

TAI SHING

Tai Shing International (Holdings) Limited

泰盛國際（控股）有限公司*

(Incorporated in the Cayman Islands with limited liability)

(Stock Code: 8103)

FINAL RESULTS ANNOUNCEMENT FOR THE YEAR ENDED 31 MARCH 2006

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

* For identification purpose only

RESULTS

The board of directors (the "Board") of Tai Shing International (Holdings) Limited (the "Company") is pleased to present the audited consolidated results of the Company and its subsidiaries (collectively the "Group") for the year ended 31 March 2006, together with the audited comparative figures for the corresponding year in 2005.

CONSOLIDATED INCOME STATEMENT

For the year ended 31 March 2006

	Notes	2006 HK\$'000	2005 HK\$'000 (Restated)
Continuing operations:			
Revenue	4	72,556	30,347
Cost of services and merchandise sold		<u>(55,233)</u>	<u>(22,183)</u>
Gross profit		17,323	8,164
Other income	6	18,574	1,566
Research and development costs		(101)	(1,855)
Selling expenses		(7,261)	(2,709)
General and administrative expenses		(10,070)	(4,702)
Impairment loss on goodwill		—	(1,229)
Other expenses	7	<u>(3,642)</u>	<u>—</u>
Operating profit/(loss)		14,823	(765)
Finance costs	8	(64)	(496)
Share of profits of associates		<u>—</u>	<u>1,286</u>
Profit before tax		14,759	25
Income tax	9	<u>(333)</u>	<u>(614)</u>
Profit/(Loss) for the year from continuing operations		14,426	(589)

	Notes	2006 HK\$'000	2005 HK\$'000 (Restated)
Discontinued operation:			
Profit for the year from discontinued operation	10	<u>129</u>	<u>128</u>
Profit/(Loss) for the year	11	<u>14,555</u>	<u>(461)</u>
Attributable to:			
Equity holders of the Company		11,441	(1,999)
Minority interests		<u>3,114</u>	<u>1,538</u>
		<u>14,555</u>	<u>(461)</u>
Earnings/(Loss) per share			
	13		
From continuing and discontinued operations:			
Basic		<u>14.6 HK cents</u>	<u>(3.5) HK cents</u>
Diluted		<u>N/A</u>	<u>N/A</u>
From continuing operations:			
Basic		<u>14.4 HK cents</u>	<u>(3.7) HK cents</u>
Diluted		<u>N/A</u>	<u>N/A</u>

CONSOLIDATED BALANCE SHEET

At 31 March 2006

	Notes	2006 HK\$'000	2005 HK\$'000 (Restated)
Non-current assets			
Fixed assets		7,489	9,485
Investment securities		—	2,724
		<u>7,489</u>	<u>12,209</u>
Current assets			
Inventories		140	—
Financial assets at fair value through profit or loss		1,727	—
Gross amounts due from customers for contract work		14,255	25,197
Trade and other receivables	14	42,845	58,554
Tax recoverable		115	—
Pledged bank deposits		3,045	—
Bank and cash balances		4,796	3,917
		<u>66,923</u>	<u>87,668</u>
Current liabilities			
Gross amounts due to customers for contract work		153	800
Trade and other payables	15	33,677	24,932
Receipts in advance		3,767	5,605
Warranty provision		283	—
Amount due to a substantial shareholder		11,428	—
Amount due to a minority shareholder		—	24,450
Short term bank loans		—	16,981
Promissory note		—	1,800
Tax payable		1	327
		<u>49,309</u>	<u>74,895</u>
Net current assets		<u>17,614</u>	<u>12,773</u>
NET ASSETS		<u>25,103</u>	<u>24,982</u>
Capital and reserves			
Share capital		4,550	3,755
Reserves		20,553	6,335
Equity attributable to equity holders of the Company		<u>25,103</u>	<u>10,090</u>
Minority interests		<u>—</u>	<u>14,892</u>
TOTAL EQUITY		<u>25,103</u>	<u>24,982</u>

