| Total equity | | **322,319** | 236,529 |
| Non-current Liabilities | | | |
| Obligations under finance leases | 38 | **2,432** | 3,397 |
| | | **324,751** | 239,926 |

The consolidated financial statements on pages 27 to 93 were approved and authorised for issue by the Board of Directors on 29th June 2012 and are signed on its behalf by:

**Chan Yun Sang**
Director

**Ip Ho Ming**
Director

# CONSOLIDATED STATEMENT OF CHANGES IN EQUITY

For the year ended 31st March 2012

| | Attributable to owners of the Company | | | | | | | | | |
|---|---|---|---|---|---|---|---|---|---|---|
| | Share capital HK$'000 | Share premium HK$'000 | General reserve HK$'000 (Note a) | Capital reserve HK$'000 (Note b) | Share option reserve HK$'000 (Note c) | Exchange translation reserve HK$'000 | Accumulated losses HK$'000 | Total HK$'000 | Non-controlling interests HK$'000 | Total HK$'000 |
| At 1st April 2010 | 6,529 | 45,970 | 2,439 | 1,200 | – | 4,131 | (4,594) | 55,675 | – | 55,675 |
| Loss for the year | – | – | – | – | – | – | (47,550) | (47,550) | – | (47,550) |
| Exchange difference arising on translation of foreign operations | – | – | – | – | – | 144 | – | 144 | – | 144 |
| Total comprehensive income/(expenses) for the year | – | – | – | – | – | 144 | (47,550) | (47,406) | – | (47,406) |
| Issue of shares upon | | | | | | | | | | |
| – exercise of share options | 30 | 2,585 | – | – | (935) | – | – | 1,680 | – | 1,680 |
| – placement on shares | 1,683 | 87,953 | – | – | – | – | – | 89,636 | – | 89,636 |
| – acquisition of subsidiaries | 2,751 | 121,958 | – | – | – | – | – | 124,709 | – | 124,709 |
| Share issue expenses | – | (2,215) | – | – | – | – | – | (2,215) | – | (2,215) |
| Recognition of equity-settled share based payments | – | – | – | – | 14,450 | – | – | 14,450 | – | 14,450 |
| Transfer to general reserve | – | – | 627 | – | – | – | (627) | – | – | – |
| At 31st March 2011 | 10,993 | 256,251 | 3,066 | 1,200 | 13,515 | 4,275 | (52,771) | 236,529 | – | 236,529 |
| Loss for the year | – | – | – | – | – | – | (22,790) | (22,790) | (62) | (22,852) |
| Exchange difference arising on translation of foreign operations | – | – | – | – | – | 828 | – | 828 | 52 | 880 |
| Total comprehensive income/(expenses) for the year | – | – | – | – | – | 828 | (22,790) | (21,962) | (10) | (21,972) |
| Non-controlling interest arising on acquisition of a subsidiary (Note 39(a)) | – | – | – | – | – | – | – | – | 2,693 | 2,693 |
| Issue of shares upon | | | | | | | | | | |
| – placement on shares | 2,608 | 63,438 | – | – | – | – | – | 66,046 | – | 66,046 |
| – acquisition of subsidiaries | 2,246 | 39,379 | – | – | – | – | – | 41,625 | – | 41,625 |
| Share issue expenses | – | (2,602) | – | – | – | – | – | (2,602) | – | (2,602) |
| Forfeiture of share options granted | – | – | – | – | (1,246) | – | 1,246 | – | – | – |
| Transfer from general reserve | – | – | (10) | – | – | – | 10 | – | – | – |
| At 31st March 2012 | 15,847 | 356,466 | 3,056 | 1,200 | 12,269 | 5,103 | (74,305) | 319,636 | 2,683 | 322,319 |

Notes:

(a) General reserve

According to the relevant rules and regulations of the People's Republic of China (the "PRC"), the Company's subsidiaries established in the PRC should allocate part of their 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.

(c) Share option reserve

The share option reserve relates to share options granted to employees under the Company's employee share option scheme. Further information about share-based payments to employees is set out in Note 37.

# CONSOLIDATED STATEMENT OF CASH FLOWS

For the year ended 31st March 2012

| | Notes | 2012<br>HK$'000 | 2011<br>HK$'000 |
|---|---|---|---|
| **OPERATING ACTIVITIES** | | | |
| Loss before tax | | **(19,044)** | (47,298) |
| Adjustments for: | | | |
| Amortisation of intangible assets | | **19,263** | 6,241 |
| Depreciation of plant and equipment | | **2,280** | 2,114 |
| Research and development expenditure | 14 | **11,000** | – |
| Share-based payment expenses | | **–** | 14,450 |
| (Gain)/loss on change in fair value of financial assets at fair value through profit or loss | | **(25)** | 76 |
| Finance costs | | **1,100** | 1,049 |
| Loss on disposal of financial assets at fair value through profit or loss | | **22** | 11,671 |
| Impairment loss recognised in respect of trade receivables | | **21,147** | – |
| Impairment loss recognised in respect of other receivables | | **9,960** | 983 |
| Impairment loss recognised on available-for-sale investments | | **1,717** | – |
| Interest income | | **(59)** | (67) |
| Gain on change in fair value of contingent consideration payable | | **(35,000)** | – |
| Provision for/(reversal of) warranty, net | | **8** | (580) |
| Reversal of impairment loss in respect of trade receivables | | **(1,906)** | (6,283) |
| Reversal of impairment loss in respect of other receivables | | **(375)** | (421) |
| Reversal of impairment loss in respect of retention receivables | | **(291)** | (77) |
| Share of losses/(profits) of associates | | **16** | (123) |
| Net exchange loss | | **1,264** | – |
| Operating cash flows before movements in working capital | | **11,077** | (18,265) |
| Increase in inventories | | **(14,163)** | – |
| Increase in trade and other receivables and prepayments | | **(23,898)** | (19,041) |
| Decrease in amounts due from customers for contract work | | **150** | 7,682 |
| Increase in amounts due to customers for contract work | | **4,934** | 4,051 |
| Increase/(decrease) in trade and other payables | | **28,766** | (5,753) |
| Increase/(decrease) in receipts in advance | | **1,081** | (1,584) |
| Decrease in warranty provision | | **(32)** | (335) |
| Cash generated from/(used in) operations | | **7,915** | (33,245) |
| PRC Enterprise Income Tax (paid)/refunded | | **(1,413)** | 1,593 |
| **NET CASH FROM/(USED IN) OPERATING ACTIVITIES** | | **6,502** | (31,652) |

# CONSOLIDATED STATEMENT OF CASH FLOWS

For the year ended 31st March 2012

| | Notes | 2012<br>HK$'000 | 2011<br>HK$'000 |
|---|---|---|---|
| **INVESTING ACTIVITIES** | | | |
| Purchases of plant and equipment | | **(59)** | (894) |
| Deposits paid for acquisition of intangible assets | | **–** | (18,500) |
| Proceeds from disposal of plant and equipment | | **–** | 100 |
| Acquisition of subsidiaries | 39 | **(24,783)** | (30,483) |
| Deposits paid for acquisition of subsidiaries | | **(45,000)** | – |
| Acquisition of associate | | **–** | (5,000) |
| Purchase of financial assets at fair value through profit and loss | | **(261)** | (67,538) |
| Proceeds from disposal of financial assets at fair value through profit or loss | | **285** | 55,750 |
| Interest received | | **59** | 67 |
| Decrease/(increase) in pledged bank deposits | | **787** | (1,618) |
| **NET CASH USED IN INVESTING ACTIVITIES** | | **(68,972)** | (68,116) |
| **FINANCING ACTIVITIES** | | | |
| Proceeds from issue of shares | | **66,046** | 91,316 |
| Expenses on issue of shares | | **(2,602)** | (2,215) |
| New bank borrowings raised | | **12,336** | 11,954 |
| Advance from a substantial shareholder | | **6,217** | 1,778 |
| Repayment of bank borrowings | | **(11,954)** | (11,449) |
| Repayment of obligations under finance leases | | **(918)** | (815) |
| Interest and finance costs paid | | **(1,100)** | (1,049) |
| **NET CASH FROM FINANCING ACTIVITIES** | | **68,025** | 89,520 |
| **NET INCREASE/(DECREASE) IN CASH AND CASH EQUIVALENTS** | | **5,555** | (10.248) |
| **CASH AND CASH EQUIVALENTS AT BEGINNING OF THE YEAR** | | **17,490** | 25,857 |
| **EFFECT OF FOREIGN EXCHANGE RATE CHANGES** | | **810** | 1,881 |
| **CASH AND CASH EQUIVALENTS AT END OF THE YEAR** | | **23,855** | 17,490 |
| Bank balances and cash | | **23,855** | 17,490 |

## 1. GENERAL

Tai Shing International (Holdings) Limited (the "Company") was 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.

In prior years, the Company's functional currency was Hong Kong dollars ("HK$"). Due to the continuing expansion of the Group's business operations in the People's Republic of China ("PRC"), the directors have determined that the functional currency of the Company be changed from HK$ to Renminbi ("RMB") during the year. The directors have made an assessment of the impact of the change of the functional currency of the Company and concluded that there was no material effect on the results and financial position of the Group, comprising the Company and its subsidiaries.

The consolidated financial statements are presented in HK$ as the directors consider that HK$ is the appropriate presentation currency for the users of the Group's financial statements given that the shares of the Company are listed on the Stock Exchange.

The Company is principally engaged in investment holding and the principal activities of its principal subsidiaries are set out in Note 44.

## 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 interpretations ("new and revised HKFRSs") issued by the Hong Kong Institute of Certified Public Accountants ("the HKICPA").

| | |
|---|---|
| HKFRSs (Amendments) | Improvements to HKFRSs issued in 2010 |
| HKAS 24 (as revised in 2009) | Related Party Disclosures |
| HK(IFRIC) - Int 14 (Amendments) | Prepayments of a Minimum Funding Requirement |
| HK(IFRIC) - Int 19 | Extinguishing Financial Liabilities with Equity Instruments |

The application of the new and revised HKFRSs in the current year has had no material effect on the amounts reported and/or disclosures set out in the Group's consolidated financial statements.

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

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

| | |
|---|---|
| HKFRS 7 (Amendments) | Disclosures – Transfers of Financial Assets[1] |
| HKFRS 7 (Amendments) | Disclosures – Offsetting Financial Assets and Financial Liabilities[4] |
| HKFRS 7 (Amendments) and HKFRS 9 (Amendments) | Mandatory Effective Date of HKFRS 9 and Transition Disclosures[6] |
| HKFRS 9 | Financial Instruments[6] |
| HKFRS 10 | Consolidated Financial Statements[4] |
| HKFRS 11 | Joint Arrangements[4] |
| HKFRS 12 | Disclosure of Interests in Other Entities[4] |
| HKFRS 13 | Fair Value Measurement[4] |
| HKAS 1 (Amendments) | Presentation of Items of Other Comprehensive Income[3] |
| HKAS 12 (Amendments) | Deferred Tax – Recovery of Underlying Assets[2] |
| HKFRS 19 (as revised in 2011) | Employee Benefits[4] |
| HKFRS 27 (as revised in 2011) | Separate Financial Statements[4] |
| HKFRS 28 (as revised in 2011) | Investment in Associates and Joint Ventures[4] |
| HKAS 32 (Amendments) | Offsetting Financial Assets and Financial Liabilities[5] |
| HK(IFRIC) - Int 20 | Stripping Costs in the Production Phase of a Surface Mine[4] |

1 Effective for annual periods beginning on or after 1st July 2011.
2 Effective for annual periods beginning on or after 1st January 2012.
3 Effective for annual periods beginning on or after 1st July 2012.
4 Effective for annual periods beginning on or after 1st January 2013.
5 Effective for annual periods beginning on or after 1st January 2014.
6 Effective for annual periods beginning on or after 1st January 2015.

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

**HKFRS 9 Financial Instruments**

HKFRS 9 issued in 2009 introduces new requirements for the classification and measurement of financial assets. HKFRS 9 amended in 2010 includes the requirements for the classification and measurement of financial liabilities and for derecognition.

Key requirements of HKFRS 9 are described as follows:

HKFRS 9 requires all recognised financial assets that are within the scope of HKAS 39 "Financial Instruments: Recognition and Measurement" to be subsequently measured at either amortised cost or fair value. Specifically, debt investments that are held within a business model whose objective is to collect the contractual cash flows, and that have contractual cash flows that are solely payments of principal and interest on the principal outstanding are generally measured at amortised cost at the end of subsequent accounting periods. All other debt investments and equity investments are measured at their fair values at the end of subsequent accounting periods.

The most significant effect of HKFRS 9 regarding the classification and measurement of financial liabilities relates to the presentation of changes in the fair value of a financial liability (designated as at fair value through profit or loss) attributable to changes in the credit risk of that liability. Specifically, under HKFRS 9, for financial liabilities that are designated as at fair value through profit or loss, the amount of change in the fair value of the financial liability that is attributable to changes in the credit risk of that liability is presented in other comprehensive income, unless the recognition of the effects of changes in the liability's credit risk in other comprehensive income would create or enlarge an accounting mismatch in profit or loss. Changes in fair value attributable to a financial liability's credit risk are not subsequently reclassified to profit or loss. Previously, under HKAS 39, the entire amount of the change in the fair value of the financial liability designated as at fair value through profit or loss was presented in profit or loss.

HKFRS 9 is effective for annual periods beginning on or after 1st January 2015, with earlier application permitted.

The directors anticipate that the adoption of HKFRS 9 will be adopted in the Group's consolidated financial statements for the financial year ending 31st March 2016 and that the application of this new Standard may have a significant impact on amounts reported in respect of the Group's financial assets.

**New and revised standards on consolidation, joint arrangements, associates and disclosure**

In June 2011, a package of five standards on consolidation, joint arrangements, associates and disclosures was issued, including HKFRS 10, HKFRS 11, HKFRS 12, HKAS 27 (as revised in 2011) and HKAS 28 (as revised in 2011).

Key requirements of these five standards are described below.

HKFRS 10 replaces the parts of HKAS 27 "Consolidated and Separate Financial Statements" that deal with consolidated financial statements and HK(SIC)-Int 12 "Consolidation-Special Purpose Entities". HKFRS 10 includes a new definition of control that contains three elements: (a) power over an investee, (b) exposure, or rights, to variable returns from its involvement with the investee, and (c) the ability to use its power over the investee to affect the amount of the investor's returns. Extensive guidance has been added in HKFRS 10 to deal with complex scenarios.

