



HKC INTERNATIONAL HOLDINGS LIMITED
香港通訊國際控股有限公司

(Incorporated in the Cayman Islands with limited liability)
Stock code: 248



CONTENTS

<u>2</u>	CORPORATE INFORMATION
<u>3</u>	GROUP STRUCTURE
<u>4</u>	NOTICE OF ANNUAL GENERAL MEETING
<u>12</u>	MANAGEMENT DISCUSSION AND ANALYSIS
<u>15</u>	CORPORATE GOVERNANCE REPORT
<u>20</u>	BIOGRAPHICAL DETAILS OF DIRECTORS AND SENIOR MANAGEMENT
<u>23</u>	REPORT OF THE DIRECTORS
<u>36</u>	INDEPENDENT AUDITOR'S REPORT
<u>38</u>	CONSOLIDATED INCOME STATEMENT
<u>39</u>	BALANCE SHEETS
<u>41</u>	CONSOLIDATED STATEMENT OF CHANGES IN EQUITY
<u>42</u>	CONSOLIDATED CASH FLOW STATEMENT
<u>44</u>	NOTES TO THE FINANCIAL STATEMENTS
<u>115</u>	FINANCIAL SUMMARY
<u>116</u>	PARTICULARS OF PROPERTIES FOR INVESTMENT/OWN USE

CORPORATE INFORMATION

EXECUTIVE DIRECTORS

Chan Chung Yee, Hubert (*Chairman*)
 Chan Chung Yin, Roy
 Chan Man Min
 Tsui Hon Wing
 Chan Ming Him, Denny
 Wu Kwok Lam CPA, FCCA

NON-EXECUTIVE DIRECTOR

Ng Ching Wah

INDEPENDENT NON-EXECUTIVE DIRECTORS

Chu Chor Lup
 Chiu Ngar Wing FCCA, ACA, CPA (Practising)
 Leung Tai Wai, David

COMPANY SECRETARY

Wu Kwok Lam CPA, FCCA

QUALIFIED ACCOUNTANT

Wu Kwok Lam CPA, FCCA

REGISTERED OFFICE

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

PRINCIPAL OFFICE

25/F., Oxford House, TaiKoo Place
 979 King's Road, Quarry Bay
 Hong Kong

PRINCIPAL REGISTRAR AND TRANSFER OFFICE

Bank of Bermuda (Cayman) Limited
 P.O. Box 513 GT
 2nd Floor, Strathvale House
 North Church Street, George Town
 Grand Cayman, Cayman Islands
 British West Indies

AUDITORS

Li, Tang, Chen & Co
 Certified Public Accountants (Practising)

HONG KONG BRANCH REGISTRAR

Pilare Limited
 10th Floor, Sun Hung Kai Centre
 30 Harbour Road
 Hong Kong

PRINCIPAL BANKERS

The Hongkong and Shanghai Banking
 Corporation Limited
 1 Queen's Road Central
 Hong Kong

Wing Hang Bank, Limited
 161 Queen's Road Central
 Hong Kong

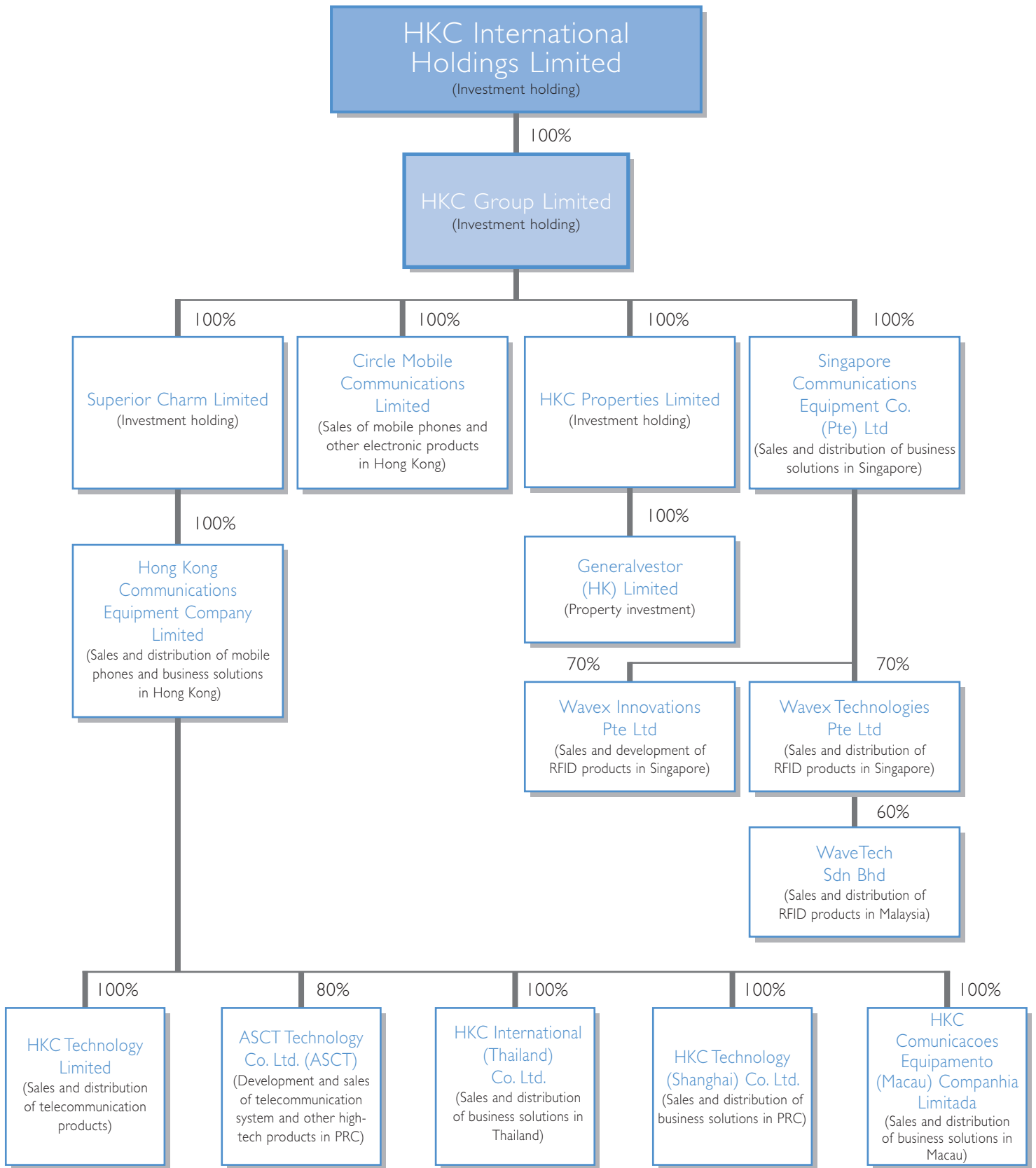
STOCK CODE

248

WEBSITE ADDRESS

<http://www.hkc.com.hk>

GROUP STRUCTURE



NOTICE OF ANNUAL GENERAL MEETING

NOTICE IS HEREBY GIVEN that the annual general meeting (“Meeting”) of HKC International Holdings Limited (the “Company”) will be held at 4:30 on 8th September, 2008 at 25th Floor, Oxford House, TaiKoo Place, 979 King’s Road, Quarry Bay, Hong Kong, to transact the following ordinary businesses:

1. to receive and approve the audited consolidated financial statements and the reports of the directors and independent auditor’s report of the Company for the year ended 31st March, 2008;
2. to declare a final dividend for the year ended 31st March, 2008 of HK\$0.01 per share (each a “Share”) of HK\$0.01 each in the capital of the Company;
3. (a) To re-elect the retiring Director Mr. Chan Ming Him, Denny as an executive Director of the Company (his brief biographical details are set out in the Appendix of this section);
- (b) To re-elect the retiring Director Mr. Tsui Hon Wing as an executive Director of the Company (his brief biographical details are set out in the Appendix of this section);
- (c) To re-elect the retiring Director Mr. Wu Kwok Lam as an executive Director of the Company (his brief biographical details are set out in the Appendix of this section);
- (d) To re-elect the retiring Director Mr. Leung Tai Wai, David as an independent non-executive Director of the Company (his brief biographical details are set out in the Appendix of this section); and
- (e) To authorize the board of Directors to fix the Directors’ remuneration.
4. to re-appoint the Li, Tang, Chen & Co. as the Company’s auditor and to authorise the board of Directors to fix their remuneration;

and to consider as special business and, if thought fit, pass the following resolutions as ordinary resolution (with or without modifications):

5. **“THAT:**
 - (a) subject to paragraph (c) below, pursuant to the Rules Governing the Listing of Securities on The Stock Exchange of Hong Kong Limited (“Listing Rules”) and all other applicable laws, the exercise by the directors of the Company (“Director”) during the Relevant Period (as defined in paragraph (d) below) of all the powers of the Company to allot, issue or otherwise deal with the unissued shares of HK\$0.01 each (“Shares”) in the share capital of the Company, and to make or grant offers, agreements and options (including warrants, bonds, notes and other securities which carry rights to subscribe for or are convertible into Shares) which would or might require the exercise of such powers be and the same is hereby generally and unconditionally approved;

NOTICE OF ANNUAL GENERAL MEETING

- (b) the approval in paragraph (a) above shall authorise the Directors during the Relevant Period to make or grant offers, agreements and options (including warrants, bonds, notes and other securities which carry rights to subscribe for or are convertible into Shares) which would or might require the exercise of such powers after the end of the Relevant Period;
- (c) the aggregate nominal amount of share capital of the Company allotted and issued or agreed conditionally or unconditionally to be allotted and issued (whether pursuant to options or otherwise) by the Directors pursuant to the approval in paragraph (a) above, otherwise than pursuant to
- (i) a Rights Issue (as defined in paragraph (d) below);
 - (ii) the exercise of any options granted under the share option scheme or similar arrangement for the time being adopted by the Company; or
 - (iii) any scrip dividend or similar arrangements providing for the allotment and issue of Shares in lieu of the whole or part of a dividend on Shares in accordance with the articles of association of the Company in force from time to time; or
 - (iv) any issue of Shares upon the exercise of rights of subscription or conversion under the terms of any warrants of the Company or any securities which are convertible into Shares

shall not exceed 20 per cent of the aggregate nominal amount of the share capital of the Company in issue as at the date of passing this resolution; and the said approval shall be limited accordingly.

- (d) for the purposes of this resolution:

“Relevant Period” means the period from the date of passing of this resolution until whichever is the earliest of:

- (i) the conclusion of the next annual general meeting of the Company;
- (ii) the expiration of the period within which the next annual general meeting of the Company is required by the articles of association of the Company or any applicable law of the Cayman Islands to be held; or
- (iii) the passing of an ordinary resolution by the shareholders of the Company in general meeting revoking or varying the authority given to the Directors by this resolution;

NOTICE OF ANNUAL GENERAL MEETING

“Rights Issue” means an offer of Shares, or offer or issue of warrants, options or other securities giving rights to subscribe for Shares open for a period fixed by the Directors to the holders of Shares whose names appear on the Company’s register of members on a fixed record date in proportion to their then holdings of Shares as at that date (subject to such exclusion or other arrangements as the Directors may deem necessary or expedient in relation to fractional entitlements, or having regard to any restrictions or obligations under the laws of, or the requirements of, or the expense or delay which may be involved in determining the existence or extent of any restrictions or obligations under the laws of, or the requirements of, any jurisdiction outside Hong Kong or any recognised regulatory body or any stock exchange outside Hong Kong).”