CONSOLIDATED STATEMENT OF CHANGES IN EQUITY

For the year ended 31 March 2006

	Attributable to equity holders of the Company								
	Share capital HK\$'000	Share premium HK\$'000	General reserve HK\$'000 (Note)	Capital reserve HK\$'000	Foreign currency translation reserve HK\$'000	Accumulated profit/(losses) HK\$'000	Sub-total HK\$'000	Minority interests HK\$'000	Total HK\$'000
At 1 April 2004	2,373	2,580	—	1,200	(770)	(4,373)	1,010	—	1,010
Exchange differences on translation of foreign operations and net income recognised directly in equity	—	—	—	—	7	—	7	—	7
Loss for the year	—	—	—	—	—	(1,999)	(1,999)	1,538	(461)
Total recognised income and expense for the year	—	—	—	—	7	(1,999)	(1,992)	1,538	(454)
Issue of shares	908	8,172	—	—	—	—	9,080	—	9,080
Placing of shares	474	1,518	—	—	—	—	1,992	—	1,992
Acquisition of interests in subsidiaries	—	—	—	—	—	—	—	13,354	13,354
At 31 March 2005	3,755	12,270	—	1,200	(763)	(6,372)	10,090	14,892	24,982
Exchange differences on translation of foreign operations and net income recognised directly in equity	—	—	—	—	228	—	228	306	534
Profit for the year	—	—	—	—	—	11,441	11,441	3,114	14,555
Total recognised income and expense for the year	—	—	—	—	228	11,441	11,669	3,420	15,089
Transfer to reserves	—	—	466	—	—	(466)	—	—	—
Reserve realised upon disposal of subsidiaries	—	—	—	—	770	—	770	—	770
Acquisition of minority interests in subsidiaries	—	—	—	—	—	—	—	(18,312)	(18,312)
Issue of shares	795	1,779	—	—	—	—	2,574	—	2,574
At 31 March 2006	4,550	14,049	466	1,200	235	4,603	25,103	—	25,103

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

NOTES TO THE FINANCIAL STATEMENTS

1. BASIS OF PREPARATION OF FINANCIAL STATEMENTS

These financial statements have been prepared in accordance with Hong Kong Financial Reporting Standards (“HKFRSs”) issued by the Hong Kong Institute of Certified Public Accountants (“HKICPA”), accounting principles generally accepted in Hong Kong and the 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.

These financial statements have been prepared under the historical cost convention, except that financial assets at fair value through profit or loss are carried at their fair values.

2. ADOPTION OF NEW AND REVISED HKFRSs

In the current year, the Group has adopted all the new and revised HKFRSs issued by the HKICPA that are relevant to its operations and effective for accounting periods beginning on or after 1 January 2005. The adoption of these new and revised HKFRSs did not result in substantial changes to the Group’s accounting policies and amounts reported for the current year and prior years except as stated below.

(a) Discontinued operation (HKFRS 5 Non-current Assets Held for Sale and Discontinued Operations)

In order to comply with HKFRS 5, the Group is required to classify operation as discontinued when the classification criteria as held for sale have been met or the Group has disposed of the operation.

The presentation of the comparative information has been reclassified as set out in note 2(b)(ii).

(b) Changes in presentation (HKAS 1 Presentation of Financial Statements)

(i) *Minority interests (HKAS 1 and HKAS 27 Consolidated and Separate Financial Statements)*

In prior year, minority interests at the balance sheet date were presented in the consolidated balance sheet separately from liabilities and as deduction from net assets. Minority interests in the results of the Group for prior year were also separately presented in the income statement as a deduction before arriving at the loss attributable to shareholders (the equity holders of the Company).

In order to comply with HKAS 1 and HKAS 27, the Group has changed its accounting policy relating to presentation of minority interests. Under the new policy, minority interests are presented as part of equity, separately from interests attributable to the equity holders of the Company. These changes in presentation have been applied retrospectively with comparatives restated as shown in note 3.

(ii) *Presentation of discontinued operations (HKAS 1 and HKFRS 5)*

In prior year, the profit or loss of discontinued operation was included as part of the Group's income statement. Any pre-tax gain or loss recognised on the disposal of assets or settlement of liabilities attributable to the discontinued operation and the related income tax were presented in the income statement separately.

In order to comply with HKAS 1 and HKFRS 5, the Group has changed its accounting policy relating to presentation of discontinued operation. Under the new policy, a single amount is presented on the face of the income statement as profit or loss for the year from discontinued operation with an analysis disclosed in the notes to the financial statements. These changes in presentation have been applied retrospectively with comparatives restated as shown in note 3.

(c) **Financial instruments (HKAS 32 Financial Instruments: Disclosure and Presentation and HKAS 39 Financial Instruments: Recognition and Measurement)**

The adoption of HKAS 32 and HKAS 39 has resulted in a change in the accounting policy relating to the classification of a financial instrument.