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

**New and revised standards on consolidation, joint arrangements, associates and disclosure** *(continued)*

HKFRS 11 replaces HKAS 31 "Interests in Joint Ventures" and HK(SIC)-Int 13 "Jointly Controlled Entities-Non-monetary Contributions by Ventures". HKFRS 11 deals with how a joint arrangement of which two or more parties have joint control should be classified. Under HKFRS 11, joint arrangements are classified as joint ventures and joint operations, depend on the rights and obligations of the parties to the arrangements. In contrast, under HKAS 31, there are three different types of joint arrangements: jointly controlled entities, jointly controlled assets and jointly controlled operations. In addition, joint ventures under HKFRS 11 are required to be accounted for using the equity method of accounting, whereas jointly controlled entities under HKAS 31 can be accounted for using the equity method of accounting or proportionate accounting.

HKFRS 12 is a disclosure standard and is applicable to entities that have interests in subsidiaries, joint arrangements, associates and/or unconsolidated structured entities. In general, the disclosure requirements in HKFRS 12 are more extensive than those in the current standards.

These five standards are effective for annual periods beginning on or after 1st January 2013. Earlier application is permitted provided that all of these five standards are applied at the same time.

The directors anticipate that these standards will be adopted in the Group's consolidated financial statements for the year ending 31st March 2014.

However, the application of these standards may not have significant impact on amounts reported in the consolidated financial statements.

**HKFRS 13 Fair Value Measurement**

HKFRS 13 establishes a single source of guidance for fair value measurements and disclosures about fair value measurements. The standard defines fair value, establishes a framework for measuring fair value, and requires disclosures about fair value measurements. The scope of HKFRS 13 is broad; it applies to both financial instrument items and non-financial instrument items for which other HKFRSs require or permit fair value measurements and disclosures about fair value measurements, except in specified circumstances. In general, the disclosure requirements in HKFRS 13 are more extensive than those in the current standards.

HKFRS 13 is effective for annual periods beginning on or after 1 January 2013, with earlier application permitted.

The directors anticipate that HKFRS 13 will be adopted in the Group's consolidated financial statements for the year ending 31st March 2014 and the application of the new standard may result in more extensive disclosures in the consolidated financial statements.

The directors of the Company anticipate that the application of the other new and revised standards, amendments and interpretations will have no material impact on the results and the financial position of the Group.

## 3. SIGNIFICANT ACCOUNTING POLICIES

The consolidated financial statements have been prepared on the historical cost basis except for certain financial instruments, which are measured at fair value, as explained in the accounting policies set out below. Historical cost is generally based on the fair value of the consideration given in exchange for goods.

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

### (a) Basis of consolidation

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

Income and expenses of subsidiaries acquired or disposed of during the year are included in the consolidated statement of comprehensive income from the effective date of acquisition and up to the effective date of disposal, as appropriate. Total comprehensive income of subsidiaries is attributed to the owners of the Company and to the non-controlling interests even if this results in the non-controlling interests having a deficit balance (effective from 1st January 2010 onwards).

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 in full on consolidation.

**Changes in the Group's ownership interests in existing subsidiaries**

Changes in the Group's ownership interests in subsidiaries that do not result in the Group losing control over the subsidiaries are accounted for as equity transactions. The carrying amounts of the Group's interests and the non-controlling interests are adjusted to reflect the changes in their relative interests in the subsidiaries. Any difference between the carrying amount of the net assets attributable to the change in interests and the fair value of the consideration paid or received is recognised directly in accumulated losses and attributed to owners of the Company.

When the Group loses control of a subsidiary, it (i) derecognises the assets (including any goodwill) and liabilities of the subsidiary at their carrying amounts at the date when control is lost, (ii) derecognises the carrying amount of any non-controlling interests in the former subsidiary at the date when control is lost (including any components of other comprehensive income attributable to them), and (iii) recognises the aggregate of the fair value of the consideration received and the fair value of any retained interest, with any resulting difference being recognised as a gain or loss in profit or loss attributable to the Group. When assets of the subsidiary are carried at revalued amounts or fair values and the related cumulative gain or loss has been recognised in other comprehensive income and accumulated in equity, the amounts previously recognised in other comprehensive income and accumulated in equity are accounted for as if the Group had directly disposed of the related assets (i.e. reclassified to profit or loss or transferred directly to accumulated losses as specified by applicable HKFRSs). The fair value of any investment retained in the former subsidiary at the date when control is lost is regarded as the fair value on initial recognition for subsequent accounting under HKAS 39 "Financial Instruments: Recognition and Measurement" or, when applicable, the cost on initial recognition of an investment in an associate or a jointly controlled entity.

## 3. SIGNIFICANT ACCOUNTING POLICIES *(Continued)*

### (b) Business combinations

Acquisitions of businesses are accounted for using the acquisition method. The consideration transferred in a business is measured at fair value, which is calculated as the sum of the acquisition-date fair values of the assets transferred by the Group, liabilities incurred by the Group to the former owners of the acquiree and the equity interests issued by the Group in exchange for control of the acquiree. Acquisition-related costs are generally recognised in profit or loss as incurred.

At the acquisition date, the identifiable assets acquired and the liabilities assumed are recognised at their fair value, except that:

- deferred tax assets or liabilities or assets related to employee benefit arrangements are recognised and measured in accordance with HKAS 12 "Income Taxes" and HKAS 19 "Employee Benefits" respectively;

- liabilities or equity instruments related to share-based payment arrangements of the acquiree or share-based payment arrangements of the Group entered into to replace share-based payments arrangements of the acquire are measured in accordance with HKFRS 2 "Share-based Payment" at the acquisition date; and

- assets (or disposal groups) that are classified as held for sale in accordance with HKFRS 5 "Non-current Assets Held for Sale and Discontinued Operations" are measured in accordance with that Standard.

Goodwill is measured as the excess of the sum of the consideration transferred, the amount of any non-controlling interests in the acquiree, and the fair value of the acquirer's previously held equity interest in the acquiree (if any) over the net of the acquisition-date amounts of the identifiable assets acquired and the liabilities assumed. If, after assessment, the net of the acquisition-date amounts of the identifiable assets acquired and liabilities assumed exceeds the sum of the consideration transferred, the amount of any non-controlling interests in the acquiree and the fair value of the acquirer's previously held interest in the acquiree (if any), the excess is recognised immediately in profit or loss as a bargain purchase gain.

Non-controlling interests that are present ownership interests and entitle their holders to a proportionate share of the entity's net assets in the event of liquidation may be initially measured either at fair value or at the non-controlling interests proportionate share of the recognised amounts of the acquiree's identifiable net assets. The choice of measurement basis is made on a transaction-by-transaction basis. Other types of non-controlling interests are measured at their fair value or, when applicable, on the basis specified in another standard.

Where the consideration transferred by the Group in a business combination includes assets or liabilities resulting from a contingent consideration arrangement, the contingent consideration is measured at its acquisition-date fair value and considered as part of the consideration transferred in a business combination. Changes in the fair value of the contingent consideration that qualify as measurement period adjustments are adjusted retrospectively, with the corresponding adjustments against goodwill. Measurement period adjustments are adjustments that arise from additional information obtained during the "measurement period" (which cannot exceed one year from the acquisition date) about facts and circumstances that existed at the acquisition date.

The subsequent accounting for changes in fair value of the contingent consideration that do not qualify as measurement period adjustments depends on how the contingent consideration is classified. Contingent consideration that is classified as equity is not remeasured at subsequent reporting dates and its subsequent settlement is accounted for within equity. Contingent consideration that is classified as an asset or a liability is remeasured at subsequent reporting dates in accordance with HKAS 39, or HKAS 37 "Provisions, Contingent Liabilities and Contingent Assets", as appropriate, with the corresponding gain or loss being recognised in profit or loss.

## 3. SIGNIFICANT ACCOUNTING POLICIES *(Continued)*

### (b) Business combinations *(Continued)*

When a business combination is achieved in stages, the Group's previously held equity interest in the acquiree is remeasured to fair value at the acquisition date (i.e. the date when the Group obtains control), and the resulting gain or loss, if any, is recognised in profit or loss. Amounts arising from interests in the acquiree prior to the acquisition date that have previously been recognised in other comprehensive income are reclassified to profit or loss where such treatment would be appropriate if that interest were disposed of.

If the initial accounting for a business combination is incomplete by the end of the reporting period in which the combination occurs, the Group reports provisional amounts for the items for which the accounting is incomplete. Those provisional amounts are adjusted during the measurement period (see above), or additional assets or liabilities are recognised, to reflect new information obtained about facts and circumstances that existed as of the acquisition date that, if known, would have affected the amounts recognised as of that date.

Business combinations achieved in stages were accounted for as separate steps. Goodwill was determined at each step. Any additional acquisition did not affect the previously recognised goodwill.

### (c) Goodwill

Goodwill arising on an acquisition of a business is carried at cost as established at the date of acquisition of the business (see the accounting policy above) less accumulated impairment losses, if any.

For the purposes of impairment testing, goodwill is allocated to each of the Group's cash-generating units (or groups of cash-generating units) that is expected to benefit from the synergies of the combination.

A cash-generating unit to which goodwill has been allocated is tested for impairment annually, or more frequently when there is indication that the unit may be impaired. If the recoverable amount of cash-generating unit is less than its carrying amount, the impairment loss is allocated first to reduce the carrying amount of any goodwill allocated to the unit and then to the other assets of the unit on a pro-rata basis based on the carrying amount of each asset in the unit. Any impairment loss for goodwill is recognised directly in profit or loss in the consolidated statement of comprehensive income. An impairment loss for goodwill is not reversed in subsequent periods.

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

The Group's policy for goodwill arising on the acquisition of an associate is described below.

### (d) Investment in subsidiaries

Investments in subsidiaries are included in the Company's statement of financial position at cost less any identified impairment loss.

## 3. SIGNIFICANT ACCOUNTING POLICIES *(Continued)*

### (e) Investments in associates

An associate is an entity over which the Group 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 initially recognised in the consolidated statement of financial position at cost and adjusted thereafter to recognise the Group's share of the profits or losses and other comprehensive income of the associates. When the Group's share of losses of an associate exceeds the Group's 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. Additional losses are recognised only to the extent that the Group has incurred legal or constructive obligations or made payments on behalf of that associate.

Any excess of the cost of acquisition over the Group's share of the net fair value of the identifiable assets, liabilities and contingent liabilities of an associate recognised at the date of acquisition is recognised as goodwill, which is included within the carrying amount of the investment.

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

The requirements of HKAS 39 are applied to determine whether it is necessary to recognise any impairment loss with respect to the Group's investment in an associate. When necessary, the entire carrying amount of the investment (including goodwill) is tested for impairment in accordance with HKAS 36 "Impairment of Assets" as a single asset by comparing its recoverable amount (higher of value in use and fair value less costs to sell) with its carrying amount. Any impairment loss recognised forms part of the carrying amount of the investment. Any reversal of that impairment loss is recognised in accordance with HKAS 36 to the extent that the recoverable amount of the investment subsequently increases.

Upon disposal of an associate that results in the Group losing significant influence over that associate, any retained investment is measured at fair value at that date and the fair value is regarded as its fair value on initial recognition as a financial asset in accordance with HKAS 39. The difference between the previous carrying amount of the associate attributable to the retained interest and its fair value is included in the determination of the gain or loss on disposal of the associate. In addition, the Group accounts for all amounts previously recognised in other comprehensive income in relation to that associate on the same basis as would be required if that associate had directly disposed of the related assets or liabilities. Therefore, if a gain or loss previously recognised in other comprehensive income by that associate would be reclassified to profit or loss on the disposal of the related assets or liabilities, the Group reclassifies the gain or loss from equity to profit or loss (as a reclassification adjustment) when it loses significant influence over that associate.

Where a group entity transacts with an associate, profits and losses resulting from the transactions with the associate are recognised in the Group's consolidated financial statements only to the extent of interests in the associate that are not related to the Group.

## 3. SIGNIFICANT ACCOUNTING POLICIES *(Continued)*

### (f) Revenue recognition

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

(i) Systems development service

Revenue arising from the provision of systems development, maintenance and installation and consultancy services is recognised on the percentage of completion method, 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 estimated 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) Software licensing fee

Software licensing fee is recognised on a straight line basis over the period of the licenses granted.

(iv) Interest income

Interest income from a financial asset is recognised when it is probable that the economic benefits will flow to the Group and the amount of income can be measured reliably. Interest income 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 estimated future cash receipts through the expected life of the financial assets to that asset's net carrying amount on initial recognition.

### (g) 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 based on the proportion that contract costs incurred for work performed to date relative to the estimated total contract costs, except where this would not be representative 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 billings, the surplus is shown as amounts due from customers for contract work. For contracts where progress billings exceed contract costs incurred to date plus recognised profits less recognised losses, the surplus is shown as amounts due to customers for contract work. Amounts received before the related work is performed are included in the consolidated 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)*

### (h) 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 at the rates of exchange prevailing on the dates of the transactions. At the end of the 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 at 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 on monetary items are recognised in profit or loss in the period in which they arise.

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. Hong Kong dollars) using the exchange rate prevailing at the end of each reporting period. Income and expense items are translated at the average exchange rates for the period, 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 under the heading of exchange translation reserve (attributed to non-controlling interests as appropriate).

On the disposal of a foreign operation (i.e. a disposal of the Group's entire interest in a foreign operation, or a disposal involving loss of control over a subsidiary that includes a foreign operation, or a disposal involving loss of significant influence over an associate that includes a foreign operation), all of the exchange differences accumulated in equity in respect of that operation attributable to the owners of the Company are reclassified to profit or loss. In addition, in relation to a partial disposal of a subsidiary that does not result in the Group losing control over the subsidiary, the proportionate share of accumulated exchange differences are re-attributed to non-controlling interests and are not recognised in profit or loss. For all other partial disposals (i.e. partial disposals of associates that do not result in the Group losing significant influence), the proportionate share of the accumulated exchange differences is reclassified to profit or loss.

Goodwill and fair value adjustments on identifiable assets acquired arising on the acquisition of a foreign operation are treated as assets and liabilities of the foreign operation and translated at the rate of exchange prevailing at the end of each reporting period. Exchange differences arising are recognised in equity under the heading of exchange translation reserve.

### (i) Borrowing costs

Borrowing costs directly attributable to the acquisition, construction or production of qualifying assets, which are assets that necessarily take a substantial period of time to get ready for their intended use or sale, are added to the cost of those assets, until such time as the assets are substantially ready for their intended use or sale.

Investment income earned on the temporary investment of specific borrowings pending their expenditure on qualifying assets is deducted from the borrowing costs eligible for capitalisation.

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

## 3. SIGNIFICANT ACCOUNTING POLICIES *(Continued)*

### (j) Retirement benefit costs

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

### (k) Share-based payment arrangements

**Share options granted by the Company to employees of the Group in an equity-settled share-based payment arrangement.**

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

At the end of the reporting period, the Group revises its estimates of the number of options that are expected to ultimately vest. The impact of the revision of the original estimates, if any, is recognised in profit or loss such that the cumulative expense reflects the revised estimate, with a corresponding adjustment to share option reserve.