By order of the board of Directors of
HKC International Holdings Limited
Chan Chung Yee Hubert
Chairman

Hong Kong, 30th July, 2008

Registered office:

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

*Head office and principal place of
business in Hong Kong:*

25/F., Oxford House, TaiKoo Place
979 King’s Road, Quarry Bay
Hong Kong

NOTICE OF ANNUAL GENERAL MEETING

Notes:

1. Any shareholder of the Company entitled to attend and vote at the Meeting shall be entitled to appoint another person as his proxy to attend and vote instead of him. A shareholder who is the holder of two or more shares may appoint more than one proxy to represent him and vote on his behalf at the Meeting. A proxy need not be a shareholder of the Company.
2. A form of proxy for use at the Meeting is being dispatched to the shareholders of the Company together with a copy of this notice. In order to be valid, the form of proxy must be duly completed and signed in accordance with the instructions printed thereon and deposited together with a power of attorney or other authority, if any, under which it is signed or a notarially certified copy of that power or authority, at the offices of the Company's Hong Kong branch registrars ("**Branch Registrar**"), Pilare Limited at 10th Floor, Sun Hung Kai Centre, 30 Harbour Road, Wanchai, Hong Kong no less than 48 hours before the time for holding the Meeting or any adjournment thereof. Completion and return of a form of proxy will not preclude a shareholder from attending in person and voting at the Meeting or any adjournment thereof, should he so wish.
3. The register of members of the Company will be closed from Thursday, 4th September, 2008 to Monday, 8th September, 2008 (both days inclusive), for the purpose of, among other things, establishing entitlements to the proposed final dividend, during which period no transfers of shares will be effected. In order to qualify for the proposed final dividend, all transfers accompanied by the relevant share certificates must be lodged with the Company's branch share registrars in Hong Kong, Pilare Limited, at 10th Floor, Sun Hung Kai Centre, 30 Harbour Road, Wanchai, Hong Kong for registration not later than 4:30 p.m. on Wednesday, 3rd September, 2008.
4. In relation to the proposed resolution numbered 3 above, in accordance with Article 108 of the Company's articles of association, Mr. Chan Ming Him, Denny, Mr. Tsui Hon Wing, Mr. Wu Kwok Lam and Mr. Leung Tai Wai, David will retire as Directors by rotation at the Meeting. Such Directors, being eligible, would offer themselves for re-election as Directors at the Meeting. Personal particulars of each of the retiring Directors are set out in the Appendix to this notice.
5. In relation to the proposed resolutions numbered 5 above, approval is being sought from the shareholders of the Company for the grant to the Directors of a general mandate to authorise the allotment and issue of Shares under the Listing Rules. The Directors have no immediate plans to issue any new Shares other than Shares which may fall to be issued under the share option scheme of the Company or any script dividend scheme which may be approved by shareholders of the Company.
6. Procedures for demanding a poll

Pursuant to Article 72 of the articles of association of the Company, a resolution put to vote of a meeting shall be decided on a show of hands unless a poll is required by Listing Rules or (before or on the declaration of the result of the show of hands or on the withdrawal of any other demand for poll) a poll is demanded:

- (a) by the Chairman of such meeting; or
- (b) by at least three shareholders present in person (or, in the case of a shareholder being a corporation, by its duly authorised representative) or by proxy for the time being entitled to vote at such meeting; or

NOTICE OF ANNUAL GENERAL MEETING

- (c) by any shareholder or shareholders present in person (or, in the case of a shareholder being a corporation, by its duly authorised representative) or by proxy and representing not less than one-tenth of the total voting rights of all the shareholders having the rights to vote at the meeting; or
- (d) by any shareholder or shareholders present in person (or, in the case of a shareholder being a corporation, by its duly authorised representative) or by proxy and holding Shares conferring a right to vote at the meeting being Shares on which an aggregate sum has been paid up equal to not less than one-tenth of the total sum paid up on all the Shares conferring that right; or
- (e) if required by the Listing Rules, by any Director or Directors who, individually or collectively, hold proxies in respect of the Shares representing five per cent. (5%) or more of the total voting rights at the meeting.

Unless a poll be so demanded and not withdrawn, a declaration by the Chairman of the meeting that a resolution has been on a show of hands been carried or carried unanimously, or by a particular majority, or lost, and an entry to that effect in the book containing the minutes of the proceedings of the Company shall be conclusive evidence of the fact without proof of the number or proportion of the votes recorded in favour or against such resolution.

7. As at the date of this notice, the board of Directors comprises the following members:

Executive Directors:

Mr. Chan Chung Yee, Hubert
 Mr. Chan Chung Yin, Roy
 Mr. Chan Man Min
 Mr. Tsui Hon Wing
 Mr. Chan Ming Him, Denny
 Mr. Wu Kwok Lam

Non-executive Director:

Mr. Ng Ching Wah

Independent Non-executive Directors:

Dr. Chu Chor Lup
 Mr. Chiu Ngar Wing
 Mr. Leung Tai Wai, David

NOTICE OF ANNUAL GENERAL MEETING

APPENDIX TO NOTICE OF ANNUAL GENERAL MEETING

The biographical details and other particulars of the Directors proposed to be re-elected at the Annual General Meeting are set out below:

Mr. CHAN Ming Him, Denny, aged 49, an executive director, joined the Group in 1999 with over 15 years of experience in the telecommunications industry in China. He graduated from McMaster University, Canada with a Master's Degree in Engineering. Apart from being an executive director of the Company, Mr. Chan has not held any directorship in listed public companies or other major appointments and qualifications during the last three years preceding the date of this notice. Mr. Chan is the son of Mr. Chan Man Min, a director and a substantial shareholder of the Company. Apart from that, Mr. Chan is not related to other Directors, Senior management or substantial or controlling shareholders of the Company.

Mr. Chan is interested in 1,000,000 shares of the Company, representing approximately 0.20% of the issued share capital of the Company as at the date of notice.

Mr. Chan has entered into a service contract with the Company for an initial term of three years commencing from 12th September, 2001 and is automatically renewable for successive terms of one year after the expiry of the then current term. Under the terms of the current service contract, Mr. Chan is entitled to a monthly salary of HK\$12,600 and a discretionary bonus to be determined by the board of Directors.

There is no information in relation to Mr. Chan that needs to be disclosed pursuant to any of the requirements of the provisions under Rules 13.51(2)(h) to 13.51(2)(v) of the Listing Rules.

Save as disclosed above, the Company is not aware of any other matters that need to be brought to the attention of the shareholders of the Company in relation to the re-appointment of Mr. Chan.

Mr. TSUI Hon Wing, aged 61, an executive Director, joined the Group in 1987 and possesses over 30 years of extensive experience in the sale and management of business solutions. Apart from being an executive director of the Company, Mr. Tsui has not held any directorship in listed public companies or other major appointments and qualifications during the last three years preceding the date of this notice. Mr. Tsui is not holding any other position in the Company and/or its subsidiaries as at the date of this notice. Mr. Tsui is not related to other Directors, senior management or substantial or controlling shareholders of the Company.

Mr. Tsui is interested in 2,879,200 shares of the Company, representing approximately 0.59% of the issued share capital of the Company as at the date of this notice.

NOTICE OF ANNUAL GENERAL MEETING

Mr. Tsui has entered into a service contract with the Company for an initial term of three years commencing from 12th September, 2001 and is automatically renewable for successive terms of one year after the expiry of the then current term. Under the terms of the current service contract, Mr. Tsui is entitled to a monthly salary of HK\$ 52,500 and a discretionary bonus to be determined by the board of Directors.

There is no information in relation to Mr. Tsui that needs to be disclosed pursuant to any of the requirements of the provisions under Rules 13.51(2)(h) to 13.51(2)(v) of the Listing Rules.

Save as disclosed above, the Company is not aware of any other matters that need to be brought to the attention of the shareholders of the Company in relation to the re-appointment of Mr. Tsui.

Mr. WU Kwok Lam, aged 46, an executive Director, joined the Group in 1989 and is currently the General Manager and Chief Financial Officer of the Group. He earned his MBA degree from Murdoch University, Australia and has over 15 years of extensive experience in the accounting and finance field. He is also an Associate Member of the Hong Kong Institute of Certified Public Accountants and a Fellow Member of the Association of Chartered Certified Accountants. Mr. Wu is also the company secretary and qualified accountant of the Company. Mr. Wu is also currently an executive director of certain subsidiaries of the Company, namely Hong Kong Communications Equipment Company Limited, Generalvestor (HK) Limited, Circle Mobile Communications Limited and HKC International (Thailand) Limited. Save as disclosed above, Mr. Wu has not held any directorship in listed public companies or other major appointments and qualifications during the last three years preceding the date of this notice and is not holding any other position in the Company and/or its subsidiaries as at the date of this notice. Mr. Wu is not related to other Directors, senior management or substantial or controlling shareholders of the Company.

Mr. Wu is interested in 256,000 shares of the Company, representing approximately 0.05% of the issued share capital of the Company as at the date of this notice.

Mr. Wu has entered into a service contract with the Company for an initial term of three years commencing from 12th September, 2001 and is automatically renewable for successive terms of one year after the expiry of the then current term. Under the terms of the current service contract, Mr. Wu is entitled to a monthly salary of HK\$56,100 and a discretionary bonus to be determined by the board of Directors.

There is no information in relation to Mr. Wu that needs to be disclosed pursuant to any of the requirements of the provisions under Rules 13.51(2)(h) to 13.51(2)(v) of the Listing Rules.

Save as disclosed above, the Company is not aware of any other matters that need to be brought to the attention of the shareholders of the Company in relation to the re-appointment of Mr. Wu.

NOTICE OF ANNUAL GENERAL MEETING

Mr. LEUNG Tai Wai, David, aged 52, an independent non-executive Director, is the president of Zestra Asia Limited. Mr. Leung held a Bachelor's Degree in Business Administration and a Master's Degree in Marketing. Apart from being an independent non-executive Director of the Company, Mr. Leung has not held any directorship in listed public companies or other major appointments and qualifications during the last three years preceding the date of this notice. Mr. Leung is not holding any other position in the Company and/or its subsidiaries as at the date of this notice. Mr. Leung is not related to other Directors, senior management or substantial or controlling shareholders of the Company.

Mr. Leung does not have any interests in the shares of the Company within the meaning of Part XV of the Securities and Futures Ordinance.

Mr. Leung has not entered into any service contract with the Company or any of its subsidiaries. Mr. Leung is entitled to an annual director's fee of HK\$20,000.

There is no information in relation to Mr. Leung that needs to be disclosed pursuant to any of the requirements of the provisions under Rules 13.51(2)(h) to 13.51(2)(v) of the Listing Rules.

Save as disclosed above, the Company is not aware of any other matters that need to be brought to the attention of the shareholders of the Company in relation to the re-appointment of Mr. Leung.

MANAGEMENT DISCUSSION AND ANALYSIS

For the year ended 31st March, 2008, the group's turnover increased by 33% to HK\$1,156 million (2007: HK\$869 million) and net profit was HK\$7 million (2007: HK\$5 million), representing an increase of approximately 45%.