HKAS 39 does not permit to recognise, derecognise and measure financial assets and liabilities in accordance with this standard on a retrospective basis. The Group applied the previous Statement of Standard Accounting Practice ("SSAP") 24 Accounting for Investments in Securities to investments in securities for the 2005 comparative information. Investment securities are carried at cost less impairment losses. The Group has applied the transitional rules in HKAS 39. At 1 April 2005, the Group reclassified its investment securities with a carrying amount of approximately HK\$2,724,000 which also approximates their fair values at that date, to available-for-sale financial assets. The adoption of the requirements of HKAS 39 in respect of equity investments has had no impact to the Group at 1 April 2005 nor has it had an impact on the current period.

The Group has not applied the new HKFRSs that have been issued but are not yet effective. The application of these new HKFRSs will not have material impact on the consolidated financial statements of the Group.

3. RESTATEMENT OF PRIOR YEAR AND OPENING BALANCES

Effect on the consolidated income statement for the year ended 31 March 2005

	2005 (as previously reported) HK\$'000	Increase/ (Decrease) Effect of HKAS 1 (note 2(b)) HK\$'000	2005 (as restated) HK\$'000
Continuing operations:			
Revenue	30,538	(191)	30,347
Cost of services and merchandise sold	(22,246)	63	(22,183)
Gross profit	8,292	(128)	8,164
Other income	1,566	—	1,566
Research and development costs	(1,855)	—	(1,855)
Selling expenses	(2,709)	—	(2,709)
General and administrative expenses	(4,702)	—	(4,702)
Impairment loss on goodwill	(1,229)	—	(1,229)
Operating loss	(637)	(128)	(765)
Finance costs	(496)	—	(496)
Share of profits of associates	1,286	—	1,286
Profit before tax	153	(128)	25
Income tax	(614)	—	(614)
Loss for the year from continuing operations	(461)	(128)	(589)
Discontinued operation:			
Profit for the year from discontinued operation	—	128	128
Minority interests	(1,538)	1,538	—
Loss for the year	(1,999)	1,538	(461)
Attributable to:			
Equity holders of the Company	(1,999)	—	(1,999)
Minority interests	—	1,538	1,538
	(1,999)	1,538	(461)

Effect on the consolidated balance sheet at 31 March 2005

	2005 (as previously reported) HK\$'000	Increases/(Decreases)			2005 (as restated) HK\$'000
		Effect of HKAS 1 (note 2(b)(i)) HK\$'000	Reclassification (note 3(a)) HK\$'000	Reclassification (note 3(b)) HK\$'000	
Non-current assets	12,209	—	—	—	12,209
Current assets					
Inventories	26,412	—	—	—	(26,412)
Gross amounts due from customers for contract work	711	—	—	—	24,486
Trade and other receivables	58,554	—	—	—	—
Bank and cash balances	3,917	—	—	—	—
	89,594	—	—	—	(1,926)
Current liabilities					
Gross amounts due to customers for contract work	2,726	—	—	—	(1,926)
Trade and other payables	24,932	—	—	—	—
Receipts in advance	5,605	—	—	—	—
Amount due to a minority shareholder	—	—	24,450	—	—
Amount due to a related company	24,450	—	(24,450)	—	—
Short term bank loans	16,981	—	—	—	—
Promissory note	—	—	—	1,800	—
Tax payable	327	—	—	—	—
	75,021	—	—	1,800	(1,926)
Net current assets	14,573	—	—	(1,800)	—
Total assets less current liabilities	26,782	—	—	(1,800)	—
Non-current liabilities					
Promissory note	1,800	—	—	(1,800)	—
Minority interests	14,892	(14,892)	—	—	—
NET ASSETS	10,090	14,892	—	—	24,982
Capital and reserves					
Share capital	3,755	—	—	—	—
Reserves	6,335	—	—	—	—
Equity attributable to equity holders of the Company	10,090	—	—	—	—
Minority interests	—	14,892	—	—	—
TOTAL EQUITY	10,090	14,892	—	—	24,982

Notes:

- (a) In prior year, Tsinghua Tongfang Co., Ltd. ("Tsinghua Tongfang") was classified as a related company on the basis that Tsinghua Tongfang was a significant shareholder of Tongfang Electronic (Hong Kong) Company Limited ("Tongfang HK"), the then subsidiary of the Company. However, based on the latest information available and advice obtained, Tsinghua Tongfang was not a related company for both years ended 31 March 2005 and 2006 due to the following:
- (i) The Company and Tsinghua Tongfang were not subject to common control or common significant influence.
 - (ii) Both the Company and Tsinghua Tongfang have declared that neither the Company nor Tsinghua Tongfang had the ability to control the other party or exercise significant influence over the other party in making financial and operating decisions.
 - (iii) At 31 March 2005, Tsinghua Tongfang was only a minority shareholder.

In view of the above, the directors re-classified the opening balance with Tsinghua Tongfang as amount due to a minority shareholder.