For share options that vest immediately at the date of grant, the fair value of the share options granted is expensed immediately to profit or loss.

When share options are exercised, the amount previously recognised in share option reserve will be transferred to share premium. When share options are forfeited after the vesting date or are still not exercised at the expiry date, the amount previously recognised in share option reserve will be transferred to accumulated losses.

### (l) Taxation

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

The tax currently payable is based on taxable profit for the year. Taxable profit differs from profit as reported in the consolidated 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.

## 3. SIGNIFICANT ACCOUNTING POLICIES *(Continued)*

### (l) Taxation *(Continued)*

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 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.

### (m) Plant and equipment

Plant and equipment are stated in consolidated statement of financial position at cost less subsequent accumulated depreciation and subsequent accumulated impairment losses, if any.

Depreciation is recognised so as to write off the cost of assets less their residual value over their useful lives, using the straight-line method. The estimated useful lives, residual values and depreciation method are reviewed at the end of each reporting period, with effect of any changes in estimate accounted for on a prospective basis.

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 the disposal or retirement of an item of plant and equipment is determined as the difference between the sales proceeds and the carrying amount of the asset and is recognised in profit or loss.

## 3. SIGNIFICANT ACCOUNTING POLICIES *(Continued)*

### (n) Intangible assets

*Intangible assets acquired in a business combination*

Intangible assets acquired in a business combination are recognised separately from goodwill and are initially recognised at their fair value at the acquisition date (which is regarded as their cost). Subsequent to initial recognition, intangible assets with finite useful lives are carried at cost less accumulated amortisation and accumulated impairment losses. Amortisation is recognised on a straight-line basis over their estimated useful lives.

*Internally-generated 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), on the same basis as intangible assets that are acquired in a business combination.

## 3. SIGNIFICANT ACCOUNTING POLICIES *(Continued)*

### (o) Inventories

Inventories are stated at the lower of cost and net realisable value. Costs of inventories are determined on a first-in, first-out basis. Net realisable value represents the estimated selling price for inventories less all estimated costs of completion and costs necessary to make the sale.

### (p) Impairment losses on tangible and intangible assets other than goodwill

At the end of each 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).

Recoverable amount is the higher of fair value less costs to sell and value in use. When it is not possible to estimate the recoverable amount of an individual asset, the Group estimates the recoverable amount of the cash-generating unit to which the asset belongs. When a reasonable and consistent basis of allocation can be identified, corporate assets are also allocated to individual cash generating units, or otherwise they are allocated to the smallest group of cash-generating units for which a reasonable and consistent allocation basis can be identified.

In assessing value in use, the estimated future cash flows are discounted to their present value using a pre-tax discount rate that reflects current market assessments of the time value of money and the risks specific to the asset for which the estimates of future cash flows have not been adjusted.

If the recoverable amount of an asset (or a cash-generating unit) is estimated to be less than its carrying amount, the carrying amount of the asset (or a cash generating unit) is reduced to its recoverable amount. An impairment loss is recognised immediately in profit or loss.

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

### (q) Provisions

Provisions are recognised when the Group has a present obligation (legal or constructive) as a result of a past event, it is probable that the Group will be required to settle that obligation, and a reliable estimate can be made of the amount of the obligation.

The amount recognised as a provision is 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. When 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 of the time value of money is material).

## 3. SIGNIFICANT ACCOUNTING POLICIES *(Continued)*

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

**Financial assets**

The Group's financial assets are classified into one of the three categories, including financial assets at fair value through profit or loss "FVTPL", loans and receivables and available-for-sale financial assets. The classification depends on the nature and purpose of the financial assets and is determined at the time of initial recognition. 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.

*Financial assets at fair value through profit or loss*

Financial assets are classified as at FVTPL when the financial asset is either held for trading or it is designated as at FVTPL.

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
- on initial recognition 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)*

### (r) Financial instruments *(Continued)*

*Financial assets at fair value through profit or loss (Continued)*
A financial asset other than a financial asset held for trading may be designated as at FVTPL upon initial recognition if:

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

- the financial asset forms part or a group of financial assets or financial liabilities or both, which is managed and its performance is evaluated on a fair value basis, in accordance with the Group's documented risk management or investment strategy, and information about the grouping is provided internally on that basis; or

- it forms part of a contract containing one or more embedded derivatives, and HKAS 39 "Financial Instruments: Recognition and Measurement" permits the entire combined contract (asset or liability) to be designated as at FVTPL.

Financial assets at FVTPL are stated at fair value, with any gains or losses arising on remeasurement in profit or loss. The net gain or loss recognised in profit or loss incorporates any dividend or interest earned on financial asset and is included in the other income and gains, and other expenses respectively in the consolidated statement of comprehensive income. Fair value is determined in the manner described in Note 8.

*Loans and receivables*
Loans and receivables are non-derivative financial assets with fixed or determinable payments that are not quoted in an active market. Loans and receivables (including trade and other receivables, pledged bank deposits and bank balances and cash) are measured at amortised cost using the effective interest method, less any identified impairment loss (see accounting policy on impairment loss on financial assets below).

Interest income is recognised by applying the effective interest rate, except for short-term receivables when the recognition of interest would be immaterial.

*Available-for-sale financial assets "AFS financial assets"*
AFS financial assets are non-derivatives that are either designated as available-for-sale or not classified as financial assets at FVTPL, loans and receivables or held-to-maturity investments.

AFS financial assets, which represent equity instruments that do not have a quoted market price in an active market and where fair value cannot be reliably measured, are measured at cost less any identified impairment losses at the end of the reporting period (see accounting policy on impairment loss on financial assets below).

## 3. SIGNIFICANT ACCOUNTING POLICIES *(Continued)*

### (r) Financial instruments *(Continued)*

*Impairment loss on financial assets*
Financial assets, other than those at FVTPL, are assessed for indicators of impairment at the end of each reporting period. Financial assets are considered to be impaired when 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 an available-for-sale equity investment, a significant or prolonged decline in the fair value of that investment below its cost is considered to be objective evidence of impairment.

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

- significant financial difficulty of the issuer or counterparty; or
- breach of contract, such as 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 receivables, assets that are assessed not to be impaired individually are, in addition, 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, as well as observable changes in national or local economic conditions that correlate with default on receivables.

For financial assets carried at amortised cost, an impairment loss is recognised as the difference between the asset's carrying amount and the present value of the estimated future cash flows, discounted at the financial asset's 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.

The carrying amount of the financial asset is reduced by the impairment loss directly for all financial assets with the exception of trade receivables, where the carrying amount is reduced through the use of an allowance account. When a trade 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. Changes in the carrying amount of the allowance account are recognised in 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.

For financial assets carried at cost, impairment loss recognised will not be reversed in subsequent period.

## 3. SIGNIFICANT ACCOUNTING POLICIES *(Continued)*

### (r) Financial instruments *(Continued)*

**Financial liabilities and equity instruments**
Financial liabilities and equity instruments issued by a group entity are classified as either financial liabilities or as equity in accordance with the substance of the contractual arrangements and the definitions of a financial liability and an equity instrument.

*Equity instruments*
An equity instrument is any contract that evidences a residual interest in the assets of the Group after deducting all of its liabilities.

*Effective interest method*
The effective interest method is a method of calculating the amortised cost of a financial liability and of allocating interest expense over the relevant period. The effective interest rate is the rate that exactly discounts estimated future cash payments (including all fees and points paid or received that form an integral part of the effective interest rate, transaction costs and other premium or discounts) through the expected life of the financial liability, or, where appropriate, a shorter period to the net carrying amount on initial recognition.

*Financial liabilities*
Financial liabilities including trade and other payables, bank borrowings, amount due to a substantial shareholder, and obligations under finance leases 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.

*Financial liabilities at FVTPL*
Financial liabilities are classified as at FVTPL when the financial liability is either held for trading or it is designated as at FVTPL on initial recognition.

A financial liabilities are classified as held for trading if:

- it has been acquired principally for the purpose of repurchasing it in the near term; or
- on initial recognition it is part of a portfolio of identified 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)*

### (r) Financial instruments *(Continued)*

**Financial liabilities and equity instruments** *(Continued)*

*Financial liabilities at FVTPL (Continued)*
A financial liability other than a financial liability held for trading may be designated as at FVTPL upon initial recognition if:

– Such designation eliminates or significantly reduces a measurement or recognition inconsistency that would otherwise arise; or

– The financial liability forms part of a group of financial assets or financial liabilities or both, which is managed and its performance is evaluated on a fair value basis, in accordance with the Group's documented risk management or investment strategy, and information about the grouping is provided internally on that basis; or

– It forms part of a contract containing one or more embedded derivatives, and HKAS 39 "Financial Instruments: Recognition and Measurement" permits the entire combined contract (asset or liability) to be designated as at FVTPL.

Financial liabilities at FVTPL (including contingent consideration payable) are stated at fair value, with any gains or losses arising on remeasurement recognised in profit or loss. The net gain recognised in profit or loss incorporates any interest paid on the financial liability and is included in other income and gains in the consolidated statement of comprehensive income. Fair value is determined in the manner described in Note 8.

**Derecognition**
The Group derecognises a financial asset only when the contractual rights to the cash flows from the asset expire, or when it transfers the financial asset and substantially all the risks and rewards of ownership of the asset to another entity.

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.

## 3. SIGNIFICANT ACCOUNTING POLICIES *(Continued)*

### (s) 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.

*The Group as lessee*

Assets held under finance leases are initially recognised as assets of the Group at their fair value at the inception of the lease or, if lower, at present value of the minimum lease payments. The corresponding liability to the lessor is included in the consolidated statement of financial position as a finance lease obligation.

Lease payments are apportioned between finance expenses and reduction of the lease obligation so as to achieve a constant rate of interest on the remaining balance of the liability. Finance expenses are recognised immediately in profit or loss, unless they are directly attributable to qualifying assets, in which case they are capitalised in accordance with the Group's general policy on borrowing costs. Contingent rentals are recognised as expenses in the periods in which they are incurred.

Operating lease payments are recognised as expense on a straight-line basis over the lease term.

## 4. 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.

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.

**Revenue and profit recognition**

Management of the Group estimates the percentage of completion of the systems development contracts by reference to the estimated total outcome of the systems development contracts as well as the work performed to date with reference to the work performed 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.

**Impairment of intangible assets**

Management assessed the recoverable amounts of intangible assets of the Group mainly based on value in use. The value in use is based on the net projected revenue to be derived by the relevant intangible assets over their estimated useful lives discounted by suitable rates to arrive at their present value. If the actual net revenue to be derived are more or less than expected and/or significant variation in discount rates arises as a result of change in market conditions, material reversal of or provision for impairment loss on intangible assets may result. Where the recoverable amounts of intangible assets are based on their estimated selling prices, the assessment was based on an estimation of the selling prices of the intangible assets less cost to sell. If the actual selling prices are more or less than expected, reversal of or provision for impairment loss may also result. In respect of the year ended 31st March 2012, no impairment loss on intangible assets (2011: Nil) has been recognised in the statement of comprehensive income.

## 4. 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 33, 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.

## 4. KEY SOURCES OF ESTIMATION UNCERTAINTY *(Continued)*

**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 make provision based on the aging analysis of the trade receivables and retention receivables. At 31st March 2012, the carrying amounts of trade receivables and retention receivables are approximately HK$35,211,000 (2011: HK$26,812,000) (net of impairment loss of approximately HK$37,710,000 (2011: HK$17,897,000)) and HK$3,143,000 (2011: HK$5,717,000) (net of impairment loss of HK$1,201,000 (2011: HK$1,450,000)), respectively.

**Impairment loss recognised in respect of other receivables**

The policy for provision for impairment loss of other receivables of the Group is determined by 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 2012 the carrying amount of other receivables is HK$34,332,000 (2011: HK$5,903,100) (net of impairment loss of approximately HK$28,626,000 (2011: HK$18,393,000)).

## 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 Group's overall strategy remains unchanged from that of the prior year.

The capital structure of the Group consists of debts, which includes bank borrowings as disclosed in Note 33, and equity attributable to owners of the Company, comprising issued share capital and reserves.

The directors of the Group review the capital structure on a regular basis. As part of this review, the directors consider the cost of capital and the risks associated with each class of capital and will balance its overall capital structure through issues of new shares and debts, repayment of existing debts and payment of dividends.

## 6. FINANCIAL INSTRUMENTS

Categories of financial instruments

| | 2012<br>HK$'000 | 2011<br>HK$'000 |
|---|---|---|
| *Financial assets* | | |
| Financial assets at fair value through profit or loss | **549** | 570 |
| Loans and receivables (including bank balances and cash) | **98,478** | 93,936 |
| Available-for-sale investments | **25,600** | 27,317 |
| *Financial liabilities* | | |
| Financial liabilities at amortised cost | **96,826** | 59,356 |
| Financial liabilities at fair value through profit and loss | **–** | 35,000 |

## 7. FINANCIAL RISK MANAGEMENT OBJECTIVES AND POLICIES

The Group's major financial instruments include available-for-sale investments, financial assets at fair value through profit or loss, trade and other receivables, pledged bank deposits, bank balances and cash, trade and other payables, amount due to a substantial shareholder, contingent consideration payable obligations under finance leases and bank borrowings. Details of these financial instruments are disclosed in respective notes.

Management monitors and manages the financial risks relating to the Group through internal risk assessment, which analyses exposures by degree and magnitude of risks. These risks include market risk (including interest rate risk, currency risk and price risk), credit risk and liquidity risk. Management manages and monitors these exposures to ensure that appropriate measures are implemented on a timely and effective manner.

There has been no change in the Group's exposure to these kinds of risks or the manner in which the Group manages and measures these risks.

### Market risk

The Group's activities expose it primarily to the financial risks of changes in foreign currency exchange rates, interest rates and equity prices.

**Foreign currency risk**

Foreign currency risk refers to the risk associated with movements in foreign currency rates which will affect the Group's financial results and its cash flows. Management considers that the Group is not exposed to significant foreign currency risk as the majority of its operations are in the PRC with their functional currency of RMB.

For the two years ended 31st March 2012 and 2011, the Group mainly earned revenue in RMB and incurred costs in HK$ and RMB. Although the Group currently does not have any foreign currency hedging policies, it manages its foreign 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 fluctuation in the exchange rate of RMB to HK$ to have any material adverse effect on the operation of the Group, accordingly no sensitivity analysis is presented.