SALES OF MOBILE PHONES

The business of this division maintained stable growth. The turnover increased from HK\$772 million to HK\$1,097 million and the profit increased from HK\$8 million to HK\$10 million when compared with last year respectively. The profit margin was stable.

SALE OF BUSINESS SOLUTIONS

During the year under review, the turnover decreased by 40% to HK\$59 million (2007: HK\$99 million) due to scaling down of certain overseas subsidiaries. Despite the decline in turnover, the division had an operating profit of HK\$2 million compared with the loss of HK\$6 million last year. The improvement in the performance was mainly due to completion of a home automation project for a property developer and a telephone system project for a hotel during the year under review. In addition, the scaling down of certain overseas subsidiaries also helped to cut the losses incurred in previous year.

PROPERTY INVESTMENT

The profit of this division was HK\$0.4 million (2007: loss of HK\$1.3 million). The improvement in the performance was due to sale of a vacant property at the beginning of this year, thus saving the mortgage loan interest.

PROSPECTS

The sale of mobile phones continues to be the group's major core business. To increase the profitability of the group, we will look for more home automation projects and enhance our property portfolio for stable rental income.

LIQUIDITY AND FINANCIAL RESOURCES

The group continues to maintain a strong financial position. As at 31st March, 2008, the group's bank balances and cash amounted to approximately HK\$140 million (2007: HK\$91 million) while the bank borrowing was HK\$0.03 million (2007: HK\$26 million). The gearing ratio was 0.01% (2007: 10%) which is expressed as a percentage of total borrowings to shareholders' funds.

As substantial portion of transactions are dominated in Hong Kong Dollar, the group's exposure to exchange fluctuation is low.

CAPITAL EXPENDITURES

The group invested HK\$5 million in investment properties, leasehold land and property, plant and equipment during the year. All of the capital expenditures were financed from internal resources.

MANAGEMENT DISCUSSION AND ANALYSIS

EMPLOYEES

As at 31st March, 2008, the total number of employees of the group was approximately 330 (2007: 380) and the aggregate remuneration of employees (excluding directors' emoluments) amounted to HK\$52 million (2007: HK\$48 million). The remuneration and bonus packages of the employees are based on the individual merits and performance and are reviewed at least annually. There is a share option scheme and a share award plan in place designed to award employees for their performance at the discretion of the directors. The group maintains a good relationship with its employees.

PLEDGE OF ASSETS

As at 31st March, 2008, the group's general banking facilities were secured by (1) first legal charge on certain leasehold land and buildings and investment properties with aggregate net book value of HK\$9,044,000 (2007: HK\$75,930,000), (2) bank deposit of HK\$11,840,000 (2007: HK\$7,798,000) and (3) available-for-sale financial assets of HK\$3,806,000 (2007: HK\$12,976,000) and (4) financial assets at fair value through profit or loss of HK\$988,000 (2007: HK\$Nil).

CONTINGENT LIABILITIES

As at 31st March, 2008, the company had provided corporate guarantees of HK\$49 million (2007: HK\$49 million) to secure general banking facilities granted to the subsidiaries.

SUBSEQUENT EVENTS

- 1) Subsequent to the balance sheet date, the group had completed the acquisition of the investment properties with an aggregate cost of HK\$18,850,000.
- 2) On 28th April, 2008, the group entered into an agreement to acquire an investment property located at Hong Kong at a cash consideration of HK\$5,750,000. This transaction had been completed on 18th July, 2008.
- 3) On 8th May, 2008, the group entered into another agreement to acquire an office located at Shanghai, PRC at a cash consideration of HK\$25,354,000 (RMB22,727,000). This transaction is expected to be completed on or before 28th October, 2008.

DIVIDEND

The Directors recommend the payment of a final dividend of HK\$0.01 (2007: HK\$0.01) per ordinary share payable to shareholders of the company whose names appear on the register of members of the company on Monday, 8th September, 2008. Subject to the approval of the shareholders of the company at the forthcoming annual general meeting of the company, the dividend will be paid on or before 15th September, 2008.

MANAGEMENT DISCUSSION AND ANALYSIS

CLOSURE OF REGISTER OF MEMBERS

The register of members of the company will be closed from Thursday, 4th September, 2008 to Monday, 8th September, 2008, both days inclusive, for the purpose of, among other things, establishing entitlements to the proposed final dividend, during which period no transfer of shares will be effected. In order to qualify for the final dividend, all transfers, accompanied by the relevant share certificates, should be lodged with the company's Share Registrars in Hong Kong, Pilare Limited, at 10th Floor, Sun Hung Kai Centre, 30 Harbour Road, Wanchai, Hong Kong not later than 4:30 p.m. on Wednesday, 3rd September, 2008.

APPRECIATION

The Board would like to extend its sincere gratitude to the company's shareholders, business counterparts and all management and staff members of the group for their contribution and continued support during the year.

CORPORATE GOVERNANCE REPORT

CODE ON CORPORATE GOVERNANCE PRACTICES

The Board considers that good corporate governance is central to safeguard the interests of the shareholders and enhancing the performance of the Group. The Company had complied throughout the year ended 31st March, 2008 with the code provisions ("Code Provision") set out in the Code of Corporate Governance Practices ("Code") contained in Appendix 14 to the Rules Governing the Listing of Securities on The Stock Exchange of Hong Kong Limited ("Listing Rules"), except for Code Provision A.2.1 which stipulates that the roles of Chairman and Chief Executive Officer should be separate and should not be performed by the same individual. The Company does not segregate the roles of Chairman and Chief Executive Officer and Mr. Chan Chung Yee, Hubert currently holds both positions. The Board believes that vesting the roles of Chairman and Chief Executive Officer in the same person provides the Group with strong and consistent leadership in the development and execution of long-term business strategies. The Board will continuously review and improve the corporate governance practices and standards of the Company to ensure that business activities and decision making processes are regulated in a proper and prudent manner.

BOARD OF DIRECTORS

The Board is responsible for formulating business strategies, and monitoring the performance of the business of the Group. Other than the daily operational decisions which are delegated to the members of the senior management of the Group, most of the corporate decision of the Company are made by the Board.

The Board comprises six executive directors namely Mr. Chan Chung Yee, Hubert (Chairman), Mr. Chan Chung Yin, Roy, Mr. Chan Man Min, Mr. Chan Ming Him, Denny, Mr. Tsui Hon Wing and Mr. Wu Kwok Lam, one non-executive director namely Mr. Ng Ching Wah and three independent non-executive directors, namely Mr. Chiu Ngar Wing, Dr. Chu Chor Lup and Mr. Leung Tai Wai, David. Mr. Chiu Ngar Wing possesses appropriate professional accounting qualifications and financial management expertise. Mr. Chan Chung Yee, Hubert, the Chairman of the Board, is the elder brother of Mr. Chan Chung Yin, Roy. Mr. Chan Man Min is the father of Mr. Chan Ming Him, Denny. Save as disclosed, there is no relationship among the members of the Board.

The Company has received from each of its independent non-executive directors a written confirmation of his independence and the Company considers each of them to be independent based on the guidelines set out in Rule 3.13 of the Listing Rules.

CORPORATE GOVERNANCE REPORT

The Board held eleven meetings during the year and the attendance record of individual director are as follows:

Number of meetings attended

Executive directors:

Chan Chung Yee, Hubert	10/11
Chan Chung Yin, Roy	8/11
Chan Man Min	0/11
Chan Ming Him, Denny	8/11
Tsui Hon Wing	9/11
Wu Kwok Lam	11/11
Yeh Yui Fong	8/11

Non-executive director:

Ng Ching Wah	2/11
--------------	------

Independent non-executive directors:

Chiu Ngar Wing	5/11
Chu Chor Lup	0/11
Leung Tai Wai, David	0/11

TERMS OF APPOINTMENT OF INDEPENDENT NON-EXECUTIVE DIRECTORS

Each of the independent non-executive directors has entered into a letter of appointment with the Company for a term of one year. The appointment will be automatically renewed for successive term of one year unless terminated by either party by not less than three months notice in writing prior to the expiry of the then current term. All the independent non-executive directors are subject to retirement by rotation and re-election at the annual general meeting of the Company in accordance with the articles of association of the Company.

CORPORATE GOVERNANCE REPORT

REMUNERATION COMMITTEE

The members of the remuneration committee comprise Dr. Chu Chor Lup, Mr. Chiu Ngar Wing and Mr. Wu Kwok Lam and Mr. Chiu Ngar Wing is the Chairman of the remuneration committee. Dr. Chu Chor Lup and Mr. Chiu Ngar Wing are independent non-executive directors.

The remuneration committee is mainly responsible for making recommendations to the Board on the Company's policy and structure for all remuneration of directors and senior management, determining the specific remuneration packages of all executive directors and senior management of the Group and reviewing and approving the compensation payable to executive directors and senior management of the Group in connection with any loss or termination of their office or appointment. One meeting of the remuneration committee had been held during the year to review and approve the remuneration policy of the Company and to determine the remuneration of the directors of the Company. The individual attendance of members are as follows:

Name of members	Number of meeting attended
Chiu Ngar Wing	1/1
Chu Chor Lup	1/1
Wu Kwok Lam	1/1

AUDIT COMMITTEE

The Company's audit committee comprises three independent non-executive directors namely, Mr. Chiu Ngar Wing, Dr. Chu Chor Lup and Mr. Leung Tai Wai, David and Mr. Chiu Ngar Wing is the chairman of the audit committee. During the year, the audit committee reviewed the unaudited interim financial statements for the six months ended 30th September, 2007 and the audited financial statements for the year ended 31st March, 2008 with recommendations to the Board for approval, reviewed reports on internal control system of the Group, and discussed with the management and the external auditors the audit plans, the accounting policies and practices which may affect the Group and financial reporting matters. A total of two meetings were in the year under review and the individual attendance of members are as follows:

Name of members	Number of meetings attended
Chiu Ngar Wing	2/2
Chu Chor Lup	2/2
Leung Tai Wai, David	1/2

The remuneration paid to the external auditors of the Group in respect of audit services and tax consulting services for the year ended 31st March, 2008 amounted to HK\$529,000.

CORPORATE GOVERNANCE REPORT

DIRECTORS' RESPONSIBILITY FOR THE FINANCIAL STATEMENTS

The directors of the Company acknowledge their responsibility for preparing all information and representation contained in the consolidated financial statements of the Company for the year under review. In preparing the financial statements, the generally accepted accounting standards in Hong Kong have been adopted and the financial statements complied with accounting standards issued by the Hong Kong Institute of Certified Public Accountants. Appropriate accounting policies have also been used and applied consistently. As at 31st March, 2008, the directors are not aware of any material uncertainties relating to events or conditions which may cast significant doubt upon the ability of the Company to continue as a going concern basis.

The statement of the external auditors of the Company about their reporting responsibilities on the consolidated financial statements is set out in the Independent Auditor's Report on page 36 of the annual report of the Company for the year ended 31st March, 2008.

INTERNAL CONTROL

The Board is of the opinion that a sound internal control system will contribute to the effectiveness and efficiency of operations, the reliability of financial reporting and the Group's compliance with applicable laws and regulations and will assist the Board in the management of any failure to achieve business objective.

Business plans and budgets are prepared annually by the management of each business unit and are subject to review and approval by the executive directors of the Company. Plans and budgets are reviewed on a monthly basis to measure actual performance against the budget. When setting budgets and forecasts, management identifies, evaluates and reports on the likelihood and potential financial impact of significant business risks. Different guidelines and procedures have been established for the approval and control of operating expenditures, capital expenditures and the unbudgeted expenditures and acquisitions.