- (b) Promissory note of HK\$1,800,000 was previously included in non-current liabilities. The promissory note, which was redeemable in September 2005 pursuant to the underlying agreement and was actually redeemed during the year ended 31 March 2006, has been reclassified from non-current liabilities to current liabilities, as in the opinion of the directors, it more fairly reflects the underlying nature of the opening balance.
- (c) In prior year, contract costs related to future activities on the contracts of approximately HK\$26,412,000 were classified as inventories. Such contract costs actually represented amounts due from customers. In current year, the directors considered it is more appropriate to reclassify the contract costs related to future activities on the contracts to amounts with customers for contract work to more fairly reflect the underlying nature of the transactions. The comparative amount of inventories has been reclassified to conform with the current year's presentation.

4. REVENUE

An analysis of the Group's revenue, which is also the Group's turnover, for the year is as follows:

	2006 HK\$'000	2005 HK\$'000
Continuing operations		
Systems development	61,220	20,567
Software and hardware products	258	1,754
Professional service fees	11,078	8,026
	<hr/>	<hr/>
	72,556	30,347
Discontinued operation		
Training fees	191	191
	<hr/>	<hr/>
	72,747	30,538
	<hr/>	<hr/>

5. SEGMENT REPORTING

Segment information is presented in respect of the Group's business and geographical segments. Business segment information is chosen as the primary reporting format because this is more relevant to the Group's internal financial reporting.

Business segments

The Group comprises the following main business segments:

Systems development:	Provision of systems development, maintenance and installation as well as consulting services
Software and hardware products:	Sales of computer software and hardware products
Professional services:	Provision of information technology engineering and technical support services
Training:	Provision of training courses

5. SEGMENT REPORTING (cont'd)

Business segments (cont'd)

	Continuing operations						Discontinued operation		Consolidated	
	Systems development		Software and hardware products		Professional services		Training		2006	2005
	2006	2005	2006	2005	2006	2005	2006	2005	2006	2005
	HK\$'000	HK\$'000	HK\$'000	HK\$'000	HK\$'000	HK\$'000	HK\$'000	HK\$'000	HK\$'000	HK\$'000
Results										
Revenue from external customers	61,220	*20,567	258	*1,754	11,078	8,026	191	*191	72,747	30,538
Segment results	2,270	*(678)	252	*1,731	3,951	*4,402	129	*128	6,602	*5,583
Interest income									72	—
Impairment loss on goodwill									—	(1,229)
Unallocated income and expenses									8,278	*(4,991)
									14,952	(637)
Finance costs									(64)	(496)
Share of profits of associates									—	1,286
Income tax									(333)	(614)
Profit/(Loss) for the year									14,555	(461)
Assets										
Segment assets	58,511	**96,501	—	—	9,099	71	—	—	67,610	**96,572
Unallocated assets									6,802	3,305
Total assets									74,412	99,877
Liabilities										
Segment liabilities	27,722	**71,760	—	—	218	87	—	—	27,940	**71,847
Unallocated liabilities									21,369	3,048
Total liabilities									49,309	74,895
Other information										
Capital expenditure	749	670	—	—	132	—	—	—	881	670
Unallocated capital expenditure									33	74
									914	744
Depreciation and amortisation	852	1,422	—	—	130	—	—	—	982	1,422
Unallocated depreciation and amortisation									1,091	—
									2,073	1,422
Loss on disposal of fixed assets	200	—	—	—	35	—	—	—	235	—
Unallocated loss on disposal of fixed assets									505	—
									740	—
Allowance for trade and other receivables	3,064	—	—	—	525	—	—	—	3,589	—

* The comparative figures of segment revenue, segment results and certain expenses relating to sales to external customers included in unallocated expenses have been restated to conform with the current year's presentation.

** As a result of the restatement of prior year's comparative figures on the consolidated balance sheet, details of which are disclosed in note 3, certain comparative figures of the business segments have also been reclassified in order to conform with the current year's presentation.

Geographical segments

The Group's operations are carried out in Hong Kong and in the PRC. Provision of systems development, sale of software and hardware products and professional services are carried out in Hong Kong and in the PRC. Provision of training courses is carried out in Hong Kong.

In presenting information on the basis of geographical segments, segment revenue is based on the geographical location of customers. Segment assets and capital expenditure are based on the geographical location of assets.

	Continuing operations	
	Revenue from external customers by geographical area	
	2006 HK\$'000	2005 HK\$'000
Hong Kong	3,749	5,701
The PRC	68,807	24,646
	<u>72,556</u>	<u>30,347</u>

The revenue from the Group's discontinued training operation amounted to approximately HK\$191,000 (2005: HK\$191,000) in respect of the year, which was derived in Hong Kong.