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

### Market risk *(Continued)*

**Interest rate risk**

The Group is exposed to cash flow interest rate risk in relation to its variable-rate bank deposits (see Note 30 for details) and bank borrowings (see Note 35 for details) for the two years ended 31st March 2012 and 2011. It is the Group's policy to keep its bank deposits and bank borrowings at floating interest rates so as to minimise the fair value interest rate risk.

The directors consider that the Group's exposure to interest rate risk of bank deposits, which are short term in nature, is not significant, accordingly no sensitivity analysis is presented.

The Group's exposure to interest rates on major financial liabilities is detailed in respective notes. 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 bank borrowings denominated in RMB.

*Sensitivity analysis*

If interest rates had been 50 basis points higher/lower (2011: 50 basis points) and all other variables were held constant, the Group's loss for the year ended 31st March 2012 would increase/decrease by HK$50,000 (2011: increase/decrease by HK$31,000)

The above sensitivity analysis has been determined based on the exposure to interest rates for bank borrowings. The analysis is prepared assuming that the amount of assets and liabilities outstanding at the end of the reporting period was outstanding for the whole year. The 50 basis points (2011: 50 basis points) increase or decrease represents directors' assessment of a reasonably possible change in interest rates over the period. The analysis was performed on the same basis for the year ended 31st March 2011.

**Price risk**

The Group is exposed to equity price risk through its investment in listed equity securities. As the Group's exposure to price risk is insignificant, sensitivity analysis is not presented.

### Credit risk

As at the end of the reporting period, the Group's maximum exposure to credit risk which will cause a financial loss to the Group in the event of the counterparties' failure to perform their obligations is the respective recognised financial assets as stated in the consolidated statement of financial position

In order to minimise the credit risk, 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 debt at the end of reporting period to ensure that adequate impairment losses are made for irrecoverable amounts. The Group closely monitors the collectability of trade debtors at the end of the reporting period to ensure that the amounts are recoverable. 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 2012, the Group has concentration of credit risk as 16% (2011: 14%) and 21% (2011: 42%) of the total trade receivables are due from the Group's largest customer and the five largest customers respectively and are attributable to the systems development business segment.

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

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

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

### Market risk *(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 to mitigate the effects of fluctuation in cash flows. The management monitors the utilisation of bank borrowings and ensures compliance with loan covenants, if any.

The following table details the Group's remaining contractual maturity for its 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.

| | Within 1 year or on demand HK$'000 | 1-2 years HK$'000 | 2-3 years HK$'000 | 3-4 years HK$'000 | 4-5 years HK$'000 | Total undiscounted cash flows HK$'000 | Carrying amount HK$'000 |
|---|---|---|---|---|---|---|---|
| **At 31st March 2012** | | | | | | | |
| **Non-derivative financial liabilities** | | | | | | | |
| Trade and other payables | **63,903** | **–** | **–** | **–** | **–** | **63,903** | **63,903** |
| Amount due to a substantial shareholder | **17,147** | **–** | **–** | **–** | **–** | **17,147** | **17,147** |
| Obligations under finance leases | **1,256** | **1,205** | **1,205** | **101** | **–** | **3,767** | **3,440** |
| Bank borrowings | **13,307** | **–** | **–** | **–** | **–** | **13,307** | **12,336** |
| | **95,613** | **1,205** | **1,205** | **101** | **–** | **98,124** | **96,826** |

| | Within 1 year or on demand HK$'000 | 1-2 years HK$'000 | 2-3 years HK$'000 | 3-4 years HK$'000 | 4-5 years HK$'000 | Total undiscounted cash flows HK$'000 | Carrying amount HK$'000 |
|---|---|---|---|---|---|---|---|
| At 31st March 2011 | | | | | | | |
| **Non-derivative financial liabilities** | | | | | | | |
| Trade and other payables | 32,114 | – | – | – | – | 32,114 | 32,114 |
| Amount due to a substantial shareholder | 10,930 | – | – | – | – | 10,930 | 10,930 |
| Obligations under finance leases | 1,205 | 1,205 | 1,205 | 1,205 | 111 | 4,931 | 4,358 |
| Bank borrowings | 12,751 | – | – | – | – | 12,751 | 11,954 |
| | 57,000 | 1,205 | 1,205 | 1,205 | 111 | 60,726 | 59,356 |

The amounts included above for variable interest rate instruments for non-derivative financial liabilities is subject to change if changes in variable 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 values of financial assets and financial liabilities with standard terms and conditions and traded in active liquid markets are determined with reference to quoted market bid and ask prices respectively; and

- the fair values of other financial assets and financial liabilities are determined in accordance with generally accepted pricing models based on discounted cash flow analysis.

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 their fair values.

### Fair value measurements recognised in the consolidated statement of financial position

The following table provides an analysis of financial instruments that are measured subsequent to initial recognition at fair value, grouped into Levels 1 to 3 based on the degree to which the fair value is observable:

- Level 1 fair value measurements are those derived from quoted prices (unadjusted) in active markets for identical assets or liabilities;

- Level 2 fair value measurements are those derived from inputs other than quoted prices included within Level 1 that are observable for the asset or liability, either directly (i.e. as prices) or indirectly (i.e. derived from prices); and

- Level 3 fair value measurements are those derived from valuation techniques that include inputs for the asset or liability that are not based on observable market data (unobservable inputs).

| | **31st March 2012** | | | |
|---|---|---|---|---|
| | **Level 1 HK$'000** | **Level 2 HK$'000** | **Level 3 HK$'000** | **Total HK$'000** |
| Financial assets | | | | |
| Financial assets at fair value through profit or loss | **549** | **–** | **–** | **549** |
| Financial liabilities | | | | |
| Contingent consideration payable | **–** | **–** | **–** | **–** |

| | 31st March 2011 | | | |
|---|---|---|---|---|
| | Level 1 HK$'000 | Level 2 HK$'000 | Level 3 HK$'000 | Total HK$'000 |
| Financial assets | | | | |
| Financial assets at fair value through profit or loss | 570 | – | – | 570 |
| Financial liabilities | | | | |
| Contingent consideration payable | – | – | 35,000 | 35,000 |

There were no transfers between level 1 and 2 in both of the above years.

## 9. REVENUE AND OTHER INCOME AND GAINS

Revenue, which is also the turnover of the Group, represents the amounts arising from systems development and professional service rendered, net of sales related taxes.

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

| | **2012** **HK$'000** | 2011 HK$'000 |
|---|---|---|
| Revenue from provision of | | |
| Systems development services | **51,814** | 49,535 |
| Professional services | **4,416** | 632 |
| Software licensing (Note a) | **24,672** | – |
| Turnover | **80,902** | 50,167 |
| Other income and gains | | |
| Value added tax refunded (Note b) | **4,624** | 6,942 |
| Gain on change in fair value of financial assets at fair value through profit or loss | **25** | – |
| Gain on disposal of financial assets at fair value through profit or loss | **–** | 91 |
| Gain on change in fair value of contingent consideration payable (Note 32) | **35,000** | – |
| Interest income | **59** | 67 |
| Reversal of impairment loss in respect of trade receivables | **1,906** | 6,283 |
| Reversal of impairment loss in respect of other receivables | **375** | 421 |
| Reversal of impairment loss in respect of retention receivables | **291** | 77 |
| Sundry income | **–** | 79 |
| | **42,280** | 13,960 |
| Total revenues | **123,182** | 64,127 |

Notes:

a. A subsidiary of the Company, 鑫約福(上海)貿易有限公司 ("Fullmark Shanghai") entered into a cooperation agreement with a shareholder of the Group's associate (the "Contracting Party") in March 2010, pursuant to which (i) Fullmark Shanghai and the Contracting Party have agreed to jointly develop the Chinese version of the InsureLink System owned by the Group (Note 21), (ii) Fullmark Shanghai shall licence the InsureLink System and provide related technical support services to the Contracting Party and the end-users of the InsureLink System; and (iii) Fullmark Shanghai and the Contracting Party shall jointly promote the licensing of the InsureLink System to other companies in the PRC. Pursuant to the cooperation agreement, Fullmark Shanghai shall be entitled to receive 75% of the revenue from such licensing business and the Contracting Party guaranteed that the revenue to be received by Fullmark Shanghai shall not be less than RMB20,000,000 per annum.

   During the year, no revenue from the licensing business was derived by Fullmark Shanghai. The Contracting Party has agreed to contribute to Fullmark Shanghai the shortfall of the revenue of RMB20,000,000 (equivalent to HK$24,672,000) pursuant to the cooperation agreement, which has been recognised as revenue of the Group for the current year.

b. A tax concession was 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 value added tax refunded is included in other income and gains.

## 10. SEGMENT INFORMATION

The Group has adopted HKFRS 8 "Operating Segments" which 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.

For management purposes, the Group is currently organised into three operating divisions – systems development, professional services and insurance brokerage business.

| | | |
|---|---|---|
| Systems development | – | Provision of systems development, maintenance and installation as well as consulting service and software licensing. |
| Professional services | – | Provision of information technology engineering and technical support services. |
| Insurance brokerage business | – | Provision of insurance brokerage services |

### (a) Segment revenues and results

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

| | Year ended 31st March | | | | | | | |
|---|---|---|---|---|---|---|---|---|
| | Systems development | | Professional services | | Insurance brokerage business | | Consolidated | |
| | **2012** | 2011 | **2012** | 2011 | **2012** | 2011 | **2012** | 2011 |
| | **HK$'000** | HK$'000 | **HK$'000** | HK$'000 | **HK$'000** | HK$'000 | **HK$'000** | HK$'000 |
| **TURNOVER** | | | | | | | | |
| Revenue from external customers | **76,486** | 49,535 | **4,416** | 632 | **-** | – | **80,902** | 50,167 |
| **RESULT** | | | | | | | | |
| Segment results | **(30,125)** | 4,412 | **3,008** | 320 | **(2,367)** | – | **(29,484)** | 4,732 |
| Interest income | | | | | | | **59** | 67 |
| Unallocated income | | | | | | | **35,025** | 170 |
| Unallocated expenses | | | | | | | **(23,528)** | (51.341) |
| Finance costs | | | | | | | **(1,100)** | (1.049) |
| Share of (losses)/profits of associates | | | | | | | **(16)** | 123 |
| Loss before tax | | | | | | | **(19,044)** | (47.298) |

There were no sales between the reportable segments for both of the years ended 31st March 2012 and 2011.

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, and share of results of associates. 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.

## 10. SEGMENT INFORMATION *(Continued)*

### (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 | | Insurance brokerage business | | Consolidated | |
| | **2012** | 2011 | **2012** | 2011 | **2012** | 2011 | **2012** | 2011 |
| | **HK$'000** | HK$'000 | **HK$'000** | HK$'000 | **HK$'000** | HK$'000 | **HK$'000** | HK$'000 |
| **ASSETS** | | | | | | | | |
| Segment assets | **254,982** | 246,097 | **1,514** | 663 | **33,100** | – | **289,596** | 246,760 |
| Unallocated corporate assets | | | | | | | | |
| – Interests in associates | | | | | | | **45,973** | 45,989 |
| – Deposit paid for acquisition of intangible assets | | | | | | | **7,500** | – |
| – Deposit paid for acquisition of subsidiaries | | | | | | | **45,000** | – |
| – Financial asset at fair value through profit or loss | | | | | | | **549** | 570 |
| – Bank balances and cash | | | | | | | **23,855** | 17,490 |
| – Others | | | | | | | **38,118** | 41,659 |
| Total assets | | | | | | | **450,591** | 352,468 |
| **LIABILITIES** | | | | | | | | |
| Segment liabilities | **52,880** | 39,248 | **3,333** | 1,261 | **–** | – | **56,213** | 40,509 |
| Unallocated corporate liabilities | | | | | | | | |
| – Amount due to a substantial shareholder | | | | | | | **17,147** | 10,930 |
| – Contingent consideration payable on acquisition of a subsidiary | | | | | | | **–** | 35,000 |
| – Income tax payable | | | | | | | **6,256** | 3,711 |
| – Bank borrowings | | | | | | | **12,336** | 11,954 |
| – Obligations under finance leases | | | | | | | **3,440** | 4,358 |
| – Others | | | | | | | **32,880** | 9,477 |
| Total liabilities | | | | | | | **128,272** | 115,939 |

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

- all major assets are allocated to reportable segments other than deposits paid for acquisition of intangible assets, deposits paid for acquisition of subsidiaries, 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 major liabilities are allocated to reportable segments other than amount due to a substantial shareholder, contingent consideration payable on acquisition of a subsidiary, income tax payable, bank borrowings and obligations under finance leases. Liabilities for which reportable segments are jointly liable are allocated in proportion to segment assets.

## 10. SEGMENT INFORMATION *(Continued)*

### (c) Geographical information

For the two years ended 31st March 2012 and 2011, 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.

### (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 | | Insurance brokerage business | | Unallocated | | Consolidated | |
| | 2012 HK$'000 | 2011 HK$'000 | 2012 HK$'000 | 2011 HK$'000 | 2012 HK$'000 | 2011 HK$'000 | 2012 HK$'000 | 2011 HK$'000 | 2012 HK$'000 | 2011 HK$'000 |
| **Other segment information** | | | | | | | | | | |
| Depreciation of plant and equipment | **592** | 481 | **-** | 5 | **-** | – | **1,688** | 1,628 | **2,280** | 2,114 |
| Amortisation of intangible assets | **17,023** | 6,241 | **-** | – | **2,240** | – | **-** | – | **19,263** | 6,241 |
| Impairment loss recognised in respect of trade receivables | **21,147** | – | **-** | – | **-** | – | **-** | – | **21,147** | – |
| Impairment loss recognised in respect of other receivables | **9,960** | 983 | **-** | – | **-** | – | **-** | – | **9,960** | 983 |
| Impairment loss recognised in respect of available-for-sale investments | **-** | – | **-** | – | **-** | – | **1,717** | – | **1,717** | – |
| Research and development expenditure | **20,737** | 8,029 | **-** | – | **-** | – | **1,750** | – | **22,487** | 8,029 |
| Loss on disposal of financial assets at fair value through profit or loss | **-** | – | **-** | – | **-** | – | **22** | 11,671 | **22** | 11,671 |
| Reversal of impairment loss in respect of trade receivables | **(1,906)** | (6,283) | **-** | – | **-** | – | **-** | – | **(1,906)** | (6,283) |
| Reversal of impairment loss in respect of retention receivables | **(375)** | (77) | **-** | – | **-** | – | **-** | – | **(375)** | (77) |
| Reversal of impairment loss recognised in respect of other receivables | **(291)** | (403) | **-** | – | **-** | – | **-** | (18) | **(291)** | (421) |
| Gain on change in fair value of contingent consideration payable | **-** | – | **-** | – | **-** | – | **(35,000)** | 1,628 | **(35,000)** | 1,628 |
| Additions to non-current assets (Note) | **35,080** | 168,923 | **-** | 6 | **29,864** | – | **-** | 51,588 | **64,944** | 220,517 |

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 | 2012 HK$'000 | 2011 HK$'000 |
|---|---|---|---|
| Company A | System development | **24,672** | N/A* |
| Company B | System development | **N/A*** | 6,187 |
| Company C | System development | **N/A*** | N/A* |

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

## 11. OTHER EXPENSES

| | 2012 HK$'000 | 2011 HK$'000 |
|---|---|---|
| Impairment loss recognised in respect of available-for-sale investments (Note 23) | **1,717** | – |
| Impairment loss recognised in respect of trade receivables | **21,147** | – |
| Impairment loss recognised in respect of other receivables | **9,960** | 983 |
| Loss on disposal of financial assets at FVTPL | **22** | 11,762 |
| Loss on change in fair value of financial assets at FVTPL | **–** | 76 |
| | **32,846** | 12,821 |

## 12. FINANCE COSTS

| | 2012 HK$'000 | 2011 HK$'000 |
|---|---|---|
| Interest on bank borrowings repayable within one year | **878** | 763 |
| Finance cost on finance leases | **222** | 286 |
| | **1,100** | 1,049 |

## 13. INCOME TAX EXPENSE

| | 2012 HK$'000 | 2011 HK$'000 |
|---|---|---|
| Current tax | | |
| – Hong Kong Profits Tax | **(1,800)** | – |
| – PRC Enterprise Income Tax | **(2,008)** | (2,553) |
| | **(3,808)** | (2,553) |
| Over provision for PRC Enterprise Income Tax in prior years | **–** | 2,301 |
| | **(3,808)** | (252) |

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

(i) Hong Kong Profits Tax for the current year is calculated at 16.5% on the estimated assessable profits for the year. No provision for Hong Kong Profits Tax for the prior years has been made in the consolidated financial statements as the Group has no assessable profit for that year.

