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 31ST MARCH 2009

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

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

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

This announcement, for which the directors (the "Directors") of Tai Shing International (Holdings) Limited (the "Company") collectively and individually accept full responsibility, includes particulars given in compliance with the Rules Governing the Listing of Securities on the GEM of the Stock Exchange for the purpose of given information with regard to the Company. The Directors of the Company, having made all reasonable enquiries, confirm that, to the best of their knowledge and belief:- (1) the information contained in this 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 purposes only*

RESULTS

The board of directors (the "Board") of Tai Shing International (Holdings) Limited (the "Company") is pleased to present the audited consolidated financial information of the Company and its subsidiaries (collectively referred to as the "Group") for the year ended 31st March 2009, together with the audited comparative figures for the corresponding year in 2008.

Consolidated Income Statement
For the year ended 31st March 2009

	Notes	**2009** **HK$'000**	2008 HK$'000
Turnover	*4*	**108,003**	52,835
Cost of services provided		**(61,987)**	(50,528)
Gross profit		**46,016**	2,307
Other operating income	*4*	**6,300**	6,410
Selling and distribution expenses		**(2,730)**	(3,622)
Administrative expenses		**(12,640)**	(13,351)
Other operating expenses		**(22,653)**	(10,736)
Finance costs	*5*	**(559)**	(333)
Share of results of associates		**(5)**	(1)
Profit (loss) before taxation		**13,729**	(19,326)
Income tax expense	*7*	**(2,280)**	(527)
Profit (loss) for the year	*8*	**11,449**	(19,853)
Earnings (loss) per share - Basic	*10*	**HK10.49 cents**	HK(20.59) cents

Consolidated Balance Sheet
At 31st March 2009

	Notes	2009 HK$'000	2008 HK$'000
Non-current assets			
Plant and equipment		**3,025**	5,270
Intangible asset		**—**	—
Interests in associates		**—**	5
Goodwill		**131**	—
		3,156	5,275
Current assets			
Trade and other receivables	*11*	**27,769**	50,437
Amounts due from customers for contract work		**70,852**	17,452
Income tax recoverable		**—**	168
Financial assets at fair value through profit or loss		**330**	574
Pledged bank deposits		**1,002**	2,210
Bank balances and cash		**3,745**	15,651
		103,698	86,492
Current liabilities			
Amounts due to customers for contract work		**8,022**	10,450
Trade and other payables	*12*	**32,254**	33,517
Receipts in advance		**16,839**	12,123
Warranty provision		**1,418**	490
Amount due to a substantial shareholder		**6,950**	9,427
Amounts due to associates		**—**	282
Income tax payable		**2,201**	—
Bank borrowing		**11,187**	8,946
		78,871	75,235
Net current assets		**24,827**	11,257
		27,983	16,532
Capital and reserves			
Share capital	*13*	**5,460**	5,460
Reserves		**22,523**	11,072
		27,983	16,532

Consolidated Statement of Changes in Equity

For the year ended 31st March 2009

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

Notes:

(a) General reserve

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

(b) Capital reserve

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

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

1. GENERAL

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

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

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

The principal activities of the Group are research, development and provision of integrated management information system.

2. BASIS OF PREPARATION

The consolidated financial statements have been prepared on the historical cost basis except for certain financial instruments, which are measured at fair values.

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

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

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

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

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

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

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

1 Effective for annual periods beginning on or after 1st January 2009 except the amendments to HKFRS 5, effective for annual periods beginning on or after 1st July 2009.

2 Effective for annual periods beginning on or after 1st January 2009, 1st July 2009 and 1st January 2010, as appropriate.

3 Effective for annual periods beginning on or after 1st January 2009.

4 Effective for annual periods beginning on or after 1st July 2009.

5 Effective for annual periods beginning on or after 1st July 2008.

6 Effective for annual periods beginning on or after 1st October 2008.

7 Effective for annual periods ending on or after 30th June 2009.

8 Effective for transfers of assets from customers received on or after 1st July 2009.

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

4. TURNOVER AND OTHER OPERATING INCOME

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

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

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

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

5. FINANCE COSTS

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

6. SEGMENT INFORMATION

(a) Primary reporting format — business segments

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

Principal activities are as follows:

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

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

Segment information about the business is presented below:

For the year ended 31st March

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

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

(b) Secondary reporting format — geographical segments

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

7. INCOME TAX EXPENSE

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

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

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

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

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

8. PROFIT (LOSS) FOR THE YEAR

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

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

9. DIVIDENDS

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

10. EARNINGS (LOSS) PER SHARE - BASIC

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

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

11. TRADE AND OTHER RECEIVABLES

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

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

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

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

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

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

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

12. TRADE AND OTHER PAYABLES

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

An aged analysis of trade payables is as follows:

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

13. SHARE CAPITAL

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

Notes:

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

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

14. ACQUISITION OF SUBSIDIARIES

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

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

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

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

CHAIRMAN'S STATEMENT

BUSINESS REVIEW

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

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

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

BUSINESS OUTLOOK

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

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

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

MANAGEMENT DISCUSSION AND ANALYSIS

FINANCIAL PERFORMANCE

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

LIQUIDITY, FINANCIAL RESOURCES AND CAPITAL STRUCTURE

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

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

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

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

GEARING RATIO

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

FOREIGN CURRENCY EXPOSURE

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

NEW PRODUCTS AND SERVICES

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

SIGNIFICANT INVESTMENTS, MATERIAL ACQUISITIONS AND DISPOSAL OF SUBSIDIARIES

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

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

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

FUTURE PLANS FOR MATERIAL INVESTMENTS OR CAPITAL ASSETS

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

SEGMENT INFORMATION

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

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

- systems development; and
- professional services.

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

EMPLOYEES AND REMUNERATION POLICIES

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

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

The Company has conditionally adopted a new share option scheme on 22nd October 2003 to replace the old share option scheme adopted on 26th 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 31st March 2009, no option was granted under both the old and new share option schemes.

CHARGES ON GROUP'S ASSETS AND CONTINGENT LIABILITIES

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

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

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

AUDIT COMMITTEE

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

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

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

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

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

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

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

From the date of listing since 8th September 2000 up to the year ended 31st March 2009, 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 31st March 2009.

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.

AUDITOR

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

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

On behalf of the Board
Li Wenli
Chief Executive Officer and Executive Director

Hong Kong, 4th June 2009

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

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

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

This announcement, for which the Directors collectively and individually accept full responsibility, includes particulars given in compliance with the GEM Listing Rules for the purpose of giving information with regard to the Company. The Directors having made all reasonable enquiries, confirm that, to the best of their knowledge and belief: (1) the information contained in this 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.

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