	Carrying amount of segment assets		Capital expenditure	
	2006 HK\$'000	2005 HK\$'000	2006 HK\$'000	2005 HK\$'000
Hong Kong	302	6,090	33	126
The PRC	74,110	*93,787	881	618
	<u>74,412</u>	<u>99,877</u>	<u>914</u>	<u>744</u>

* As a result of the restatement of prior year's comparative figures on the consolidated balance sheet, details of which are disclosed in note 3, the comparative figure of the carrying amount of segment assets in the PRC has also been reclassified in order to conform with the current year's presentation.

6. OTHER INCOME

	2006 HK\$'000	2005 HK\$'000
Gain on disposal of subsidiaries	3,252	—
Gain on acquisition of minority interests in subsidiaries (note a)	9,168	—
Gain on disposal of financial assets at fair value through profit or loss	1,294	—
Gain on disposal of investment securities	—	845
Value added tax refund (note b)	4,499	665
Gain on disposal of fixed assets	—	56
Waiver of debt	239	—
Interest income	72	—
Sundry income	50	—
	<u>18,574</u>	<u>1,566</u>

Notes:

- (a) On 11 January 2006, the Group purchased the remaining 35% equity interest in Tongfang HK from Tsinghua Tongfang by the issue and allotment of 15,890,000 ordinary shares of HK\$0.05 each of the Company, the fair value at the date of exchange was HK\$0.162 per share. The excess of the share of net assets over the consideration of approximately HK\$9,168,000 was dealt with in the income statement.
- (b) A tax concession has been granted by the PRC tax authorities to the Company's subsidiary, Beijing Tongfang Electronic Science & Technology Company Limited ("Beijing Tongfang") for the sales of certain self-developed computer software products. Under this concession, Beijing Tongfang is entitled to refund of value added tax paid in excess of an effective rate of 3%. The amount of VAT refund is recognised as other income.

7. OTHER EXPENSES

	2006 HK\$'000	2005 HK\$'000
Allowance for trade receivables	1,723	—
Allowance for other receivables	1,866	—
Fair value losses on financial assets at fair value through profit or loss	53	—
	<u>3,642</u>	<u>—</u>

8. FINANCE COSTS

Finance costs represented interest on bank loans.

9. INCOME TAX

(a) Income tax in the income statement represents:

	2006 HK\$'000	2005 HK\$'000
Current tax:		
Hong Kong profits tax	—	—
PRC enterprise income tax	441	614
	<u>441</u>	<u>614</u>
Under/(Over)-provided tax in respect of previous years:		
Hong Kong profits tax	183	—
PRC enterprise income tax	(291)	—
	<u>(108)</u>	<u>—</u>
Income tax	<u>333</u>	<u>614</u>

No provision of Hong Kong profits tax has been made as the Group has sufficient tax losses brought forward to set off against current year's assessable profit.

Pursuant to the relevant laws and regulations in the PRC, Beijing Tongfang is subject to PRC enterprise income tax at a rate of 15% on its taxable income and is granted a 50% relief, which is effective from 1 January 2004 to 31 December 2006 ("Tax Holidays").

(b) Reconciliation between income tax and profit before tax is as follows:

	2006 HK\$'000	2005 HK\$'000
Profit before tax		
Continuing operations	14,759	25
Discontinued operation	129	128
	<u>14,888</u>	<u>153</u>
Tax at the applicable tax rate of 15% (2005: 17.5%)	2,233	27
Tax effect of income subject to Tax Holidays	(434)	—
Tax effect of non-taxable income	(2,716)	(499)
Tax effect of non-deductible expenses	912	510
Over-provision in respect of previous years	(108)	—
Tax effect of tax losses not recognised	481	299
Tax effect of utilisation of tax losses not previously recognised	(19)	—
Tax effect of unrecognised temporary differences	(16)	(13)
Tax effect of different tax rates in other jurisdictions	—	290
	<u>333</u>	<u>614</u>
Income tax		

Following the disposal of the Group's certain subsidiaries during the year, the Group's activities are substantially carried out in the PRC. In preparation of the above reconciliation, the PRC enterprise income tax rate of 15% has been taken as the applicable tax rate for the current year. The applicable tax rate adopted in the prior year's reconciliation represents Hong Kong profits tax rate.