(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, a subsidiary established in the PRC was qualified as an advanced technology enterprise and was subject to a preferential Enterprise Income Tax rate of 15% which was effective for a period from 1st January 2008 to 31st December 2010. The PRC subsidiary is subject to PRC Enterprise Income Tax at 25% starting from 1st January 2011.

The income tax expense can be reconciled to the loss before tax per the consolidated statement of comprehensive income as follows:

| | **2012**<br>**HK$'000** | 2011<br>HK$'000 |
|---|---|---|
| Loss before tax | **(19,044)** | (47,298) |
| Tax at the applicable tax rate of 25% (2011: 25%) | **(4,761)** | (11,825) |
| Effect of different tax rates of subsidiaries operating in other jurisdictions | **1,907** | 2,301 |
| Tax effect of income not taxable for tax purposes | **(7,641)** | (796) |
| Tax effect of expenses not deductible for tax purposes | **9,737** | 10,038 |
| Utilisation of other deductible temporary differences previously not recognised | **–** | (589) |
| Tax effect of tax losses and other deductible temporary differences not recognised | **4,566** | 1,123 |
| Income tax expense | **3,808** | 252 |

Details of deferred taxation are set out in Note 38.

## 14. LOSS FOR THE YEAR

Loss for the year has been arrived at after charging:

| | **2012 HK$'000** | 2011 HK$'000 |
|---|---|---|
| Staff costs | | |
| Salaries and other benefits | **12,330** | 17,968 |
| Retirement benefits scheme contributions | **2,862** | 3,946 |
| Equity-settled share-based payments | **–** | 14,450 |
| | **15,192** | 36,364 |
| Auditor's remuneration | **560** | 450 |
| Amortisation of intangible assets | **19,263** | 6,241 |
| Depreciation of plant and equipment | **2,280** | 2,114 |
| Operating lease charges in respect of land and buildings | **1,515** | 2,598 |
| Research and development expenditure (Note) | **22,487** | 8,029 |

Note: Included in research and development expenditure is a deposit paid for acquisition of intangible assets in prior years amounted to HK$11,000,000 (2011: Nil).

## 15. DIVIDENDS

No dividend was paid or proposed during the year ended 31st March 2012, nor has any dividend been proposed since the end of the reporting date (2011: Nil).

## 16. LOSS PER SHARE

The calculation of basic loss per share is based on the loss for the year attributable to owners of the Company of HK$22,790,000 (2011: HK$47,550,000) and the weighted average number of 284,003,452 (2011: 174,130,544) ordinary shares in issue during the year. The weighted average number of ordinary shares for the purpose of basic loss per share has been adjusted for the consolidation of shares made during the current year.

As the Group sustained a loss for the year, diluted loss per share is not presented as the potential shares arising from the exercise of the Company's share options would decrease the loss for the year which is regarded as anti-dilutive.

## 17. STAFF COSTS (EXCLUDING DIRECTORS' EMOLUMENTS)

| | **2012 HK$'000** | 2011 HK$'000 |
|---|---|---|
| Salaries and other benefits | **10,756** | 31,268 |
| Retirement benefits scheme contributions | **2,821** | 3,894 |
| | **13,577** | 35,162 |

### 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 scheme 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 profit or loss as they become payable in accordance with the rules of the MPF Scheme. The Group's contributions vest fully with the employees when payments are made.

## 17. STAFF COSTS (EXCLUDING DIRECTORS' EMOLUMENTS) *(Continued)*

**PRC, other than Hong Kong**

The employees of the Group's subsidiaries in the PRC are members of a state-managed retirement scheme operated by the PRC government. The subsidiaries are required to contribute a certain percentage of the payroll of its employees to the retirement benefit scheme. The only obligations of the Group with respect to the retirement benefit scheme is to make the specific contribution.

At the end of the reporting period, 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 directors were as follows:

| | For the year ended 31st March 2012 | | | |
|---|---|---|---|---|
| | Fees HK$'000 | Salaries and other benefits HK$'000 | Retirement benefits scheme contributions HK$'000 | Total HK$'000 |
| Executive directors: | | | | |
| Mr. Wong Chung Wai, Eric (resigned on 6th January 2012) | 135 | 435 | 18 | 588 |
| Mr. Chan Yun Sang | 180 | 72 | 22 | 274 |
| Mr. Choi King Lit (resigned on 12th January 2012) | 95 | – | 1 | 96 |
| Mr. Han Fangfa | 139 | – | – | 139 |
| Mr. Ju Lijun (appointed on 31st October 2011) | 50 | – | – | 50 |
| Mr. Liu Bo (appointed on 11th November 2011) | 45 | – | – | 45 |
| Mr. Huang Miaochan (appointed on 15th December 2011) | 35 | – | – | 35 |
| Mr. Ip Ho Ming (appointed on 13th February 2012) | 8 | – | – | 8 |
| Ms. Wong Sau Wai, Serena (appointed on 13th February 2012) | 8 | – | – | 8 |
| Independent non-executive directors: | | | | |
| Mr. Tang Sze Lok | 30 | – | – | 30 |
| Mr. Yan Yonghong (retired on 24th August 2011) | 13 | – | – | 13 |
| Mr. Lee Kwok Yung (resigned on 11th November 2011) | 74 | – | – | 74 |
| Mr. Chan Wai Kwong, Peter (resigned on 15th March 2012) | 115 | – | – | 115 |
| Mr. Xu Jingbin (appointed on 11th November 2011) | 45 | – | – | 45 |
| Mr. Hu Yun (appointed on 15th December 2011) | 35 | – | – | 35 |
| Dr. Pan Jin | 60 | – | – | 60 |
| | 1,067 | 507 | 41 | 1,615 |

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

### (a) Directors' emoluments *(Continued)*

| | For the year ended 31st March 2011 | | | |
|---|---|---|---|---|
| | Fees HK$'000 | Salaries and other benefits HK$'000 | Retirement benefits scheme contributions HK$'000 | Total HK$'000 |
| Executive directors: | | | | |
| Ms. Li Wenli (resigned on 18th November 2010) | 103 | – | – | 103 |
| Mr. Wong Chung Wai Eric | 188 | 1,802 | 24 | 2,014 |
| Mr. Chan Yun Sang | 188 | 1,559 | 19 | 1,766 |
| Mr. Luk Yat Hung (resigned on 4th August 2010) | – | – | – | – |
| Mr. Ng Chi Wing (appointed on 15th April 2010 and resigned on 18th February 2011) | 109 | – | 9 | 118 |
| Mr. Choi King Lit (appointed on 16th March 2011) | 5 | – | – | 5 |
| Mr. Han Fangfa (appointed on 16th March 2011) | 5 | – | – | 5 |
| Independent non-executive directors: | | | | |
| Professor Ip Ho Shing, Horace (resigned on 18th November 2010) | 70 | – | – | 70 |
| Mr. Peng Lijun (resigned on 4th August 2010) | 8 | – | – | 8 |
| Mr. Yan Yonghong | 30 | – | – | 30 |
| Mr. Tang Sze Lok | 30 | – | – | 30 |
| Mr. Lee Kwok Yung (appointed on 15th April 2010) | 120 | – | – | 120 |
| Mr. Chan Wai Kwong, Peter (appointed on 25th January 2011) | 22 | – | – | 22 |
| Mr. Pan Jin (appointed on 22nd October 2010) | 27 | – | – | 27 |
| | 905 | 3,361 | 52 | 4,318 |

No directors waived or agreed to waive any emoluments during the two years ended 31st March 2012 and 2011.

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

### (b) Senior management's emoluments

Of the five individuals with the highest emoluments in the Group, one (2011: two) was director of the Company whose emoluments included in note a above.

The emoluments of the remaining four (2011: three) highest paid individuals were as follows:

| | **2012** **HK$'000** | 2011 HK$'000 |
|---|---|---|
| Salaries and other benefits | **597** | 4,051 |
| Retirement benefits scheme contributions | **113** | 38 |
| | **710** | 4,089 |

Their emoluments were within the following band:

| | **Number of individuals** **2012** | 2011 |
|---|---|---|
| Nil – HK$1,000,000 | **4** | 1 |
| HK$1,500,001 – 2,000,000 | **–** | 2 |

**(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 2012 and 2011. No bonuses were paid or receivable by the directors or the five highest paid individuals which are discretionary or are based on the Group's performance during the two years ended 31st March 2012.

## 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 2010 | 1,614 | 42 | 4,254 | 1.252 | 7,162 |
| Exchange realignment | 71 | – | 186 | 26 | 283 |
| Additions | 120 | 26 | 197 | 6,024 | 6,367 |
| Disposals | – | – | – | (660) | (660) |
| At 31st March 2011 | 1,805 | 68 | 4,637 | 6,642 | 13,152 |
| Exchange realignment | 54 | 1 | 147 | 53 | 255 |
| Additions | – | – | 59 | – | 59 |
| Acquired on acquisition of subsidiaries | – | 17 | 10 | 183 | 210 |
| At 31st March 2012 | 1,859 | 86 | 4,853 | 6,878 | 13,676 |
| ACCUMULATED DEPRECIATION | | | | | |
| At 1st April 2010 | 1,614 | 42 | 2,853 | 766 | 5,275 |
| Exchange realignment | 71 | – | 135 | 11 | 217 |
| Provided for the year | 21 | 5 | 513 | 1,575 | 2,114 |
| Eliminated on disposals | – | – | – | (560) | (560) |
| At 31st March 2011 | 1,706 | 47 | 3,501 | 1,792 | 7,046 |
| Exchange realignment | 54 | – | 117 | 14 | 185 |
| Provided for the year | 24 | 15 | 365 | 1,876 | 2,280 |
| At 31st March 2012 | 1,784 | 62 | 3,983 | 3,682 | 9,511 |
| CARRYING AMOUNTS | | | | | |
| At 31st March 2012 | 75 | 24 | 870 | 3,196 | 4,165 |
| At 31st March 2011 | 99 | 21 | 1,136 | 4,850 | 6,106 |

The above items of plant and equipment are depreciated on a straight-line basis over their 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 | $3^1/_3$ to 8 years |

The carrying amount of the motor vehicles includes an amount of HK$2,294,000 (2011: HK$3,922,000) in respect of assets held under finance leases.

## 20. GOODWILL

| | 2012 HK$'000 | 2011 HK$'000 |
|---|---|---|
| COST | | |
| At beginning of the year | – | 131 |
| Derecognised on dissolution of a subsidiary | – | (131) |
| At end of the year | – | – |
| IMPAIRMENT | | |
| At beginning of the year | – | 131 |
| Derecognised on disposal of a subsidiary | – | (131) |
| At end of the year | – | – |
| CARRYING AMOUNTS | | |
| At 31st March 2012 | | – |
| At 31st March 2011 | | – |

## 21. INTANGIBLE ASSETS

| | InsureLink System HK$'000 | Techncial know-how HK$'000 | License HK$'000 | Development costs internally generated HK$'000 | Total HK$'000 |
|---|---|---|---|---|---|
| COST | | | | | |
| At 1st April 2010 | – | – | – | 3,015 | 3,015 |
| Acquisition of a subsidiary | 149,784 | – | – | – | 149,784 |
| Written off | – | – | – | (3,015) | (3,015) |
| At 31st March 2011 | 149,784 | – | – | – | 149,784 |
| Acquisition of subsidiaries | – | 35,045 | 29,864 | – | 64,909 |
| At 31st March 2012 | 149,784 | 35,045 | 29,864 | – | 214,693 |
| ACCUMULATED AMORTISATION | | | | | |
| At 1st April 2010 | – | – | – | 3,015 | 3,015 |
| Provided for the year | 6,241 | – | – | – | 6,241 |
| Written off | – | – | – | (3,015) | (3,015) |
| At 31st March 2011 | 6,241 | – | – | – | 6,241 |
| Provided for the year | 14,979 | 2,044 | 2,240 | – | 19,263 |
| Written off | – | – | – | – | – |
| At 31st March 2012 | 21,220 | 2,044 | 2,240 | – | 25,504 |
| CARRYING AMOUNTS | | | | | |
| At 31st March 2012 | 128,564 | 33,001 | 27,624 | – | 189,189 |
| At 31st March 2011 | 143,543 | – | – | – | 143,543 |

InsureLink System, technical know-how and license are amortised on a straight-line basis over their estimated useful lives of 10 years.