The executive directors of the Company review monthly management reports on the financial results and key operating statistics of each business unit and hold periodical meetings with the senior management of each business unit and the finance team to review these reports, discuss business performance against budgets, forecasts and market conditions, and to address accounting and finance related matters.

The Board is responsible for internal control of the Group and for reviewing its effectiveness. Procedures have been designed to safeguard assets against unauthorized use or disposition, ensure the maintenance of proper accounting records for the provision of reliable financial information for management use and for publication, and ensure compliance of applicable laws, rules and regulations. The procedures provide reasonable but not absolute assurance against material errors, losses or fraud.

CORPORATE GOVERNANCE REPORT

For the year under review, the Board has designated a risk management team to review the effectiveness of the Group's internal control system. The team performed evaluation of the principles and controls of the Group's control environment, risk assessment, control activities, information and communication and monitoring so as to ensure that key business and operational risks are identified and managed. Significant findings on internal controls are to be reported to the audit committee every year.

DIRECTORS' SECURITIES TRANSACTION

The Company has adopted the Model Code for Security Transactions by Directors of Listed Issuers ("Model Code") as set out in Appendix 10 to the Listing Rules as the code of conduct regarding directors' securities transactions.

Each of the directors of the Company confirmed, following specific enquiry by the Company, that he complied with the required standard as set in Model Code throughout the year ended 31st March, 2008.

COMMUNICATION WITH SHAREHOLDERS

The Board recognized the importance of good communication with the shareholders of the Company. Information in relation to the Group is disseminated to shareholders in a timely manner through a number of channels, which include publication of interim reports and annual reports, announcements and circulars. The developments of each line of the Group's business are presented under "Management discussion and analysis" section of the interim reports and annual reports to enable the shareholders to have a better understanding of the Group's business activities.

The Company welcomes shareholders to attend the annual general meetings and express their view. The Chairman of the Board as well as other Board members together with the external auditors are available to answer shareholders' questions.

BIOGRAPHICAL DETAILS OF DIRECTORS AND SENIOR MANAGEMENT

EXECUTIVE DIRECTORS

Mr. CHAN Chung Yee, Hubert, aged 48, joined the Group in 1984 and is responsible for the formulation of corporate strategies and business development of the Group. Mr. Chan is a director of each of the Company's subsidiaries. He has over 20 years of experience in the trading and distribution of telecommunications equipment. Mr. Chan obtained a Bachelor's Degree in Industrial Engineering from the University of Hong Kong and an Executive Master of Business Administration from the Hong Kong University of Science and Technology. Mr. Chan is also very active in promoting the telecommunications industry in Hong Kong. He is currently the Chairman of the Communications Association of Hong Kong.

Mr. CHAN Chung Yin, Roy, aged 46, the younger brother of Mr. Chan Chung Yee, Hubert, has been an executive director of the Group since he joined in 1989. He graduated from the University of Toronto, Canada with a Bachelor's Degree in Computer Science and has over 16 years of experience in the telecommunications industry.

Mr. WU Kwok Lam, aged 46, joined the Group in 1989 and is currently the General Manager and Chief Financial Officer of the Group. He earned his MBA degree from Murdoch University, Australia and has over 15 years of extensive experience in the accounting and finance field. He is also an associate member of the Hong Kong Institute of Certified Public Accountants and a fellow member of the Association of Chartered Certified Accountants. Mr. Wu is also the company secretary and qualified accountant of the Company.

Mr. CHAN Man Min, aged 75, joined the Group in 1971 with over 30 years of extensive experience in the telecommunications industry. He is the father of Mr. Chan Ming Him, Denny.

Mr. CHAN Ming Him, Denny, aged 49, joined the Group in 1999 with over 15 years of experience in the telecommunications industry in China. He graduated from McMaster University, Canada with a Master's Degree in Engineering. He is the son of Mr. Chan Man Min.

Mr. TSUI Hon Wing, aged 61, joined the Group in 1987 and possesses over 30 years of extensive experience in the sales and management of intercom, keyphone and closed-circuit television systems.

NON-EXECUTIVE DIRECTOR

Mr. NG Ching Wah, aged 58, the independent non-executive director of Pacific Textiles Holding Limited. He is the Honorary Adviser of the Communications Association of Hong Kong which promotes the further development of the local telecommunications industry. He graduated from the Chinese University of Hong Kong in 1975, with a Bachelor of Business and Administration degree.

BIOGRAPHICAL DETAILS OF DIRECTORS AND SENIOR MANAGEMENT

INDEPENDENT NON-EXECUTIVE DIRECTORS

Mr. CHIU Ngar Wing, aged 54, is a practising accountant. He is an associate member of the Hong Kong Institute of Certified Public Accountants and the Institute of Chartered Accountants in England and Wales and a fellow member of the Association of Chartered Certified Accountants. He is a director of T.C. Ng & Co. CPA Ltd. and has been practicing in the firm for more than 20 years.

Dr. CHU Chor Lup, aged 55, is a practising doctor. He is a fellow of Hong Kong College of Physician and Hong Kong Academy of Medicine and Royal College of Physician (Glasgow). He has been the member of the Hospital Governing Committee since 1997.

Mr. LEUNG Tai Wai, David, aged 52, is the president of Zestra Asia Limited. Mr. Leung holds a Degree in Business Administration and a Master's Degree in Marketing.

SENIOR MANAGEMENT

Mr. CHOI Chun Yik, aged 47, joined the Group in 1990 with over 15 years of experience in the telecommunications industry. He is responsible for overseeing the operations of sales, customer services and technical services departments in the business solutions division. He has attained an MBA Degree from Murdoch University, Australia.

Mr. LAU Chuen Kee, aged 46, is the general manager of the Shanghai's subsidiary of the Company. Mr. Lau joined the Group in 1998 and is responsible for exploring business opportunities in China. He has over 15 years of experience in China business.

Mr. HUI Koon Wai, Bernard, aged 42, joined the group in 1998, and is responsible for overseeing the Group's distribution and operation of sales in the mobile division. Prior to joining the Group, Mr. Hui has extensive sales experience through working for Gilman & Company Limited and Hutchison Telecommunications (Hong Kong) Limited (now known as HTIL). He also has over 12 years of experience in mobile phone business.

Mr. LAM Kwok, Hung, Charles, aged 41, is the general manager of the computer division. Mr. Lam joined the Group in 2005 with over 15 years of experience in the information technology industry mainly responsible for the infrastructure of computer networking system and applications development. He also has experience to develop the business as Internet Service Provider and is one of the pioneers in the e-Commerce market at the new generation. Mr. Lam obtained an MBA Degree from Columbia Southern University.

Mr. NG Chi Hoi, Samuel, aged 50, is the general manager of Singapore Communications Equipment Co., (Pte) Limited. Mr. Ng joined the Group in 1993 with over 25 years of experience in the telecommunications industry. He obtained a Bachelor's Degree in Computing and Information Systems from University of London.

BIOGRAPHICAL DETAILS OF DIRECTORS AND SENIOR MANAGEMENT

Mr. LEE Sheng Weng, Nick, aged 36, joined the group in 2007 with over 12 years of experience in Smart Card and RFID industry. He is the chief operating officer and one of the founders of Wavex Technologies Pte Ltd which has completed more than 60 RFID sites implementation in Singapore and Asia Pacific. By possessing strong information technology and RFID knowledge, he led the company to win the Entrepreneur of Year in Singapore in 2006 and to achieve enterprise 50 and SME500 of Singapore. He is actively participating in Singapore IT Standard Committee for Smartcard and RFID technologies.

Mr. HO Lok Sun, Angus, aged 37, is the general manager (strategic marketing) of HKC Technology Limited. Mr. Ho joined the Group in 2007 with over 15 years of experience in business development, project management, business operations and management. Mr. Ho obtained a Doctor Degree of Business Administration from Hong Kong Polytechnic University, a Master Degree of Management from Macquarie University, a Master Degree in Commerce from Curtin University of Technology. He is also a fellow member of the Asian Institute of Intelligent Buildings Hong Kong Headquarter and Internet and Professional Association of Hong Kong.

Mr. IP Man Hon, Martin, aged 41, is the project director. He joined the Group in 1991 with over 15 years of experience in product development and management. He obtained a Master Degree of Science from the University of Hong Kong and a Bachelor's Degree in Engineering from the Hong Kong Polytechnic University.

REPORT OF THE DIRECTORS

The directors have pleasure in presenting their annual report and the audited financial statements of the group and the company for the year ended 31st March, 2008.

PRINCIPAL ACTIVITIES

The company acts as an investment holding company. The principal activities of its subsidiaries are set out in note 53 to the financial statements.

RESULTS AND APPROPRIATIONS

The results of the group for the year ended 31st March, 2008 are set out in the consolidated income statement on page 38.

The directors recommend the payment of a final dividend of HK\$0.01 per ordinary share to the shareholders of the company whose names appear on the register of members on 8th September, 2008.

PROPERTY, PLANT AND EQUIPMENT

During the year, the group spent HK\$5,102,000 on property, plant and equipment. The group also disposed of certain of its property, plant and equipment with aggregate carrying amount of HK\$1,985,000.

Details of these and other movements in property, plant and equipment of the group during the year are set out in note 17 to the financial statements.

Particulars of the leasehold land and buildings of the group as at 31st March, 2008 are set out on page 116.

INVESTMENT PROPERTIES

During the year, the group disposed of its investment properties with a carrying amount of HK\$8,794,000 during the year.

Details of other movements in investment properties of the group during the year are set out in note 18 to the financial statements.

Particulars of the investment properties of the group as at 31st March, 2008 are set out on page 116.

LEASEHOLD LAND

The group disposal of its leasehold land with a carrying amount of HK\$57,979,000 during the year.

SHARE CAPITAL

Details of the movements in share capital of the company during the year are set out in note 39 to the financial statements.

REPORT OF THE DIRECTORS

BORROWINGS

Particulars of the borrowings of the group at the balance sheet date are set out in note 37 to the financial statements.

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.

DONATIONS

Donations made by the group during the year amounted to HK\$500,000.

DIRECTORS AND SERVICE CONTRACTS

The directors of the company during the year and up to the date of this report were:

Executive directors:

Chan Chung Yee, Hubert – *Chairman*

Chan Chung Yin, Roy

Chan Man Min

Chan Ming Him, Denny

Tsui Hon Wing

Wu Kwok Lam

Yeh Yui Fong (resigned on 8.9.2007)

Non-executive director:

Ng Ching Wah (appointed on 11.10.2007)

Independent non-executive directors:

Chiu Ngar Wing

Chu Chor Lup

Leung Tai Wai, David

In accordance with article 108 of the company's articles of association, Messrs. Chan Ming Him, Denny, Tsui Hon Wing, Wu Kwok Lam and Leung Tai Wai, David will retire by rotation and, being eligible, offer themselves for re-election at the forthcoming annual general meeting.

Each of the executive directors has entered into a service contract with the company for an initial term of three years commencing from 12th September, 2001, and is automatically renewable for successive terms of one year upon expiry of the then current term, until terminated by not less than three months' notice in writing served by either party to the other.