10. DISCONTINUED OPERATION

On 24 January 2006, the Group entered into a sale and purchase agreement to dispose of its entire 100% equity interest in Absolute Great Technology Limited ("Absolute Great") at a consideration of HK\$10,000. Absolute Great together with its subsidiaries was engaged in the provision of systems development, technical support and training services. The disposal was completed on 26 January 2006. As Absolute Great carried out all of the Group's training service, upon completion of the disposal of Absolute Great, the Group discontinued its business of training service.

The results of the discontinued operation for the period from 1 April 2005 to 26 January 2006 are as follows:

	Period ended 26 January 2006 HK\$'000	Year ended 31 March 2005 HK\$'000
Revenue	191	191
Cost of services	<u>(62)</u>	<u>(63)</u>
Profit before tax	129	128
Income tax	<u>—</u>	<u>—</u>
Profit for the year	<u>129</u>	<u>128</u>

The discontinued operation did not have a significant impact on the Group's cash flows for the years ended 31 March 2006 and 2005.

No tax charge or credit arose in respect of the discontinued operation.

11. PROFIT/(LOSS) FOR THE YEAR

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

	2006 HK\$'000	2005 HK\$'000
Depreciation	2,073	630
Loss on disposal of fixed assets	740	—
Auditors' remuneration		
Current year	680	247
Overprovision for prior year	(50)	—
	<u>630</u>	<u>247</u>
Minimum lease payments under operating leases on land and buildings	2,043	178
Directors' emoluments	750	586
Employee benefit expenses (excluding directors' emoluments)		
Wages and salaries	18,867	7,667
Retirement benefits scheme contributions	1,219	488
	<u>20,086</u>	<u>8,155</u>

12. DIVIDENDS

No dividend has been paid or declared by the Company for the year ended 31 March 2006 (2005: Nil).

13. EARNINGS/(LOSS) PER SHARE

(a) Basic earnings/(loss) per share

From continuing and discontinued operations

The calculation of basic earnings/(loss) per share attributable to equity holders of the Company is based on the profit attributable to equity holders of the Company of approximately HK\$11,441,000 (2005: loss of approximately HK\$1,999,000) and the weighted average number of 78,587,740 (2005: 57,565,874) ordinary shares in issue during the year.

From continuing operations

The calculation of basic earnings/(loss) per share from continuing operations attributable to equity holders of the Company is based on the profit attributable to equity holders of the Company of approximately HK\$11,312,000 (2005: loss of approximately HK\$2,127,000) and the weighted average number of 78,587,740 (2005: 57,565,874) ordinary shares in issue during the year.

From discontinued operation

Basic earnings per share for the discontinued operation is 0.2 HK cents per share (2005: 0.2 HK cents per share) based on the profit for the year from discontinued operation of approximately HK\$129,000 (2005: HK\$128,000) and the weighted average number of 78,587,740 (2005: 57,565,874) ordinary shares in issue during the year.

(b) Diluted earnings/(loss) per share

There were no dilutive potential shares in issue during the years ended 31 March 2006 and 2005, accordingly, no diluted earnings/(loss) per share has been presented.

14. TRADE AND OTHER RECEIVABLES

	2006 HK\$'000	2005 HK\$'000
Trade receivables	23,239	25,742
Retention receivables	2,590	*1,000
Prepayments, deposits and other receivables	17,016	31,812
	<u>42,845</u>	<u>58,554</u>

* In the prior year, retention receivables were included in trade receivables. In the current year, the directors consider that it is more appropriate to separate retention receivables from trade receivables to reflect more fairly its underlying nature. The comparative figures have been restated to conform with the current year's presentation.

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

An aged analysis of trade receivables, net of allowances is as follows:

	2006 HK\$'000	2005 HK\$'000
0 - 30 days	125	1,431
31 - 90 days	1,216	3,607
Over 90 days	21,898	20,704
	<u>23,239</u>	<u>25,742</u>

At 31 March 2006, amounts of approximately HK\$523,000 (2005: HK\$252,000) included in retention receivables are due for settlement after more than 12 months.

15. TRADE AND OTHER PAYABLES

	2006 HK\$'000	2005 HK\$'000
Trade payables	9,881	8,821
Bills payables	—	2,337
Other payables	23,796	13,774
	<u>33,677</u>	<u>24,932</u>

An aged analysis of trade and bills payables is as follows:

	2006 HK\$'000	2005 HK\$'000
0 - 30 days	276	2,152
31 - 90 days	624	1,328
Over 90 days	8,981	7,678
	<u>9,881</u>	<u>11,158</u>

Included in other payables are amounts of approximately HK\$366,000 (2005: HK\$126,000) representing accrued directors' fee due to the Company's directors.