## 22. INTERESTS IN ASSOCIATES

| | 2012 HK$'000 | 2011 HK$'000 |
|---|---|---|
| Unlisted investments, at cost | **45,866** | 45,866 |
| Share of post-acquisition profits | **107** | 123 |
| | **45,973** | 45,989 |

As at 31st March 2012 and 2011, the Group had interests in the following associate:

| Name of entity | Form of entity | Country of registration and operation | Class of shares held | Proportion of nominal value of issued capital held by the Group | | Proportion of voting power held | | Principal activity |
|---|---|---|---|---|---|---|---|---|
| | | | | **2012** | 2011 | **2012** | 2011 | |
| 東大保險代理股份有限公司 | Incorporated | PRC | Ordinary | **24.9%** | 24.9% | **24.9%** | 24.9% | Provision of insurance agency services |
| 上海萬全保險經紀有限公司 | Incorporated | PRC | Ordinary | **20%** | 20% | **20%** | 20% | Provision of insurance agency services |

Included in the cost of investments in associates is goodwill of HK$40,905,000 (2011: HK$40,905,000) arising on acquisition of associates.

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

| | 2012 HK$'000 | 2011 HK$'000 |
|---|---|---|
| Total assets | **24,732** | 22,923 |
| Total liabilities | **(2,032)** | (561) |
| Net assets | **22,700** | 22,362 |
| Group's share of net assets of associates | **5,068** | 5,084 |
| Revenue | **4,575** | 2,549 |
| Total (losses)/profits for the year | **(138)** | 492 |
| Group's share of (losses)/profits of associates | **(16)** | 123 |
| Group's share of other comprehensive income of associates | **–** | – |

## 23. AVAILABLE-FOR-SALE INVESTMENTS

| | 2012 HK$'000 | 2011 HK$'000 |
|---|---|---|
| Unlisted equity securities, at cost | 27,317 | 27,317 |
| Less: Impairment loss recognised | (1,717) | – |
| | 25,600 | 27,317 |

The unlisted equity securities represent the Group's 10% equity interest in 全網通科技股份有限公司 (I.P. Tone Technology Company Limited ("IP Tone")), an entity incorporated in Taiwan with limited liability engaging principally in internet telecommunication services in Taiwan.

Having reviewed the projected net revenue to be derived by IP Tone, the directors consider it appropriate to recognise an impairment loss on investment in this entity amounted to HK$1,717,000 (2011: Nil) in the consolidated statement of comprehensive income.

## 24. DEPOSITS PAID FOR ACQUISITION OF SUBSIDIARIES

| | 2012 HK$'000 | 2011 HK$'000 |
|---|---|---|
| Deposits paid for the possible acquisition of | | |
| – 100% equity interest in Fame Thrive Limited (Note a) | 20,000 | – |
| – not less than 50% equity interest in Gold Depot Limited (Note b) | 25,000 | – |
| | 45,000 | – |

Notes:

(a) During the year, the Company entered into a memorandum of understanding for the possible acquisition of the entire equity interest in Fame Thrive Limited, under which a refundable deposit of HK$20,000,000 was paid by the Group. The final consideration for the acquisition has not yet been determined. Fame Thrive Limited, through its subsidiary to be established in the PRC, will be principally engaged in the provision of insurance brokerage services in the PRC.

(b) During the year, the Company entered into a memorandum of broad terms for the possible acquisition of not less than 50% equity interest in Gold Depot Limited, under which a refundable deposit of HK$25,000,000 was paid by the Group. The final consideration for the acquisition has not yet been determined. Management of the Company understands that Gold Depot Investments Limited, directly or indirectly, owns an exploration right and a mining right of a gold mine located in Guizhou, the PRC.

The above possible acquisitions have not been completed up to the date of approval of these consolidated financial statements.

## 25. DEPOSITS PAID FOR ACQUISITION OF INTANGIBLE ASSETS

The balances at 31st March 2012 and 31st March 2011 represent deposits paid for the acquisition of technical know-how in respect of computer systems. Under the terms of the relevant acquisition agreements, such deposits can be refunded in full upon the request of the Group. Details of the related capital commitments at 31st March 2012 are set out in Note 40.

## 26. INVENTORIES

| | 2012<br>HK$'000 | 2011<br>HK$'000 |
|---|---|---|
| Finished goods | **14,390** | – |

## 27. TRADE AND OTHER RECEIVABLES AND PREPAYMENTS

| | 2012<br>HK$'000 | 2011<br>HK$'000 |
|---|---|---|
| Trade and bills receivables | **72,921** | 44,709 |
| Less: Impairment loss recognised in respect of trade receivables | **(37,710)** | (17,897) |
| | **35,211** | 26,812 |
| Retention receivables | **4,344** | 7,167 |
| Less: Impairment loss recognised in respect of retention receivables | **(1,201)** | (1,450) |
| | **3,143** | 5,717 |
| Prepayments, deposits and other receivables | **66,523** | 59,761 |
| Less: Impairment loss recognised in respect of other receivables | **(28,626)** | (18,393) |
| | **37,897** | 41,368 |
| | **76,251** | 73,897 |

## 27. TRADE AND OTHER RECEIVABLES AND PREPAYMENTS *(Continued)*

(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 for settlement of all outstanding balances before any further credit is granted.

Impairment loss is recognised against trade receivables aged more than one year based on estimated irrecoverable amounts determined by reference to past default experience of customers.

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

| | **2012** **HK$'000** | 2011 HK$'000 |
|---|---|---|
| 0-30 days | **15,264** | 7,712 |
| 31-90 days | **11,133** | – |
| Over 90 days | **8,814** | 19,100 |
| | **35,211** | 26,812 |

(c) At 31st March 2012, receivables, net of impairment loss recognised, amounting to approximately HK$3,143,000 (2011: HK$5,717,000), are included in retention receivables and are due for settlement after a period of more than 12 months.

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

| | **2012** **HK$'000** | 2011 HK$'000 |
|---|---|---|
| At beginning of the year | **17,897** | 23,288 |
| Exchange realignment | **572** | 892 |
| Reversal during the year | **(1,906)** | (6,283) |
| Recognised during the year | **21,147** | – |
| At end of the year | **37,710** | 17,897 |

Included in impairment loss of trade receivables at 31st March 2012 are individually impaired trade receivables with an aggregate balance of approximately HK$37,710,000 (2011: HK$17,897,000). Impairment loss on these receivables has been made in full. The Group does not hold any collateral over these balances.

## 27. TRADE AND OTHER RECEIVABLES AND PREPAYMENTS *(Continued)*

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

| | **2012** **HK$'000** | 2011 HK$'000 |
|---|---|---|
| At beginning of the year | **1,450** | 1,464 |
| Exchange realignment | **42** | 63 |
| Reversal during the year | **(291)** | (77) |
| At end of the year | **1,201** | 1,450 |

Included in impairment loss of retention receivables at 31st March 2012 are impaired retention receivables with an aggregate balance of approximately HK$1,201,000 (2011: HK$1,450,000). Impairment loss on these receivables has been made in full. The Group does not hold any collateral over these balances.

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

| | **2012** **HK$'000** | 2011 HK$'000 |
|---|---|---|
| At beginning of the year | **18,393** | 17,004 |
| Exchange realignment | **648** | 827 |
| Reversal during the year | **(375)** | (421) |
| Recognised during the year | **9,960** | 983 |
| At end of the year | **28,626** | 18,393 |

Impairment loss has been recognised in full against other receivables with an aggregate balance of approximately HK$28,626,000 (2011: HK$18,393,000). The Group does not hold any collateral over these balances.

(g) Included in the carrying amount of prepayments, deposits and other receivables at 31st March 2012 are advances to third parties amounted to HK$8,724,000 (2011: HK$29,100,000) which are repayable on demand.

(h) An analysis of trade and bills receivables at 31st March 2012 and 31st March 2011 which were past due but not impaired is as follows:

| | | | **Past due but not impaired** | |
|---|---|---|---|---|
| | **Total** HK$'000 | **Neither past due nor impaired** HK$'000 | **Not more than 90 days** HK$'000 | **More than 90 days but less than 1 year** HK$'000 |
| 31st March 2012 | 35,211 | 6,800 | 19,597 | 8,814 |
| 31st March 2011 | 26,812 | 7,712 | – | 19,100 |

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.

## 28. AMOUNTS DUE FROM/(TO) CUSTOMERS FOR CONTRACT WORK

| | **2012** **HK$'000** | 2011 HK$'000 |
|---|---|---|
| Contracts in progress at the end of the reporting period: | | |
| Contract costs incurred plus recognised profits less recognised losses | **169,793** | 148,612 |
| Less: Progress billings | **(170,640)** | (144,375) |
| | **(847)** | 4,237 |
| Analysed for reporting purposes as: | | |
| Amounts due from customers for contract work | **16,182** | 16,332 |
| Amounts due to customers for contract work | **(17,029)** | (12,095) |
| | **(847)** | 4,237 |

At 31st March 2012, retentions held by customers for contract works, net of impairment loss recognised, amounted to approximately HK$3,143,000 (2011: HK$5,717,000) (Note 27).

## 29. FINANCIAL ASSETS AT FAIR VALUE THROUGH PROFIT OR LOSS

| | **2012** **HK$'000** | 2011 HK$'000 |
|---|---|---|
| Equity securities listed in the PRC, at fair value | **549** | 570 |

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

## 30. PLEDGED BANK DEPOSITS AND BANK BALANCES AND CASH

The Group's bank deposits of approximately HK$1,937,000 (2011: HK$2,724,000) were pledged to banks to secure performance bond issued for the Group (Note 41(a)).

At 31st March 2012, bank balances and cash comprise of cash held by the Group and short-term deposits with an original maturity of three months or less.

Bank balances and pledged bank deposits at 31st March 2012 carry interest at the average interest rates of 0.35% per annum (2011: 0.4% per annum).

At 31st March 2012, the Group's bank balances and cash and pledged bank deposits denominated in RMB amounted to approximately HK$24,575,000 (2011: HK$18,813,000). 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.

## 31. TRADE AND OTHER PAYABLES

| | **2012** **HK$'000** | 2011 HK$'000 |
|---|---|---|
| Trade payables | **24,889** | 15,890 |
| Accrued expenses and other payables | **39,014** | 16,224 |
| | **63,903** | 32,114 |

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

| | **2012** **HK$'000** | 2011 HK$'000 |
|---|---|---|
| 0-30 days | **6,142** | 11 |
| 31-90 days | **1,769** | 654 |
| Over 90 days | **16,978** | 15,225 |
| | **24,889** | 15,890 |

The average credit period granted by the suppliers of the Group is 30-90 days (2011: 30-90 days). The Group has financial risk management policies in place to ensure that all payables are settled within the credit time frame.

## 32. CONTINGENT CONSIDERATION PAYABLE

| | **2012** **HK$'000** | 2011 HK$'000 |
|---|---|---|
| Contingent consideration payable for acquisition of a subsidiary: | | |
| At beginning of the year | **35,000** | – |
| Arising on acquisition of a subsidiary | **–** | 35,000 |
| Decrease in fair value | **(35,000)** | – |
| At end of the year | **–** | 35,000 |

The contingent consideration represents the principal balance of HK$35,000,000 payable in connection with the acquisition of a subsidiary, Fullmark Management Limited. Under the acquisition agreement, the outstanding balance of the consideration of HK$35,000,000 is payable subject to the audited consolidated net profit after tax (based on the generally accepted accounting principles in the PRC) of a subsidiary of Fullmark, 鑫約福(上海)貿易有限公司 ("Fullmark Shanghai"), for the year ended 31st December 2011 amounting to not less than RMB16.5 million (the "Guaranteed Profit").

Having reviewed the financial information of Fullmark Shanghai, the directors of the Company are of the view that the consolidated net profit after tax of Fullmark Shanghai for the year ended 31st December 2011 is significantly below the Guaranteed Profit such that the Group is not obliged to settle the outstanding balance of the consideration. The decrease in fair value of the contingent consideration payable of HK$35,000,000 (2011: Nil) has been recognised in the statement of comprehensive income and included in other income and gains.

## 33. WARRANTY PROVISION

| | 2012 HK$'000 | 2011 HK$'000 |
|---|---|---|
| At beginning of the year | **53** | 947 |
| Exchange realignment | **2** | 21 |
| Utilisation of provision | **(32)** | (335) |
| Reversal of unused provision | **(22)** | (633) |
| Provision for the year | **30** | 53 |
| At end of the year | **31** | 53 |

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 one to two year warranty granted based on the past experience of the level of defective works.

## 34. AMOUNT DUE TO A SUBSTANTIAL SHAREHOLDER

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

## 35. BANK BORROWINGS

| | 2012 HK$'000 | 2011 HK$'000 |
|---|---|---|
| Secured bank borrowings, due within one year | **12,336** | 11,954 |

The effective interest rate on the Group's bank borrowings is 7.872% (2011: 6.666%) per annum.

The Group's bank borrowings, which are denominated in RMB, are secured by the land and buildings owned by an independent third party.

During the year ended 31st March 2012, the Group obtained new loans in the amount of approximately HK$12,336,000 (2011: HK$11,954,000). These loans carry interest at prevailing market rate and will be repayable in 2013.

## 36. OBLIGATIONS UNDER FINANCE LEASES

The Group leased certain of its motor vehicles under finance leases. The average lease term is 5 years. Interest rates obligations under the finance leases are fixed at respective contract dates ranging from 2.5% to 4.5% per annum. The Group has options to purchase the motor vehicles for a nominal amount at the end of the lease terms. No arrangements have been entered into for contingent rental payments.

| | **Minimum lease payment** | | **Present value of minimum lease payment** | |
|---|---|---|---|---|
| | **2012** | 2011 | **2012** | 2011 |
| | **HK$'000** | HK$'000 | **HK$'000** | HK$'000 |
| Amounts payable under finance leases: | | | | |
| Within one year | **1,256** | 1,205 | **1,008** | 961 |
| In more than one year and not more than two years | **1,205** | 1,205 | **1,168** | 1,029 |
| In more than two years and not more than five years | **1,306** | 2,521 | **1,264** | 2,368 |
| | **3,767** | 4.931 | **3,440** | 4,358 |
| Less: Future finance charges | **(327)** | (573) | **N/A** | N/A |
| Present value of lease obligations | **3,440** | 4,358 | **3,440** | 4,358 |
| Less: Amounts due for settlement within 12 months | | | **(1,008)** | (961) |
| Amounts due for settlement after 12 months | | | **2,432** | 3,397 |

The Group's obligation under finance leases are secured by the lessors' title to the leased assets.