REPORT OF THE DIRECTORS

DIRECTORS AND SERVICE CONTRACTS – continued

Each of the independent non-executive directors has entered into a letter of appointment with the company for an initial term of one year. The appointment will be automatically renewed for successive term of one year unless terminated by either party by not less than three months' notice in writing prior to the expiry of the then current term. All the independent non-executive directors are subject to retirement by rotation and re-election at the annual general meeting of the company in accordance with the articles of association of the company.

None of the directors of the company has entered into a service contract with the company or any of its subsidiaries which is not determinable within one year without payment of compensation, other than statutory compensation.

DIRECTORS' INTERESTS IN CONTRACTS

Other than the interests disclosed under the section headed "Connected transactions" below and disclosed in note 49 to the financial statements, no other contracts of significance to which the company or any of its subsidiaries was a party and in which a director of the company had a material interest, whether directly or indirectly, subsisted at the end of the year or at any time during the year.

INDEPENDENCE OF INDEPENDENT NON-EXECUTIVE DIRECTORS

The company has received from each of its current independent non-executive directors an annual confirmation of his independence and the company considers each of them to be independent based on the guidelines set out in Rule 3.13 of the Listing Rules.

REPORT OF THE DIRECTORS

DIRECTORS' AND CHIEF EXECUTIVE'S INTERESTS AND SHORT POSITIONS IN SHARES, UNDERLYING SHARES AND DEBENTURES OF THE COMPANY AND ITS ASSOCIATED CORPORATIONS

- (a) As at the Latest Practicable Date, the interests and short positions of each director 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 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 the interests and short positions which he was taken or deemed to have under such provisions of the SFO), or which were required, pursuant to section 352 of the SFO, to be entered in the register maintained by the company referred to therein, or which were required, pursuant to the Model Code for Securities Transactions by directors of Listed Issuers contained in the Listing Rules, to be notified to the company and the Stock Exchange were as follows:

Name of Director	The company/ associated corporation	Capacity	Number and class of securities (Note 1)	Approximate percentage of interest
Chan Chung Yee, Hubert	The company	Interest of controlled corporation	237,836,575 Shares (L) (Note 2)	48.53%
	The company	Beneficial owner	9,080,000 Shares (L) (Note 3)	1.85%
	Matrix World Group Limited	Beneficial owner	1 share of US\$1.00 (L)	100%

REPORT OF THE DIRECTORS

DIRECTORS' AND CHIEF EXECUTIVE'S INTERESTS AND SHORT POSITIONS IN SHARES, UNDERLYING SHARES AND DEBENTURES OF THE COMPANY AND ITS ASSOCIATED CORPORATIONS – continued

Name of Director	The Company/ associated corporation	Capacity	Number and class of securities (Note 1)	Approximate percentage of interest
Chan Chung Yin, Roy	The company	Interest of controlled corporation	67,417,400 Shares (L) (Note 4)	13.76%
	The company	Beneficial owner	1,260,000 Shares (L) (Note 5)	0.25%
	Star Global International Limited	Beneficial owner	1 share of US\$1.00 (L)	100%
Chan Man Min	The company	Interest of controlled corporation	24,709,650 Shares (L) (Note 6)	5.04%
	The company	Beneficial owner	1,000,000 Shares (L) (Note 7)	0.20%
Tsui Hon Wing	The company	Beneficial owner	2,879,200 Shares (L) (Note 8)	0.59%
Chan Ming Him, Denny	The company	Beneficial owner	1,000,000 Shares (L) (Note 9)	0.20%
Wu Kwok Lam	The company	Beneficial owner	256,000 Shares (L) (Note 10)	0.05%

REPORT OF THE DIRECTORS

DIRECTORS' AND CHIEF EXECUTIVE'S INTERESTS AND SHORT POSITIONS IN SHARES, UNDERLYING SHARES AND DEBENTURES OF THE COMPANY AND ITS ASSOCIATED CORPORATIONS – continued

Notes:

- (1) The Letter "L" represents the director's or chief executive's interests in the shares and underlying shares of the Company or its associated corporations.
- (2) Among these Shares, 8,484,848 Shares were held by Light Emotion Limited, a company wholly owned by Matrix World Group Limited and 229,351,727 Shares were held by Matrix World Group Limited, a company wholly owned by Mr. Chan Chung Yee, Hubert. By virtue of the provisions of Divisions 7 and 8 of Part XV of the SFO, Matrix World Group Limited is deemed to be interested in the Shares held by Light Emotion Limited and Mr. Chan Chung Yee, Hubert is deemed to be interested in the Shares in which Matrix World Group Limited is interested.
- (3) These Shares are registered in the name of Mr. Chan Chung Yee, Hubert.
- (4) These Shares were held by Star Global International Limited, a company wholly owned by Mr. Chan Chung Yin, Roy. By virtue of the provisions of Divisions 7 and 8 of Part XV of the SFO, Mr. Chan Chung Yin, Roy is deemed to be interested in the Shares held by Star Global International Limited.
- (5) These Shares are registered in the name of Mr. Chan Chung Yin, Roy.
- (6) These Shares were held by Ocean Hope Group Limited, a company wholly owned by Mr. Chan Man Min. By virtue of the provisions of Divisions 7 and 8 of Part XV of the SFO, Mr. Chan Man Min is deemed to be interested in the Shares held by Ocean Hope Group Limited.
- (7) These Shares are registered in the name of Mr. Chan Man Min.
- (8) These Shares are registered in the name of Mr. Tsui Hon Wing.
- (9) These Shares are registered in the name of Mr. Chan Ming Him, Denny.
- (10) These Shares are registered in the name of Mr. Wu Kwok Lam.

REPORT OF THE DIRECTORS

DIRECTORS' AND CHIEF EXECUTIVE'S INTERESTS AND SHORT POSITIONS IN SHARES, UNDERLYING SHARES AND DEBENTURES OF THE COMPANY AND ITS ASSOCIATED CORPORATIONS – continued

- (b) Save as disclosed above, as at the Latest Practicable Date, none of the directors and chief executive of the company had any interest and short positions in the shares, underlying shares and debentures of the company or its associated corporations (within the meaning of Part XV of the 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 and short positions which he was taken or deemed to have under such provisions of the SFO), or which were required, pursuant to section 352 of the SFO, to be entered in the register maintained by the company referred to therein, or which were required, pursuant to the Model Code for Securities Transactions by directors of Listed Issuers contained in the Listing Rules, to be notified to the company and the Stock Exchange.

DISCLOSEABLE INTERESTS UNDER DIVISIONS 2 AND 3 OF PART XV OF THE SFO AND SUBSTANTIAL SHAREHOLDERS OF OTHER MEMBERS OF THE GROUP

As at the Latest Practicable Date, so far as was known to any director or chief executive of the company, the following persons (other than a director or chief executive of the company) had an interest or short position in the shares and underlying shares of the company which would fall to be disclosed to the company under the provisions of Divisions 2 and 3 of Part XV of the SFO:

Name	Number of Shares (Note 1)	Capacity/ nature of interest	Approximate percentage of interest
Matrix World Group Limited	229,351,727(L) (Note 2)	Beneficial owner	46.80%
	8,484,848(L) (Note 2)	Interest of controlled corporation	1.73%
Star Global International Limited (Note 3)	67,417,400(L)	Beneficial owner	13.76%
Ocean Hope Group Limited (Note 4)	24,709,650(L)	Beneficial owner	5.04%
Chan Low Wai Han, Edwina (Note 5)	68,677,400(L)	Interests of spouse	14.01%
Josephine Liu (Note 6)	246,916,575(L)	Interests of spouse	50.38%

REPORT OF THE DIRECTORS

DICLOSEABLE INTERESTS UNDER DIVISIONS 2 AND 3 OF PART XV OF THE SFO AND SUBSTANTIAL SHAREHOLDERS OF OTHER MEMBERS OF THE GROUP – continued

Notes:

- (1) The Letter "L" represents the person's interests in Shares.
- (2) Among these Shares, 8,484,848 Shares were held by Light Emotion Limited, a company wholly owned by Matrix World Group Limited and 229,351,727 Shares were held by Matrix World Group Limited, a company wholly owned by Mr. Chan Chung Yee, Hubert. By virtue of the provisions of Divisions 7 and 8 of Part XV of the SFO, Matrix World Group Limited is deemed to be interested in the Shares held by Light Emotion Limited and Mr. Chan Chung Yee, Hubert is deemed to be interested in the Shares in which Matrix World Group Limited is interested. Mr. Chan Chung Yee, Hubert is a director of Light Emotion Limited and Matrix World Group Limited.
- (3) Star Global International Limited is a company wholly owned by Mr. Chan Chung Yin, Roy. Mr. Chan Chung Yin, Roy is a director of Star Global International Limited.
- (4) Ocean Hope Group Limited is a company wholly owned by Mr. Chan Man Min. Mr. Chan Man Min is a director of Ocean Hope Group Limited.
- (5) Mrs. Chan Low Wai Han, Edwina is wife of Mr. Chan Chung Yin, Roy. By virtue of the provisions of Divisions 2 and 3 of Part XV of the SFO, Mrs. Chan Low Wai Han, Edwina is deemed to be interested in all the Shares in which Mr. Chan Chung Yin, Roy is interested.
- (6) Ms. Josephine Liu is the wife of Mr. Chan Chung Yee, Hubert. By virtue of the provisions of Divisions 2 and 3 of Part XV of the SFO, Ms. Josephine Liu is deemed to be interested in all the Shares in which Mr. Chan Chung Yee, Hubert is interested.

DIRECTORS' RIGHTS TO ACQUIRE SHARES OR DEBENTURES

Apart from those disclosed under the section heading "Directors' and chief executive's interests and short positions in shares, underlying shares and debentures of the company and its associated corporations" above and under the section headed "share options scheme and share award plan" below, at no time during the year under review or up to the date of this report was the company or any of its subsidiaries a party to any arrangement to enable the directors of the company to acquire benefits by means of acquisition of shares in, or debenture of the company or any other body corporate.

REPORT OF THE DIRECTORS

SHARE OPTION SCHEME AND SHARE AWARD PLAN

a) Share Option Scheme

Particulars of the company's Share Option Scheme are set out in note 40 to the financial statements.

The company had not granted any option during the year ended 31st March, 2008.

As at 31st March, 2008, no options were outstanding.