CHAIRMAN'S STATEMENT

Business Review

The year under review represents a significant year to the Company as we increased our exposure to the PRC power industry by acquiring the remaining 60% of Beijing Tongfang Electronic Science & Technology Company Limited ("Beijing Tongfang") not already owned by the Company.

Also, we disposed of Absolute Great Technology Limited and Systek Research Limited thereby substantially completed the Company's reorganisation in Hong Kong.

During the year under review, the Group recorded a consolidated turnover of approximately HK\$72.6 million which represented an increase of approximately 139% as compared with the comparative figure of the corresponding year in 2005. The increase is attributable to the consolidation for the full year of the results of Beijing Tongfang.

Beijing Tongfang is principally engaged in research, development and provision of integrated management information system for power plants and for banks. During the period under review, contracts completed included management information system provided to Panzhihua Power Plant, Anqing Power Plant, China Power Investment Group, and Tangshan Power Plant.

BUSINESS OUTLOOK

2005/06 was a solid year of achievement. I expect the Company will continue to benefit from the construction of power plants in the PRC in 2006/07. In addition, the Company is preparing for an expansion into management information system for nuclear power plant.

I would like to thank the Board of Directors and all the Company's employees for their contribution and dedication in building the Company as a leading software house for the power industry in the PRC.

MANAGEMENT DISCUSSION AND ANALYSIS

Financial Performance

During the year ended 31 March 2006, the Group recorded a turnover of HK\$72.6 million (2005: HK\$30.3 million) representing an increase of approximately 139% as compared with the comparative figure of the corresponding year. General and administrative expenses were approximately HK\$10.1 million as compared to HK\$4.7 million of the previous corresponding year, representing an increase of approximately 114%. Profit attributable to the shareholders amounted to approximately HK\$11.4 million (2005: loss HK\$2 million).

Liquidity and Financial Resources

As at 31 March 2006, shareholders' funds of the Group amounted to approximately HK\$25 million (2005: HK\$10 million). Current assets amounted to approximately HK\$66.9 million (2005: HK\$87.7 million), of which approximately HK\$5.8 million (2005: HK\$3.9 million) were cash and cash equivalents. Current liabilities were approximately HK\$49.3 million (2004: HK\$74.9 million) mainly comprised of trade and other payables, amount due to a substantial shareholder as well as receipts in advance.

The Group currently has not engaged in any borrowing activities. The Group further confirms that it does not have any impending capital expenditure commitments.

Gearing Ratio

The gearing ratio calculated on the basis of total liabilities over the total shareholders' fund as at 31 March 2006 was 196% (2005: 742%).

Capital Structure

During the year under review, the following corporate action occurred that had resulted in material changes on the capital structure of the Company:

On 11 January 2006, 15,890,000 new shares were allotted and issued as the consideration for the acquisition of 35% of the issued share capital of Tongfang Electronic (Hong Kong) Company Limited. As a result of the issuance and allotment of the new shares, the issued share capital of the Company was increased from HK\$3,755,250 divided into 75,105,000 shares of HK\$0.05 each to HK\$4,549,750 divided into 90,995,000 shares of HK\$0.05 each.

Foreign Currency Exposure

During the year ended 31 March 2006, 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

During the year the Group did not launch any new products or services.

Significant Investments, Material Acquisitions and Disposal of Subsidiaries

On 15 September 2005, the Group acquired the remaining 38.5% interests in Tongfang Electronic Company Limited ("Tongfang BVI") by transferring to the seller the entire equity interest in Top Gallant International Limited. Tongfang BVI was an indirect beneficial owner of a 65% interests in Beijing Tongfang which was held directly by Tongfang Electronic (Hong Kong) Company Limited ("Tongfang HK"). The details of the acquisition were set out in the Company's circular dated 26 August 2005.

On 11 January 2006, the Group acquired a 35% interest in Tongfang HK by the issue and allotment of 15,890,000 new shares of the Company. The details of the acquisition were set out in the Company's circular dated 26 August 2005.

As a result, the Group owned 100% interests of Beijing Tongfang as at the balance sheet date.

Save as disclosed above, as at 31 March 2006 and up to the date of this announcement, the Group did not have any other significant investments, material acquisitions or disposal of subsidiaries.

Future Plans for Material Investments or Capital Assets

As at 31 March 2006, the Group had no known plans for material investments or capital assets.

Segment Information

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

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

- systems development;
- sales of software and hardware products; and
- provision of professional services.

Turnover generated from PRC represented approximately 95% of the total turnover of the Group during the year ended 31 March 2006 as compared to approximately 81% in the previous year under review.