## 37. SHARE CAPITAL

| | Number of shares | Nominal amount HK$'000 |
|---|---|---|
| Authorised: | | |
| Ordinary shares of HK$0.05 each at 1st April 2010 | 4,000,000,000 | 200,000 |
| Share subdivison (Note a) | 36,000,000,000 | – |
| Ordinary shares of HK$0.005 each at 31st March 2011 | 40,000,000,000 | 200,000 |
| Share consolidation (Note g) | (36,000,000,000) | – |
| Ordinary shares of HK$0.05 each at 31st March 2012 | 4,000,000,000 | 200,000 |
| Issued and fully paid: | | |
| Ordinary shares of HK$0.05 each at 1st April 2010 | 130,570,000 | 6,529 |
| Share subdivision (Note a) | 1,175,130,000 | – |
| Issue of shares upon: | | |
| Exercise of share options (Note b) | 6,000,000 | 30 |
| Share placements (Note c) | 336,520,000 | 1,683 |
| Acquisition of subsidiary and associate (Note d) | 550,264,547 | 2,751 |
| Ordinary shares of HK$0.005 each at 31st March 2011 | 2,198,484,547 | 10,993 |
| Issue of shares upon: | | |
| Share placements (Note e) | 393,500,000 | 1,967 |
| Acquisition of subsidiaries (Note f) | 449,196,909 | 2,246 |
| Share consolidation (Note g) | (2,737,063,311) | – |
| Issue of shares upon share placement (Note e) | 12,820,000 | 641 |
| Ordinary shares of HK$0.05 each at 31st March 2012 | 316,938,145 | 15,847 |

Notes:

(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 HK0.005 each. On this basis, immediately after the share division, the authorised share capital of the Company comprised 1,305,700,000 issued shares and 38,694,300,000 unissued shares, both of which with par value HK$0.005 each.

(b) During the year ended 31st March 2011, 6,000,000 share options under the Share Option Scheme (as defined in Note 38) were exercised at a subscription price of HK$0.28 per share, resulting in the issue of 6,000,000 ordinary shares of HK$0.005 each in the Company.

## 37. SHARE CAPITAL *(Continued)*

Notes: (Continued)

(c) Pursuant to a subscription agreement entered between Wide Source Group Limited and the Company on 23rd April 2010, the Company allotted and issued 130,000,000 ordinary shares of HK$0.005 each at the subscription price of HK$0.265 per share on 6th May 2010 for a total consideration of HK$34,450,000 (before expenses).

Pursuant to a placing agreement dated 28th April 2010 and a supplemental agreement dated 5th May 2010 entered into between the Company and VC Brokerage, the Company allotted and issued 30,000,000 ordinary shares of HK$0.005 each at the subscription price of HK$0.265 per share on 7th June 2010 for a total cash consideration of HK$7,950,000 (before expenses).

Pursuant to a subscription agreement entered between Galaxy China Special Situations Fund SPC (Galaxy Fund I), Galaxy China Deep Value Fund (Galaxy Fund II) and the Company on 5th May 2010, the Company allotted and issued 40,000,000 and 60,000,000 ordinary shares to Galaxy Fund I and Galaxy Fund II respectively of HK$0.005 each at the subscription price of HK$0.265 per share on 5th July 2010 for a total cash consideration of HK$26,500,000 (before expenses).

Pursuant to a placing agreement entered on 17th September 2010 between the Company and Sun Hung Kai Investment Service Limited, the Company allotted and issued 76,520,000 ordinary shares of HK$0.005 each at the subscription price of HK$0.271 per share on 13th October 2010 for a total cash consideration of approximately HK$20,737,000 (before expenses).

(d) On 29th October 2010 the Company issued 407,407,407 shares of HK$0.005 each as partial consideration in exchange of the entire equity interest in and shareholder's loan to Fullmark Management Limited (Note 40(d)). The closing price of the Company's shares as quoted on the Stock Exchange on 29th October 2010 was HK$0.25 per share.

On 10th March 2011 the Company issued 142,857,140 shares of HK$0.005 each as partial consideration in exchange of the 20% equity interest in 上海萬全保險經紀有限公司. The closing price of the Company's shares as quoted on the Stock Exchange on 10th March 2011 was HK$0.16 per share (Note 40(c)).

(e) Pursuant to a placing agreement dated 27th April 2011 entered between the Company and Kingsway Financial Services Group Limited, the Company allotted and issued 393,500,000 ordinary shares of HK$0.005 each at the subscription price of HK$0.161 per share on 18th May 2011 for a total cash consideration of HK$63,354,000 (before expenses).

Pursuant to a placing agreements dated 23rd November 2011 entered between the Company and Metro Capital Securities Limited, the Company allotted and issued 12,820,000 ordinary shares of HK$0.05 each at the subscription price of HK$0.21 per share on 23rd November 2011 for a total cash consideration of HK$2,692,000 (before expenses).

(f) On 15th July 2011 the Company issued 49,196,909 shares of HK$0.005 each as partial consideration in exchange of the 51% equity interest in青島博達保險經紀有限公司(Note 40(a)). The closing price of the Company's shares as quoted on the Stock Exchange on 15th July 2011 was HK$0.155 per share.

On 12th September 2011 the Company issued 400,000,000 shares of HK$0.005 each as partial consideration in exchange of the entire equity interest in Joint Bridge Investment Limited (Note 40(b)). The closing price of the Company's shares as quoted on the Stock Exchange on 12th September 2011 was HK$0.085 per share.

(g) Pursuant to the extraordinary resolution passed on 10th November 2011, the authorised share capital of the Company was consolidated from 40,000,000,000 ordinary shares of HK$0.005 each into 4,000,000,000 ordinary shares of HK0.05 each. On this basis, immediately after the share consolidation, the authorised share capital of the Company comprised 304,118,145 issued shares and 3,695,881,855 unissued shares, both of which with par value HK$0.05 each.

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

## 38. SHARE-BASED PAYMENT TRANSACTIONS

The Company's share option scheme (the "Scheme") was adopted pursuant to a resolution passed on 22nd October 2003 for the primary purpose of providing incentives to selected participants, including directors and eligible employees. Under the Schemes, the Board of Directors of the Company may grant option to eligible employees, including directors of the Company and its subsidiaries, to subscribe for shares in the Company.

At 31st March 2012, the number of shares in respect of which options had been granted and remained outstanding under the Scheme was 8,745,000 (2011: 95,450,000 before share consolidation), representing 2.8% (2011: 4.3%) of the shares of the Company in issue at that date. The total number of shares in respect of which options may be granted under the Scheme is not permitted to exceed 10% of the shares of the Company in issue at any point in time, without prior approval from the Company's shareholders. The number of shares issued and to be issued in respect of which options granted and may be granted to any individual in any one year is not permitted to exceed 1% of the shares of the Company in issue at any point in time, without prior approval from the Company's shareholders.

A nominal consideration of HK$1 is payable on the grant of an option. Options may be exercised at any time from the date of grant of the share option to the last day of the ten-year period after grant date. The exercise price is determined by the directors of the Company, and will not be less than the higher of (i) the closing price of the Company's shares on the date of grant; (ii) the average closing price of the shares for five business days immediately preceding the date of grant; and (iii) the nominal value of the Company's shares.

No share options were granted during the year ended 31st March 2012.

Details of options granted during the year ended 31st March 2011 are as follows:

| Number of share option granted | Date of grant | Exercise period | Exercise price HK$ | Fair value at grant date HK$ |
|---|---|---|---|---|
| 30,000,000 | 05/07/2010 | 05/07/2010 to 04/07/2015 | 0.28 | 0.156 |
| 11,450,000 | 06/07/2010 | 06/07/2010 to 05/07/2015 | 0.278 | 0.158 |
| 60,000,000 | 20/10/2010 | 20/10/2010 to 23/02/2013 | 0.1 | 0.133 |

The following are details of such options granted after taking into account the share consolidation implemented during the current year:

| Number of share option granted | Date of grant | Exercise period | Exercise price HK$ |
|---|---|---|---|
| 3,000,000 | 05/07/2010 | 05/07/2010 to 04/07/2015 | 2.8 |
| 1,145,000 | 06/07/2010 | 06/07/2010 to 05/07/2015 | 2.78 |
| 6,000,000 | 20/10/2010 | 20/10/2010 to 23/02/2013 | 1 |

The fair value of the share options is determined using the Black-Scholes option pricing model. Where relevant, the expected life used in the model has been adjusted based on management's best estimate for the effects of non-transferability, exercise restrictions (including the probability of meeting market conditions attached to the option), and behavioural considerations.

The variables and assumptions used in computing the fair value of the share options are based on the directors' best estimate. The value of an option varies with different variables of certain subjective assumptions.

## 38. SHARE-BASED PAYMENT TRANSACTIONS *(Continued)*

### Inputs into the model

| | Share options granted on | | |
|---|---|---|---|
| | 05/07/2010 | 06/07/2010 | 20/10/2010 |
| Grant date share price | HK$0.27 | HK$0.27 | HK$0.218 |
| Exercise price | HK$0.28 | HK$0.278 | HK$0.1 |
| Expected volatility | 104.68% | 104.68% | 97.497% |
| Options life | 2.5 years | 2.5 years | 1.17 years |
| Dividend yield | Nil | Nil | Nil |
| Risk-free interest rate | 0.847% | 0.801% | 0.422% |

Movements during the year of share options granted are as follows:

| | Exercise price HK$ | Date of grant | Number of share options granted: Outstanding at 1st April 2011 | Movements during the year: Granted | Exercised | Forfeited | Expired | Outstanding at 31st March 2012 |
|---|---|---|---|---|---|---|---|---|
| Directors and employees | 2.8 | 5/7/2010 | **1,600,000** | **–** | **–** | **(800,000)** | **–** | **800,000** |
| | 2.8 | 5/7/2010 | **800,000** | **–** | **–** | **–** | **–** | **800,000** |
| | 2.78 | 6/7/2010 | **1,145,000** | **–** | **–** | **–** | **–** | **1,145,000** |
| | 1 | 20/10/2010 | **6,000,000** | **–** | **–** | **–** | **–** | **6,000,000** |
| | | | **9,545,000** | **–** | **–** | **(800,000)** | **–** | **8,745,000** |
| Weighted average exercise price | | | **HK$1.67** | **–** | **–** | **HK$2.80** | **–** | **HK$1.56** |

| | Exercise price HK$ | Date of grant | Number of share options granted: Outstanding at 1st April 2010 | Movements during the year: Granted | Exercised | Forfeited | Expired | Outstanding at 31st March 2011 |
|---|---|---|---|---|---|---|---|---|
| Directors and employees | 2.8 | 5/7/2010 | – | 2,000,000 | (400,000) | – | – | 1,600,000 |
| | 2.8 | 5/7/2010 | – | 1,000,000 | (200,000) | – | – | 800,000 |
| | 2.78 | 6/7/2010 | – | 1,145,000 | – | – | – | 1,145,000 |
| | 1 | 20/10/2010 | – | 6,000,000 | – | – | – | 6,000,000 |
| | | | – | 10,145,000 | (600,000) | – | – | 9,545,000 |
| Weighted average exercise price | | | – | HK$1.73 | HK$2.80 | – | – | HK$1.67 |

The closing price of the Company's shares immediately before 5th July 2010, 6th July 2010 and 20th October 2010, the dates of the options were granted, were HK$2.8, HK$2.78 and HK$2.19 (adjusted to take into account the share consolidation implemented during the year) respectively.

Share-based payment expense amounted to HK$Nil (2011: HK$14,450,000) has been recognised in profit or loss in respect of the year.

# NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

For the year ended 31st March 2012

## 39. DEFERRED TAXATION

At the end of the reporting period, the Group had unused tax losses of approximately HK$84,345,000 (2011: HK$56,942,000) 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.

Under the EIT Law, withholding tax is imposed on dividends in respect of profits earned by the PRC subsidiaries from 1st January 2008 onwards (the "Post-2008 Earnings"). Deferred taxation has not been provided for in the consolidated financial statements in respect of temporary differences attributable to the Post-2008 Earnings amounting to approximately HK$17,630,000 (2011: HK$16,071,000) 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.

## 40. ACQUISITION OF SUBSIDIARIES

(i) During the year ended 31st March 2012, the Group had the following acquisition of subsidiaries:

(a) On 28th July 2011, the Group acquired 51% equity interest in 上海景福保險經紀有限公司 ("上海景福", formerly known as 青島博達保險經紀有限公司) for a consideration which was satisfied by the payment in cash of approximately HK$25,040,000 and the issue of 49,196,909 new shares in the Company. The closing price of the Company's shares at the date of completion of the acquisition was HK$0.155 per share. 上海景福 was established in the PRC and is principally engaged in the provision of insurance brokerage services. The acquisition was accounted for using acquisition method.

The assets and liabilities acquired at the date of acquisition are as follows:

| | **Fair value of acquired assets and liabilities** HK$'000 |
|---|---|
| Intangible assets | 29,864 |
| Amount due from a former shareholder | 5,492 |
| Bank balances and cash | 2 |
| | 35,358 |

The intangible assets acquired represent insurance brokerage licence owned by 上海景福.

The fair value of amount due from the former shareholder acquired amounting to RMB4,544,000 approximate the gross contractual amounts. There are no contractual cash flows not expected to be collected.

## 40. ACQUISITION OF SUBSIDIARIES *(Continued)*

(a) *(Continued)*

| | HK$'000 |
|---|---|
| Consideration transferred | |
| Cash consideration | 25,040 |
| Consideration satisfied by issue of shares | 7,625 |
| | 32,665 |
| Plus: non-controlling interest (49%) | 2,693 |
| | 35,358 |

The non-controlling interests in 上海景福 recognised at the acquisition date were measured at the non-controlling interests' proportionate share of the fair value of the identifiable net assets and amounted to HK$2,693,000.

| | |
|---|---|
| Net cash outflow arising on acquisition: | |
| Cash consideration paid | (25,040) |
| Bank balances and cash acquired | 2 |
| | (25,038) |

(b) On 12th September 2011, the Group acquired 100% equity interest in Joint Bridge Investment Limited ("Joint Bridge") for a consideration which was satisfied by the issue of 400,000,000 new shares in the Company. The closing price of the Company's shares at the date of completion of the acquisition was HK$0.085 per share. Joint Bridge is principally engaged in investment holding and its subsidiaries are principally engaged in the development and application of computer hardware and software, system integration, and provision of related technology consultancy services. The acquisition was accounted for using the acquisition method.

Assets acquired and liabilities recognised at the date of acquisition are as follows:

| | **Fair value of acquired assets and liabilities** HK$'000 |
|---|---|
| Plant and equipment | 210 |
| Intangible assets | 35,045 |
| Inventories | 227 |
| Trade and other receivables | 2,761 |
| Bank balances and cash | 255 |
| Trade and other payables | (3,023) |
| Receipts in advance | (1,325) |
| Income tax payable | (150) |
| | 34,000 |

The intangible assets acquired represent technical know-how in respect of computer systems.

The fair value of trade and other receivables acquired amounting to RMB2,406,000 approximate the gross contractual amounts. There are no contractual cash flows not expected to be collected.