The following table discloses movements in the company's share options during the year:

	Date of grant	Exercisable period	Exercise price per share HK\$	Outstanding at 1st April, 2007	Exercised during the year	Lapsed during the year	Outstanding at 31st March, 2008
Directors							
Chan Chung Yee, Hubert	17.6.2005	17.12.2005 – 16.6.2007	0.284	4,300,000	(4,300,000)	–	–
Chan Chung Yin, Roy	17.6.2005	17.12.2005 – 16.6.2007	0.284	2,000,000	(1,000,000)	(1,000,000)	–
Chan Man Min	17.6.2005	17.12.2005 – 16.6.2007	0.284	1,000,000	(1,000,000)	–	–
Chan Ming Him, Denny	17.6.2005	17.12.2005 – 16.6.2007	0.284	1,000,000	(1,000,000)	–	–
Tsui Hon Wing	17.6.2005	17.12.2005 – 16.6.2007	0.284	1,000,000	(200,000)	(800,000)	–
Wu Kwok Lam	17.6.2005	17.12.2005 – 16.6.2007	0.284	1,000,000	–	(1,000,000)	–
Yeh Yui Fong	17.6.2005	17.12.2005 – 16.6.2007	0.284	1,000,000	(1,000,000)	–	–
				<u>11,300,000</u>	<u>(8,500,000)</u>	<u>(2,800,000)</u>	<u>–</u>
Employees	17.6.2005	17.12.2005 – 16.6.2007	0.284	<u>6,900,000</u>	<u>(5,498,000)</u>	<u>(1,402,000)</u>	<u>–</u>
				<u>18,200,000</u>	<u>(13,998,000)</u>	<u>(4,202,000)</u>	<u>–</u>

REPORT OF THE DIRECTORS

SHARE OPTION SCHEME AND SHARE AWARD PLAN – continued

b) Share Award Plan

On 8th September, 2006, the Share Award Plan was adopted by the company in which full time selected employees (including any directors) of the company, any of its subsidiaries or any entity in which any members of the group holds an equity interest will be entitled to participate. The Share Award Plan enables the company to reward and provide incentives to, and strengthen the group's business relationship with, the prescribed classes of participants who contributed and/or may contribute to the growth and development of the group. Unless early terminated by the Board, the Share Award Plan will remain in force for a period of 10 years commencing from the date of its adoption. In any given financial year of the company, the maximum number of shares of the company which may be subscribed for and/or purchased by the trustee of the Share Award Plan is limited to not more than 8 per cent of the total number of shares of the company in issue as at the beginning of that financial year. The amount of funds which may be allocated by the company to the trustee of the Share Award Plan in any given financial year of the company for the purpose of subscribing for and/or purchasing any awarded shares of the company is limited to not more than 10 per cent of the consolidated profit before tax of the group as shown in its audited financial statements of the immediate preceding year. The allocation of funds in respect of any award to a connected person (as defined in the Listing Rules) of the company is subject to the applicable requirements of Chapter 14A of the Listing Rules.

The relevant awarded shares of the company acquired by the trustee of the Share Award Plan (together with any dividends and other distribution in respect of these awarded shares of the company) will be held by the trustee in trust for those selected employees until they are vested in them in accordance with the terms and conditions of the awards made.

During the year ended 31st March, 2008, 2,668,000 shares of the company were acquired by the trustee at a total cost of HK\$947,000. These shares were held by the trustee at 31st March, 2008 and to be transferred to those eligible directors and employees.

Further details in relation to the Share Award Plan are set out in note 41 to the financial statements.

CONNECTED TRANSACTIONS

During the year, the group had certain transactions with related parties, details of which are set out in note 49 to the financial statements.

MANAGEMENT CONTRACTS

No contracts concerning the management and administration of the whole or any substantial part of the business of the group were entered into or existed during the year.

REPORT OF THE DIRECTORS

MAJOR CUSTOMERS AND SUPPLIERS

For the year ended 31st March, 2008, the aggregate turnover attributable to the group's five largest customers accounted for approximately 72% by value of the group's total turnover and the sales attributable to the group's largest customer was approximately 48% of the total sales. The aggregate purchases attributable to the group's five largest suppliers accounted for approximately 97% by value of the group's total purchases and the purchases attributable to the group's largest supplier was approximately 94% by value of the total purchases.

None of the directors of the company, any of their associates or any shareholders (which to the best knowledge of the directors owns more than 5% of the company's share capital) has any beneficial interest in any of the group's five largest customers or five largest suppliers.

PURCHASE, SALE OR REDEMPTION OF THE COMPANY'S LISTED SHARES

There was no purchase, sale or redemption of the company's listed shares by the company or any of its subsidiaries during the year except the shares of the company acquired by the trustee of the Share Award Plan as disclosed in the section headed "share option scheme and share award plan" above.

SUBSTANTIAL SHAREHOLDERS AND OTHER PERSONS WHO ARE REQUIRED TO DISCLOSE THEIR INTERESTS PURSUANT TO PART XV OF THE SFO

So far as the directors are aware, as at 31st March, 2008, the following persons, other than a director or chief executive of the company, had an interest or a short position in the shares and underlying shares in the company as recorded in the register required to be kept under section 336 of the SFO:

Name	Number of ordinary shares (each a "Share") of HK\$0.01 each	Capacity/nature of interest	Percentage of interests in the issued share capital as at 31st March, 2008
Matrix World Group Limited (Note 2)	227,691,727 (L) (Note 1)	Beneficial owner	46.46%
	8,484,848 (L)	Interest of controlled corporation	1.73%
Star Global International Limited (Note 3)	67,417,400 (L)	Beneficial owner	13.76%
Ocean Hope Group Limited (Note 4)	24,709,650 (L)	Beneficial owner	5.04%
Chan Low Wai, Edwina (Note 5)	68,417,400 (L)	Interest of spouse	14.00%
Josephine Liu (Note 6)	244,776,575 (L)	Interest of spouse	49.94%

REPORT OF THE DIRECTORS

SUBSTANTIAL SHAREHOLDERS AND OTHER PERSONS WHO ARE REQUIRED TO DISCLOSE THEIR INTERESTS PURSUANT TO PART XV OF THE SFO – continued

Notes:

1. The letter "L" represents the person's interest in the Shares.
2. Among these Shares, 8,484,848 Shares were held by Light Emotion Limited, a company wholly owned by Matrix World Group Limited and 227,691,727 Shares were held by Matrix World Group Limited, a company wholly owned by Mr. Chan Chung Yee, Hubert. By virtue of the provisions of Divisions 2 and 3 of Part XV of the SFO, Matrix World Group Limited is deemed to be interested in the Shares held by Light Emotion Limited and Mr. Chan Chung Yee, Hubert is deemed to be interested in all the Shares in which Matrix World Group Limited is interested.
3. Star Global International Limited is a company wholly owned by Mr. Chan Chung Yin, Roy.
4. Ocean Hope Group Limited is a company wholly owned by Mr. Chan Man Min.
5. Mrs. Chan Low Wai Han, Edwina is wife of Mr. Chan Chung Yin Roy. By virtue of the provisions of Divisions 2 and 3 of Part XV of the SFO, Mrs. Chan Low Wai Han, Edwina is deemed to be interested in all the Shares in which Mr. Chan Chung Yin, Roy is interested.
6. Ms. Josephine Liu is the wife of Mr. Chan Chung Yee, Hubert. By virtue of the provisions of Divisions 2 and 3 of Part XV of the SFO, Ms. Josephine Liu is deemed to be interested in all the Shares in which Mr. Chan Chung Yee, Hubert is interested.

Save as disclosed above, as at 31st March, 2008, no person, other than a director or chief executive of the company as disclosed in the section headed "Directors' and chief executive's interests and short position in shares, underlying shares and debentures of the company and its associated corporations" above, had any interest or a short position in the shares and underlying shares in the company as recorded in the register required to be kept under section 336 of the SFO.

CORPORATE GOVERNANCE

The company is committed to maintain a high standard of corporate governance practices. Information on the corporate governance practices adopted by the company is set out in the section headed "Corporate Governance Report" in this annual report.

REPORT OF THE DIRECTORS

SUFFICIENCY OF PUBLIC FLOAT

Based on information publicly available to the company and within the knowledge of the directors as at the date of this annual report, the company has maintained the prescribed public float as prescribed under the Listing Rules.

AUDITORS

Li, Tang, Chen & Co. will retire and, being eligible, offer themselves for re-appointment. A resolution for the re-appointment of Li, Tang, Chen & Co. as auditors of the company is to be proposed at the forthcoming annual general meeting.

On behalf of the Board of Directors

Chan Chung Yee, Hubert

Chairman

Hong Kong, 21st July, 2008

INDEPENDENT AUDITOR'S REPORT



李湯陳會計師事務所

LI, TANG, CHEN & CO.

CERTIFIED PUBLIC ACCOUNTANTS (PRACTISING)

**TO THE SHAREHOLDERS OF
HKC INTERNATIONAL HOLDINGS LIMITED**

(incorporated in the Cayman Islands with limited liability)

We have audited the consolidated financial statements of HKC International Holdings Limited (the "company") set out on pages 38 to 114, which comprise the consolidated and company balance sheets as at 31st March, 2008, the consolidated income statement, the consolidated statement of changes in equity and the consolidated cash flow statement for the year then ended, and a summary of significant accounting policies and other explanatory notes.

DIRECTORS' RESPONSIBILITY FOR THE FINANCIAL STATEMENTS

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

AUDITOR'S RESPONSIBILITY

Our responsibility is to express an opinion, on these financial statements based on our audit and to report our opinion solely to you, as a body, and for no other purpose. We do not assume responsibility towards or accept liability to any other person for the contents of this report.

We conducted our audit in accordance with Hong Kong Standards on Auditing issued by the Hong Kong Institute of Certified Public Accountants. Those standards require that we comply with ethical requirements and plan and perform the audit to obtain reasonable assurance as to whether the financial statements are free from material misstatement.

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

INDEPENDENT AUDITOR'S REPORT

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 company and of the group as at 31st March, 2008 and of the group's profit and cash flows for the year then ended in accordance with Hong Kong Financial Reporting Standards and have been properly prepared in accordance with the disclosure requirements of the Hong Kong Companies Ordinance.

Li, Tang, Chen & Co.

Certified Public Accountants (Practising)

10/F Sun Hung Kai Centre

30 Harbour Road

Wanchai

Hong Kong

21st July, 2008

CONSOLIDATED INCOME STATEMENT

For the year ended 31st March, 2008

	Note	2008 HK\$'000	2007 HK\$'000
TURNOVER	7	1,156,355	869,232
Cost of sales		(1,047,554)	(770,368)
GROSS PROFIT		108,801	98,864
Other income and gains	8	13,438	10,214
Gain on disposal of investment property and leasehold land		852	–
Loss on disposal of property, plant and equipment		(1,375)	(12)
Other losses	8	(12,654)	(570)
Selling and distribution expenses		(16,261)	(14,775)
Administrative and other operating expenses		(83,794)	(85,336)
Finance costs	9	(241)	(1,525)
PROFIT BEFORE TAXATION	10	8,766	6,860
TAX EXPENSE	13(a)	(2,178)	(2,322)
PROFIT FOR THE YEAR		6,588	4,538
Attributable to			
Equity holders of the company	14	6,509	5,071
Minority interests		79	(533)
		6,588	4,538
DIVIDEND	15	4,761	4,621
EARNINGS PER SHARE – (HK CENTS)			
– basic	16	1.35 cents	1.1 cents
– diluted	16	1.35 cents	1.1 cents

BALANCE SHEETS

As at 31st March, 2008

	Note	The group		The company	
		2008 HK\$'000	2007 HK\$'000	2008 HK\$'000	2007 HK\$'000
NON-CURRENT ASSETS					
Property, plant and equipment	17	10,907	10,921	–	–
Investment properties	18	6,496	15,485	–	–
Leasehold land	19	6,253	63,877	–	–
Goodwill	20	8,689	–	–	–
Interests in subsidiaries	21	–	–	217,288	204,853
Interest in associate	22	1,047	349	–	–
Available-for-sale financial assets	23	8,409	20,793	–	–
Financial assets at fair value through profit or loss	24	23,241	4,146	–	–
Long-term bank deposits	25	15,950	15,596	–	–
Deferred tax assets	38	279	36	–	–
		81,271	131,203	217,288	204,853
CURRENT ASSETS					
Inventories	26	38,738	54,850	–	–
Gross amount due from customers for contract work	27	7,021	–	–	–
Debtors, deposits and prepayments	28	49,174	58,100	–	–
Deposits paid for acquisition of properties	29	1,526	–	–	–
Available-for-sale financial assets	23	–	9,101	–	–
Financial assets at fair value through profit or loss	24	19,719	4,551	–	–
Amount due from related companies	30	–	1,516	–	–
Derivative financial instruments	31	122	–	–	–
Tax recoverable		1,003	890	–	–
Cash and bank balances	32	140,408	91,469	709	690
		257,711	220,477	709	690