Employees and Remuneration Policies

As at 31 March 2006, the Group had hired 4 and 175 (2005: a total of 199) employees in Hong Kong and PRC respectively including the executive directors of the Company. Total staff costs including directors' remuneration for the year under review amounting to approximately HK\$20.8 million (2005: HK\$8.7 million). The increase was mainly resulted from the inclusion of the employees of Beijing Tongfang for the full year. The Group's remuneration policies are in line with the prevailing market practices and are determined on the basis of performance and experience of individual employees.

The Group had not made any changes to its remuneration policy and no bonuses were granted to any of its executive directors or employees for the year ended 31 March 2006.

The Company has conditionally adopted a new share option scheme on 22 October 2003 to replace the old share option scheme adopted on 26 August 2000. Pursuant to both schemes, the directors and employees of the Company and its subsidiaries may be granted options to subscribe for shares of the Company. During the year ended 31 March 2006, no option was granted under both the old and new share option schemes.

Charges on Group's assets and contingent liabilities

As at 31 March 2006, the Group's bank deposits of approximately HK\$3,045,000 were pledged to banks to secure performance bond facilities granted to the Group.

Apart from the above, the Company and its subsidiaries did not have any mortgages, charges, debentures, loan capital, bank loans and overdrafts, debt securities or other similar indebtedness, finance leases or hire purchase commitments, liabilities under acceptances or acceptance credits or any guarantees or other material contingent liabilities outstanding.

Events after the Balance Sheet Date

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

AUDIT COMMITTEE

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

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

The Audit Committee held 5 meetings in the financial year ended 31 March 2006. The attendance records of the Audit Committee meetings are set out below:

Name of Member	Attended
Mr. Chung Shui Ming, Timpson (<i>Chairman</i>)	5/5
Professor Ip Ho Shing, Horace	5/5
Mr. Yan Yonghong	5/5
Mr. Peng Lijun	5/5

For 2005/06, the Audit Committee reviewed with senior management and the auditors of the Company their audit findings, the accounting principles and practices adopted by the Company, legal and regulatory compliance, and financial reporting matters (including the unaudited quarterly and interim results and audited financial statements for the year ended 31 March 2006).

The audited consolidated results of the Group for the year ended 31 March 2006 have been reviewed by the Audit Committee.

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

From the date of listing since 8 September 2000 up to the year ended 31 March 2006, neither the Company nor any of its subsidiaries had purchased, sold or redeemed any of the Company's listed securities.

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.

BOARD PRACTICES AND PROCEDURES

The Company had complied with the code provisions set out in the Code on Corporate Governance Practices contained in Appendix 15 of the GEM Listing Rules throughout the year ended 31 March 2006. The Company will prepare a Corporate Governance Report in accordance with Rule 18.44 of the GEM Listing Rules for the financial year ended 31 March 2006.

The Company has received written confirmations in respect of independence from each of the independent non-executive Directors of the Company in compliance with Rule 5.09 of the GEM Listing Rules, and all the independent non-executive Directors are considered to be independent.

CODE OF CONDUCT REGARDING SECURITIES TRANSACTION BY DIRECTORS

Having made specific enquiry of all Directors of the Company, during the year under review, the Directors have complied with the required standard of dealings regarding securities transaction by the Directors as set out in Rules 5.48 to 5.67 of the GEM Listing Rules ("Required Standard of Dealings"). The Company adopted the Required Standard of Dealings as the code of conduct regarding the securities transaction by the Directors of the Company.

AUDITORS

The financial statements for the financial year ended 31 March 2003 was audited by KPMG. The financial statements for the two financial years ended 31 March 2004 and 2005 were audited by CCIF CPA Limited ("CCIF").

On 9 February 2006, CCIF tendered their resignation as the Company's auditors. Subsequently RSM Nelson Wheeler were appointed as auditors of the Company in March 2006 to fill the vacancy left by the resignation of CCIF.

A resolution to re-appoint the retiring auditors, RSM Nelson Wheeler, will be put at the forthcoming annual general meeting.

On behalf of the Board

Li Wenli

Chief Executive Officer and Executive Director

Hong Kong, 27 June 2006

As at the date of announcement, the Board comprises the following directors:

Executive Directors:

Ms. Li Wenli (Chief Executive Officer)

Mr. Ho Cho Hang

Non-executive Director:

Mr. Luk Yat Hung (Chairman)

Independent Non-executive Directors:

Mr. Chung Shui Ming, Timpson

Professor Ip Ho Shing, Horace

Mr. Yan Yonghong

Mr. Peng Lijun

This announcement will remain on the "Latest Company Announcement" page of the GEM website for at least 7 days from its date of publication.