## 40. ACQUISITION OF SUBSIDIARIES *(Continued)*

(b) *(Continued)*

| | HK$'000 |
|---|---|
| **Goodwill arising on acquisition:** | |
| Consideration transferred | 34,000 |
| Less: net assets acquired | (34,000) |
| Goodwill arising on acquisition | – |
| Net cash inflow arising on acquisition: | |
| Bank balances and cash acquired | 255 |

### Impact of acquisitions on the results of the Group

Included in the loss for the year are loss of HK$2,305,000 and HK$2,970,000 attributable to the additional businesses generated by 上海景福 and Joint Bridge respectively. Revenue for the year includes HK$Nil and HK$3,366,000 in respect of 上海景福 and Joint Bridge respectively.

Had these business combinations been effected on 1st April 2011, the revenue of the Group would have been HK$81,376,000, and the loss for the year would have been HK$28,772,000. The directors of the Company consider these 'pro-forma' numbers to represent an approximate measure of the performance of the combined group on an annualised basis and to provide a reference point for comparison in future periods.

In determining the 'pro-forma' revenue and loss of the Group had 上海景福 and Joint Bridge been acquired at the beginning of the current year, the directors have calculated amortisation of intangible assets acquired on the basis of the fair values arising in the initial accounting for the business combination rather than the carrying amounts recognised in the pre-acquisition financial statements.

(ii) During the year ended 31st March 2011, the Group had the following acquisition of subsidiaries:

(c) On 1st July 2010, the Group acquired 100% equity interest in High Pacific Limited for the total cost of HK$27,317,000. The principal asset of High Pacific Limited is 10% equity interest in 全網通科技股份有限公司. This acquisition has been accounted for using the acquisition method.

The fair value of net assets of the subsidiary acquired approximate to the consideration paid by the Group for the acquisition:

| | HK$'000 |
|---|---|
| Assets acquired at the date of acquisition: | |
| Available-for-sale investments | 27,317 |
| Net cash outflow arising on acquisition: | |
| Consideration paid in cash | (27,317) |

## 40. ACQUISITION OF SUBSIDIARIES *(Continued)*

(d) On 29th October 2010, the Group acquired 100% equity interest in and shareholder's loan to Fullmark Management Limited ("Fullmark") for a consideration of HK$175,370,000. This acquisition has been accounted for using purchase method. Fullmark is principally engaged in investment holding and its subsidiaries are principally engaged in the development of software.

Assets acquired and liabilities recognised at the date of acquisition are as follows:

| | **Fair value of acquired assets and liabilities** HK$'000 |
|---|---|
| Intangible assets | 149,784 |
| Interest in associates | 18,132 |
| Trade and other receivables and prepayments | 1,103 |
| Amount due from a former shareholder | 6,000 |
| Bank balances and cash | 352 |
| Other payables | (1) |
| Amount due to former shareholder | (30,685) |
| | 144,685 |

| | HK$'000 |
|---|---|
| Total consideration satisfied by: | |
| Cash | 3,518 |
| Deposit paid in the previous year | 25,000 |
| Set off against amount due from a former shareholder | 10,000 |
| Issue of shares | 101,852 |
| Contingent consideration payable (Note) | 35,000 |
| | 175,370 |
| Amount due to former shareholder assigned to the Group | (30,685) |
| | 144,685 |
| Net cash outflow arising on acquisition: | |
| Cash consideration paid | (3,518) |
| Bank balances and cash acquired | 352 |
| | (3,166) |

Note: The amount is payable subject to the audited consolidated net profit after tax (based on the generally accepted accounting principles in the PRC) of a subsidiary of Fullmark, 鑫約福（上海）貿易有限公司, for the year ended 31st December 2011 amounting to not less than RMB 16.5 million. Otherwise, the vendor is required to make compensation to the Group which is calculated as specified in the relevant acquisition agreement.

### Impact of acquisitions on the results of the Group

Included in the loss for the year ended 31st March 2011 is HK$Nil attributable to the additional business generated by High Pacific Limited, and HK$7,273,000 attributable to Fullmark. Revenue for that year includes HK$Nil in respect of High Pacific Limited and HK$Nil in respect of Fullmark.

Had these business combinations been effected on 1st April 2010, the revenue of the Group would have been HK$50,167,000, and the loss for the year ended 31st March 2011 would have been HK$53,797,000.

## 41. COMMITMENTS

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

### (a) Capital commitments for the acquisition of intangible assets

| | **2012** **HK$'000** | 2011 HK$'000 |
|---|---|---|
| Contracted but not provided for | **12,500** | 25,500 |

### (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.

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 amounted to approximately HK$562,000 (2011: HK$2,535,000).

## 42. CONTINGENT LIABILITIES

(a) At 31st March 2012, the Group's bank deposits of approximately HK$1,937,000 (2011: HK$2,724,000) were pledged to two banks for bank guarantees of approximately HK$1,937,000 (2011: HK$2,724,000) 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 12th March 2012, a High court Action No.1861 of 2011 was commenced by Joint China Value Investment Fund Limited (the "Plaintiffs") against the Company for a dishonoured cheque in the amount of HK$16,500,000 issued by the Company. The Company has contested the case vigorously. Having sought legal advices, the directors believe that the Company has a strong defence against the allegation and the legal action would not result in a material loss to the Group, accordingly no provision for liabilities in this respect has been made in the consolidated financial statements.

(c) 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 action has been dormant since the end of 2008. The directors of the Company believe that the Company has a strong defence in this action, accordingly, no provision for liabilities has been made in the consolidated financial statements.

## 43. STATEMENT OF FINANCIAL POSITION OF THE COMPANY

| | NOTES | 2012 HK$'000 | 2011 HK$'000 |
|---|---|---|---|
| Non-current Assets | | | |
| Investments in subsidiaries | | **45,460** | 11,460 |
| Investments in associates | | **27,783** | 27,857 |
| Deposit paid for acquisition of subsidiaries | | **45,000** | – |
| Deposit paid for acquisition of intangible assets | | **–** | 11,000 |
| | | **118,243** | 50,317 |
| Current Assets | | | |
| Amounts due from subsidiaries | (a) | **224,247** | 207,890 |
| Trade and other receivables and prepayments | | **10,180** | 1,113 |
| Bank balances | | **1,148** | 562 |
| | | **235,575** | 209,565 |
| Current Liabilities | | | |
| Amounts due to subsidiaries | (a) | **120** | 120 |
| Other payables | | **10,626** | 1,916 |
| | | **10,746** | 2,036 |
| Net Current Assets | | **224,829** | 207,529 |
| Total Assets less Current Liabilities | | **343,072** | 257,846 |
| Capital and Reserves | | | |
| Share capital | | **15,847** | 10,993 |
| Share premium and reserves | (b) | **327,225** | 246,853 |
| | | **343,072** | 257,846 |

Notes:

**(a) Amounts due from/(to) subsidiaries**

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

## 43. STATEMENT OF FINANCIAL POSITION OF THE COMPANY *(Continued)*

Notes: *(Continued)*

### (b) Share premium and reserves

| | Share premium HK$'000 | Capital reserve HK$'000 (Note) | Share option reserve HK$'000 (Note) | Exchange translation reserve HK$'000 | Accumulated losses HK$'000 | Total HK$'000 |
|---|---|---|---|---|---|---|
| At 1st April 2010 | 45,970 | 1,200 | – | – | (19,412) | 27,758 |
| Loss for the year and total comprehensive expenses for the year | – | – | – | – | (4,701) | (4,701) |
| Issue of shares upon | | | | | | |
| – exercise of share options | 2,585 | – | (935) | – | – | 1,650 |
| – placement of shares | 87,953 | – | – | – | – | 87,953 |
| – acquisition of subsidiaries and associate | 121,958 | – | – | – | – | 121,958 |
| Share issue expenses | (2,215) | – | – | – | – | (2,215) |
| Recognition of equity-settled share-based payments | – | – | 14,450 | – | – | 14,450 |
| At 31st March 2011 | 256,251 | 1,200 | 13,515 | – | (24,113) | 246,853 |
| Loss for the year | – | – | – | – | (20,445) | (20,445) |
| Other comprehensive income | | | | | | |
| Exchange difference arising on translation of financial statements | – | – | – | 602 | – | 602 |
| Total comprehensive income/(expenses) for the year | – | – | – | 602 | (20,445) | (19,843) |
| Issue of shares upon | | | | | | |
| – placement of shares | 63,438 | – | – | – | – | 63,438 |
| – acquisition of subsidiaries | 39,379 | – | – | – | – | 39,379 |
| Share issue expenses | (2,602) | – | – | – | – | (2,602) |
| Forfeiture of share options granted | – | – | (1.246) | – | 1,246 | – |
| At 31st March 2012 | 356,466 | 1,200 | 12,269 | 602 | (43,312) | 327,225 |

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.

The share option reserve relates to share options granted to employees under the Company's employee share option scheme. Further information about share-based payments to employees is set out in Note 38.

## 44. PRINCIPAL SUBSIDIARIES

The following list contains only the particulars of the Company's subsidiaries at 31st March 2012 and 2011 which principally affect the results or assets of the Group as the directors are of the opinion that a complete list of all the subsidiaries will be of excessive length.

| Name of subsidiary | Place of incorporation/ establishment | Place of operations | Class of shares held | Issued share capital/ registered capital | Kind of legal entity | Proportion of nominal value of issued capital/registered capital held by the Company | | | | Proportion of voting power held | | Principal activities |
|---|---|---|---|---|---|---|---|---|---|---|---|---|
| | | | | | | Directly | | Indirectly | | | | |
| | | | | | | 2012 % | 2011 % | 2012 % | 2011 % | 2012 % | 2011 % | |
| Tongfang Electronic Company Limited | British Virgin Islands ("BVI") | BVI | Ordinary shares | US$65 | Limited liability company | **100%** | 100% | **-** | – | **100%** | 100% | Investment holding |
| Tongfang Electronic (Hong Kong) Company Limited | Hong Kong | Hong Kong | Ordinary shares | HK$100,000 | Limited liability company | **-** | – | **100%** | 100% | **100%** | 100% | Investment holding |
| Beijing Tongfang Electronic Science & Technology Co., Ltd | PRC | PRC | Contributed capital | US$4,300,000 | Wholly owned foreign enterprise | **-** | – | **100%** | 100% | **100%** | 100% | Research, development and provision of integrated management information system |
| Trend Brilliant Limited | Hong Kong | Hong Kong | Ordinary shares | HK$10,000 | Limited liability company | **100%** | 100% | **-** | – | **100%** | 100% | Investment holding |
| Fullmark Management Limited | BVI | BVI | Ordinary shares | US$1 | Limited liability company | **-** | – | **100%** | 100% | **100%** | 100% | Investment holding |
| Fullmark Management Limited | Hong Kong | Hong Kong | Ordinary shares | HK$1 | Limited liability company | **-** | – | **100%** | 100% | **100%** | 100% | Software development and investment holding |
| 鑫約福(上海)貿易有限公司 | PRC | PRC | Contributed capital | US$4,943,659 | Limited liability company | **-** | – | **100%** | 100% | **100%** | 100% | Software development |
| 上海景福保險經紀有限公司 (formerly known as"青島博達保險經紀有限公司") | PRC | PRC | Contributed capital | RMB5,000,000 | Limited liability company | **-** | – | **51%** | – | **51%** | – | Provision of insurance brokerage services |
| High Pacific Limited | BVI | BVI | Ordinary shares | US$2 | Limited liability company | **100%** | 100% | **-** | – | **100%** | 100% | Investment holding |
| Joint Bridge Investments Limited | BVI | BVI | Ordinary shares | US$100 | Limited liability company | **100%** | – | **-** | – | **100%** | – | Software development and investment holding |
| Most Power Investment Limited | Hong Kong | Hong Kong | Ordinary shares | HK$100 | Limited liability company | **-** | – | **100%** | – | **100%** | – | Investment holding |
| 北京楷峰科技有限公司 | PRC | PRC | Contributed capital | RMB2,194,150 | Limited liability company | **-** | – | **100%** | – | **100%** | – | Software development |
| Dongda Finance Limited | Hong Kong | Hong Kong | Ordinary shares | HK$1 | Limited liability company | **100%** | – | **-** | – | **100%** | – | Dormant |

## 45. RELATED PARTY TRANSACTIONS

The balances with related parties at the end of the reporting period and transactions with related parties during the year 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 the individuals and market trends.

## 46. EVENTS AFTER THE REPORTING PERIOD

The following events took place subsequent to 31st March 2012:

(i) on 3rd April 2012, the Company issued 57,380,000 unlisted warrants at the issue price of HK$0.02 per warrant. The holders of the warrants are entitled to subscribe at the subscription price of HK$0.19 per share (subject to adjustment) for up to HK$10,902,200 in aggregate for new shares of the Company of HK$0.05 each (i.e. up to 57,380,000 new shares); and

(ii) on 3rd May 2012, the Company issued a convertible note to Mr. Wong Kwong Chau in the principal amount of HK$15,000,000, which entitles Mr. Wong (or the holder(s) of the convertible note) to exercise the rights to convert the outstanding principal amount into the shares of the Company of HK$0.05 each at the conversion price of HK$0.25 per share (subject to adjustment).

As at the date of this annual report, the subscription rights attached to the abovementioned warrants and the conversion rights attached to the abovementioned convertible note have not been exercised.

# FIVE YEAR SUMMARY

| | For the year ended 31st March | | | | |
|---|---|---|---|---|---|
| | **2012** | 2011 | 2010 | 2009 | 2008 |
| | **HK$'000** | HK$'000 | HK$'000 | HK$'000 | HK$'000 |
| Turnover | **80,902** | 50,167 | 68,583 | 108,003 | 52,835 |
| (Loss) profit before taxation | **(19,044)** | (47,298) | 3,147 | 13,729 | (19,326) |
| (Loss) profit for the year | **(22,852)** | (47,550) | 3,644 | 11,449 | (19,853) |
| Attributable to: | | | | | |
| Owners of the Company | **(22,790)** | (47,550) | 3,644 | 11,449 | (19,853) |
| Non-controlling interests | **(62)** | — | — | — | — |
| | **(22,852)** | (47,550) | 3,644 | 11,449 | (19,853) |

| | As at 31st March | | | | |
|---|---|---|---|---|---|
| | **2012** | 2011 | 2010 | 2009 | 2008 |
| | **HK$'000** | HK$'000 | HK$'000 | HK$'000 | HK$'000 |
| Total assets | **450,591** | 352,468 | 130,648 | 106,854 | 91,767 |
| Total liabilities | **(128,272)** | (115,939) | (74,973) | (78,871) | (75,235) |
| | **322,319** | 236,529 | 55,675 | 27,983 | 16,532 |
| Equity attributable to owners of the Company | **319,636** | 236,529 | 55,675 | 27,983 | 16,532 |
| Non-controlling interests | **2,683** | — | — | — | — |
| | **322,319** | 236,529 | 55,675 | 27,983 | 16,532 |