BALANCE SHEETS

As at 31st March, 2008

	Note	The group		The company	
		2008 HK\$'000	2007 HK\$'000	2008 HK\$'000	2007 HK\$'000
CURRENT LIABILITIES					
Creditors and accrued charges	33	52,688	49,233	29	–
Derivative financial instruments	31	9,986	–	–	–
Deposit received	34	–	6,850	–	–
Amount due to a director	35	667	–	–	–
Tax payable		992	68	–	–
Obligation under finance lease	36	34	31	–	–
Bank borrowings	37	27	2,430	–	–
		64,394	58,612	29	–
NET CURRENT ASSETS					
		193,317	161,865	680	690
TOTAL ASSETS LESS CURRENT LIABILITIES					
		274,588	293,068	217,968	205,543
NON-CURRENT LIABILITIES					
Obligation under finance lease	36	31	59	–	–
Bank borrowings	37	–	23,498	–	–
Deferred tax liabilities	38	409	363	–	–
		440	23,920	–	–
		274,148	269,148	217,968	205,543
CAPITAL AND RESERVES					
Share capital	39	4,901	4,621	4,901	4,621
Reserves	42	266,939	264,527	213,067	200,922
Equity attributable to equity holders of the company		271,840	269,148	217,968	205,543
Minority interests		2,308	–	–	–
Total equity		274,148	269,148	217,968	205,543

The financial statements on pages 38 to 114 were approved and authorised for issue by the board of directors on 21st July, 2008 and are signed on its behalf by:

Chan Chung Yee, Hubert
Director

Chan Chung Yin, Roy
Director

CONSOLIDATED STATEMENT OF CHANGES IN EQUITY

For the year ended 31st March, 2008

Attributable to equity holders of the company

	Share capital		Shares held			Investment			Retained profits	Total	Minority interests	Total
	Share capital	Share premium	for share award plan	Share option reserve	Share award reserve	Capital reserve	revaluation reserve	Translation reserve				
	HK\$'000	HK\$'000	HK\$'000	HK\$'000	HK\$'000	HK\$'000	HK\$'000	HK\$'000	HK\$'000	HK\$'000	HK\$'000	HK\$'000
At 1st April, 2006	4,621	31,580	–	1,047	–	28,325	1,782	448	192,627	260,430	533	260,963
Increase in fair value of available-for-sale financial assets	–	–	–	–	–	–	7,996	–	–	7,996	–	7,996
Transfer upon cancellation of share options	–	–	–	(108)	–	–	–	–	108	–	–	–
Exchange differences on translation of overseas operations	–	–	–	–	–	–	–	272	–	272	–	272
Net profit for the year	–	–	–	–	–	–	–	–	5,071	5,071	(533)	4,538
Dividend paid	–	–	–	–	–	–	–	–	(4,621)	(4,621)	–	(4,621)
At 31st March, 2007 and 1st April, 2007	4,621	31,580	–	939	–	28,325	9,778	720	193,185	269,148	–	269,148
Arising on acquisition of subsidiaries	–	–	–	–	–	–	–	–	–	–	2,142	2,142
Shares purchased for share award plan	–	–	(947)	–	–	–	–	–	–	(947)	–	(947)
Exercise of share option	140	3,835	–	–	–	–	–	–	–	3,975	–	3,975
Issue and allotment of consideration shares	140	5,267	–	–	–	–	–	–	–	5,407	–	5,407
Transfer upon share options exercised	–	722	–	(722)	–	–	–	–	–	–	–	–
Release to retained profits upon share option expired	–	–	–	(217)	–	–	–	–	217	–	–	–
Recognition of equity-settled share-based payment	–	–	–	–	373	–	–	–	–	373	–	373
Decrease in fair value of available-for-sale financial assets	–	–	–	–	–	–	(8,524)	–	–	(8,524)	–	(8,524)
Exchange differences on translation of overseas operations	–	–	–	–	–	–	–	660	–	660	87	747
Net profit for the year	–	–	–	–	–	–	–	–	6,509	6,509	79	6,588
Dividend paid	–	–	–	–	–	–	–	–	(4,761)	(4,761)	–	(4,761)
At 31st March, 2008	4,901	41,404	(947)	–	373	28,325	1,254	1,380	195,150	271,840	2,308	274,148

CONSOLIDATED CASH FLOW STATEMENT

For the year ended 31st March, 2008

	2008 HK\$'000	2007 HK\$'000
OPERATING ACTIVITIES		
Profit before taxation	8,766	6,860
Adjustments for:		
Depreciation	4,830	4,905
Amortisation of prepaid operating lease payments	123	610
Loss on disposal of property, plant and equipment	1,375	12
Gain on disposal of leasehold land and investment properties	(852)	–
Gain on disposal of available-for-sale financial assets	(5,341)	–
Net realized and unrealized losses on financial assets through profit or loss	2,551	–
Unrealized loss on derivative financial instruments	9,786	–
Net realized and unrealized gain and interest income on financial assets at fair value through profit or loss	–	(2,147)
Realized gain on derivative financial instruments	–	(716)
Dividend income from listed investments	(124)	(99)
Allowances for inventories	2,793	2,360
Employee share-based compensation benefits	373	–
Impairment loss on trade debtors	1,419	354
Bad debts written off	1,876	16
Interest income	(4,351)	(3,150)
Interest expenses	241	1,525
Operating cash inflows before movements in working capital	23,465	10,530
Decrease in inventories	14,289	1,205
Increase in gross amount due from customers for contract work	(7,021)	–
Decrease/(increase) in debtors, deposits and prepayments	7,868	(1,807)
Increase in deposits paid for acquisition of properties	(1,526)	–
Decrease in amount due from related companies	1,516	–
Increase in creditors and accrued charges	217	14,897
Decrease in deposit received	(6,850)	–
Increase in amount due to a director	667	–
Exchange adjustments	(122)	(303)
Net cash from operations	32,503	24,522
Interest received	4,351	3,150
Interest on bank loan	(236)	(1,520)
Interest on obligation under finance lease	(5)	(5)
Tax paid:		
Hong Kong	(1,772)	(3,911)
Overseas	(119)	–
NET CASH FROM OPERATING ACTIVITIES	34,722	22,236

CONSOLIDATED CASH FLOW STATEMENT

For the year ended 31st March, 2008

	Note	2008 HK\$'000	2007 HK\$'000
INVESTING ACTIVITIES			
Purchase of property, plant and equipment		(5,102)	(1,920)
Purchase of available-for-sale financial assets		(1,193)	(8,279)
Purchase of financial assets at fair value through profit or loss		(51,443)	(73,592)
Deposit received for disposal of investment properties		–	6,850
Proceeds from disposal of investment properties and leasehold land		67,625	–
Proceeds from disposal of property, plant and equipment		610	84
Dividend received from listed investments		124	99
Proceeds from disposal of available-for-sale financial assets		19,495	–
Proceeds from disposal of financial assets at fair value through profit or loss		14,629	94,711
Net settlement of derivative financial instruments		78	(82)
Increase in pledged time deposit		(4,042)	–
Long-term bank deposit withdraw		7,798	–
Increase in long-term bank deposits		(8,152)	(7,798)
Increase in short-term bank deposit with maturity over three months		(1,157)	–
Acquisition of subsidiaries	44	(1,821)	–
Advances to an associate		(698)	(349)
NET CASH FROM INVESTING ACTIVITIES		36,751	9,724
FINANCING ACTIVITIES			
Issue of share capital		3,975	–
Purchase of shares of the company under Share Award Plan		(947)	–
Dividend paid		(4,761)	(4,621)
Repayment of obligation under finance lease		(25)	(23)
Repayment of bank loans		(25,901)	(2,483)
NET CASH USED IN FINANCING ACTIVITIES		(27,659)	(7,127)
NET INCREASE IN CASH AND CASH EQUIVALENTS		43,814	24,833
CASH AND CASH EQUIVALENTS AT BEGINNING OF YEAR			
		91,469	66,364
Effect of foreign exchange rates changes		(74)	272
CASH AND CASH EQUIVALENTS AT END OF YEAR		135,209	91,469
ANALYSIS OF BALANCES OF CASH AND CASH EQUIVALENTS			
Time deposits with maturity within three months		93,005	74,738
Cash and bank balances		42,204	16,731
		135,209	91,469

NOTES TO THE FINANCIAL STATEMENTS

1. GENERAL

The company is a public limited company incorporated in the Cayman Islands and its shares are listed on 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 section headed "corporate information" to this annual report.

The principal activity of the company is that of investment holding. The principal activities of the subsidiaries are set out in note 53.

2. BASIS OF PREPARATION

These financial statements have been prepared in accordance with Hong Kong Financial Reporting Standards ("HKFRSs") (which also include Hong Kong Accounting Standards ("HKASs") and Interpretations ("HK-Int")), issued by the Hong Kong Institute of Certified Public Accountants ("HKICPA"), accounting principles generally accepted in Hong Kong and the disclosure requirements of the Hong Kong Companies Ordinance. They have been prepared under the historical cost convention, except for certain financial instruments, which have been measured at fair values. These financial statements are presented in Hong Kong dollars ("HK\$") and all values are rounded to the nearest thousand except where otherwise indicated.

3. CHANGES IN ACCOUNTING POLICIES

The HKICPA has issued a number of new and revised HKFRSs and Interpretations that are first effective or available for early adoption for the current accounting period of the group and the company.

There have been no significant changes to the accounting policies applied in these financial statements for the period presented as a result of these developments. However, as a result of the adoption of HKFRS 7, *Financial instruments: Disclosures* and the amendment to HKAS 1, *Presentation of financial statements: Capital disclosures*, there have been some additional disclosures provided as follows:

As a result of the adoption of HKFRS 7, the financial statements include expanded disclosure about the significance of the company's financial instruments and the nature and extent of risks arising from those instruments, compared with the information previously required to be disclosed by HKAS 32, *Financial instruments: Disclosures and presentation*. These disclosures are provided throughout these financial statements, in particular in note 5.

The amendment to HKAS 1 introduces additional disclosure requirements to provide information about the level of capital and the group's and the company's objectives, policies and processes for managing capital. These new disclosures are set out in note 43.

Both HKFRS 7 and the amendment to HKAS 1 do not have any material impact on the classification, recognition and measurement of the amounts recognised in the financial instruments.

The group has not applied any new standard or interpretation that is not yet effective for the current accounting period (see note 51).

NOTES TO THE FINANCIAL STATEMENTS

4. SIGNIFICANT ACCOUNTING POLICIES

a) Subsidiaries

A subsidiary is a company whose financial and operating policies the company controls, directly or indirectly, so as to obtain benefits from its activities.

An investment in a controlled subsidiary is consolidated into the consolidated financial statements from the date that control commences until the date that control ceases.

Intra-group balances and transactions and any unrealised profits arising from intra-group transactions are eliminated in full in preparing the consolidated financial statements. Unrealised losses resulting from intra-group transactions are eliminated in the same way as unrealised gains but only to the extent that there is no evidence of impairment.

Minority interests at the balance sheet date, being the portion of the net assets of subsidiaries attributable to equity interests that are not owned by the company, whether directly or indirectly through subsidiaries, are presented in the consolidated balance sheet and statement of changes in equity within equity, separately from equity attributable to the equity shareholders of the company. Minority interests in the results of the group are presented on the face of the consolidated income statements as an allocation of the total profit or loss for the year between minority interests and the equity shareholders of the company.

Where losses applicable to the minority exceed the minority's interest in the equity of a subsidiary, the excess, and any further losses applicable to the minority, are charged against the group's interest except to the extent that the minority has a binding obligation to, and is able to, make additional investment to cover the losses. If the subsidiary subsequently reports profits, the group's interest is allocated all such profits until the minority's share of losses previously absorbed by the group has been recovered.

In the company's balance sheet, investments in subsidiaries are stated at cost less any impairment losses. The results of subsidiaries are accounted for by the company on the basis of dividends declared or approved during the company's financial year.

b) Associate

Associate is all entities over which the group has significant influence but not control, generally accompanying a shareholding of between 20% and 50% of the voting rights. The group's interest in associate is accounted for using the equity method of accounting and are initially recognised at cost. The group's investment in associate includes goodwill (net of any accumulated impairment loss) identified on acquisition.

The group's share of its associate's post-acquisition profit or loss is recognised in the consolidated income statement, and its share of post-acquisition movements in reserves is recognised in reserves. The cumulative post-acquisition movements are adjusted against the carrying amount of the investment. When the group's share of loss in an associate equals or exceeds its investment in the associate, the group does not recognise further losses, unless it has incurred obligations or made payments on behalf of the associate.

NOTES TO THE FINANCIAL STATEMENTS

4. SIGNIFICANT ACCOUNTING POLICIES – continued

c) Goodwill

Goodwill arising on the acquisition of subsidiaries represents the excess of the cost of the business combination over the group's interest in the net fair values of the acquirees' identifiable assets acquired, and liabilities and contingent liabilities assumed as at the date of acquisition.

Goodwill is recognised in the consolidated balance sheet as an asset, initially measured at cost and subsequently at cost less any accumulated impairment losses. In the case of associate, goodwill is included in the carrying amount thereof, rather than as a separately identified asset on the consolidated balance sheet.

The carrying amount of goodwill is reviewed for impairment annually or more frequently if events or changes in circumstances indicate that the carrying value may be impaired.

For the purposes of impairment test, goodwill acquired in a business combination is, from the acquisition date, allocated to each of the group's cash-generating units, or group of cash-generating units, that are expected to benefit from the synergies of the combination, irrespective of whether other assets or liabilities of the group are assigned to those units or group of units. Each unit or group of units to which the goodwill is allocated:

- represents the lowest level within the group at which the goodwill is monitored for internal management purposes; and
- is not larger than a segment based on either the group's primary or the group's secondary reporting format determined in accordance with HKAS 14 "Segment Reporting".

Impairment is determined by assessing the recoverable amount of the cash-generating unit, or group of cash-generating units to which the goodwill relates. Where the recoverable amount of the cash-generating unit, or group of cash-generating units are than the carrying amount, an impairment loss is recognised.

Where goodwill forms part of a cash-generating unit, or group of cash-generating units and part of the operation within that unit is disposed of, the goodwill associated with the operation disposed of is included in the carrying amount of the operation when determining the gain or loss on disposal of the operation. Goodwill disposed of in this circumstance is measured based on the relative values of the operation disposed of and the portion of the cash-generating unit retained.

An impairment loss recognised for goodwill is not reversed in a subsequent period.

NOTES TO THE FINANCIAL STATEMENTS

4. SIGNIFICANT ACCOUNTING POLICIES – continued

d) Property, plant and equipment

Property, plant and equipment, are stated at cost less accumulated depreciation and any impairment losses. The cost of an asset comprises its purchase price and any directly attributable costs of bringing the asset to its working condition and location for its intended use. Expenditure incurred after property, plant and equipment have been put into operation, such as repairs and maintenance, is normally charged to the income statement in the period in which it is incurred. In situations where it can be clearly demonstrated that the expenditure has resulted in an increase in the future economic benefits expected to be obtained from the use of the property, plant and equipment, the expenditure is capitalised as an additional cost of that asset.

Depreciation on property, plant and equipment is calculated on the straight-line basis to allocate cost to their residual value over their estimated useful lives as follows:

Buildings	Over the shorter of the term of the lease or 40 years
Motor vehicles	20% p.a.
Computer equipment	33 $\frac{1}{3}$ % p.a.
Office equipment	10% – 20% p.a.
Leasehold improvements	20% p.a.
Furniture and fixtures	10% – 20% p.a.
Moulds	20% p.a.
Plant and machinery	20% p.a.

The asset's residual values and useful lives are reviewed, and adjusted if appropriate, at each balance sheet date. An asset's carrying amount is written down immediately to its recoverable amount if the asset's carrying amount is greater than its estimated recoverable amount.

An item of property, plant and equipment is derecognised upon disposal or when no future economic benefits are expected to arise from the continued use of the asset. The gain or loss arising on derecognition of the asset (calculated as the difference between the net sale proceeds and the carrying amount of the asset) is included in the income statement in the year in which the item is derecognised).

e) Investment properties

Investment properties are buildings which are owned or held under a leasehold interest to earn rental income.

Investment properties are stated in the balance sheet at cost less accumulated depreciation and any impairment loss. Depreciation is calculated to write-off the cost of investment properties, less their residue values, if any, using the straight-line method over the shorter of the term of the lease or 40 years.

NOTES TO THE FINANCIAL STATEMENTS

4. SIGNIFICANT ACCOUNTING POLICIES – continued

f) Financial instruments

i) *Classification*

Available-for-sale financial assets

This category comprises financial assets which are non-derivatives and are designated as available-for-sale financial assets or not classified under other investment categories.

Financial assets at fair value through profit or loss

This category comprises financial assets held for trading and those designated as fair value through profit or loss at inception. A financial asset is classified as held for trading if acquired principally for the purpose of selling in the short-term. Bank deposits with embedded derivatives for yield enhancement whose economic characteristics and risks are not closely related to the host deposits are designated as financial assets at fair value through profit or loss.

Loans and Receivables

Loans and receivables are non-derivative financial assets with fixed or determinable payments, that are not quoted in an active market, and with no intention of trading the receivables. Bank deposits are treated as loans and receivables and are disclosed as cash and bank balances.

ii) *Recognition and initial measurement*

Purchases and sales of investments are recognised on trade-date – the date on which the group commits to purchase or sell the assets. Investments at fair value through profit or loss are initially recognised at fair value with transaction costs recognised as expenses in the income statement. Investments not designated as fair value through profit or loss are initially recognised at fair value plus transaction costs.

iii) *Derecognition*

Investments are derecognised when the rights to receive cash flows from the investments have expired or have been transferred and the company has transferred substantially the risk and rewards of ownership.

NOTES TO THE FINANCIAL STATEMENTS

4. SIGNIFICANT ACCOUNTING POLICIES – continued

f) Financial instruments – continued

iv) *Gains or losses on subsequent measurement and interest income*

Available-for-sale financial assets

- Available-for-sale financial assets are carried at fair value. Unrealised gains and losses arising from changes in the fair value are recognised in investment revaluation reserve, except for monetary securities whose exchange differences resulting from changes in amortised costs are recognised in the income statement. When the securities are sold, the difference between the sale proceeds and the carrying value, and the accumulated fair value adjustments in the investment revaluation reserve are treated as gains or losses on disposal.
- Interest income is recognised using the effective interest method and disclosed as interest income.

Financial assets at fair value through profit or loss

- Investments under this category are carried at fair value. Unrealised gains and losses arising from changes in the fair value are included in the income statement in the period in which they arise. Upon disposal, the difference between the sale proceeds and the carrying value is included in the income statement.
- Interest income is recognised using the effective interest method and included as net realised and unrealised gains and losses and interest income from these investments.

Loans and receivables

- Loans and receivables are carried at amortised cost using the effective interest method less any impairment losses for bad and doubtful debts except where the receivables are interest-free loans made to related parties without any fixed repayment terms or the effect of discounting would be immaterial. In such cases, the receivables are stated at cost less any impairment losses.
- Interest income is recognised using the effective interest method and disclosed as interest income.

v) *Fair value measurement principles*

Fair values of quoted investments are based on bid prices. For unlisted securities or financial assets without an active market, the group establishes the fair value by using valuation techniques including the use of recent arm's length transactions, reference to other instruments that are substantially the same and discounted cash flow analysis.

NOTES TO THE FINANCIAL STATEMENTS

4. SIGNIFICANT ACCOUNTING POLICIES – continued

f) Financial instruments – continued

vi) Impairment

The group assesses at each balance sheet date whether there is objective evidence that a financial asset or a group of financial assets are impaired. If any such evidence exists for the available-for-sale financial assets, the cumulative loss – measured as the difference between the acquisition cost and the current fair value, less any impairment loss on the financial assets previously recognised in the profits or loss – is removed from investment revaluation reserve and recognised in the income statement.

In case of equity securities classified as available-for-sale financial assets, a significant or prolonged decline in the fair value of the securities below their cost is considered in determining whether the securities are impaired. Impairment losses recognised in the income statement on equity instruments are not reversed through the income statement.

A provision of impairment for loans and receivables is established when there is objective evidence that the group will not be able to collect all amounts due according to the original terms of receivables. The amount of provision is the difference between the asset's carrying amount and the present value of estimated future cash flows, discounted at the original effective interest rate. The amount of provision is recognised in the income statement.

g) Derivative financial instruments

The group invests in derivative financial instruments for trading purposes. Such derivative financial instruments are initially recognised at fair value on the date on which a derivative contract is entered into and are subsequently remeasured at fair value. Derivatives are carried as assets when the fair value is positive and as liabilities when the fair value is negative.

Any gains or losses arising from changes in fair value on derivatives are taken directly to net profit or loss for the year.

h) Inventories

Inventories are stated at the lower of cost, on the first-in, first-out basis, and net realisable value. Costs comprise direct materials and the related purchase costs. In the case of finished goods and work in progress, costs also include direct labour and an appropriate proportion of manufacturing overheads. Net realisable value is based on estimated selling prices less all costs to be incurred to completion and disposal.

NOTES TO THE FINANCIAL STATEMENTS

4. SIGNIFICANT ACCOUNTING POLICIES – continued

i) Construction contract

When the outcome of a construction contract cannot be estimated reliably, contract costs are recognized as an expense by reference to the stage of completion of the contract at the balance sheet date. When it is probable that total contract costs will exceed total contract revenue, its expected loss is recognized as an expense immediately. When the outcome of a construction contract cannot be estimated reliably, contract costs are recognised as an expense in the period in which they are incurred.

Construction contracts in progress at the balance sheet date are recorded in the balance sheet at the net amount of costs incurred plus recognised profit less recognised losses and progress billings, and are presented in the balance sheet as the “Gross amount due from customers for contract work” (as an asset) or the “Gross amount due to customers for contract work” (as a liability), as applicable. Progress billings not yet paid by the customer are included in the balance sheet under “Debtors, deposits and prepayments”.

j) Leases

Leases that transfer substantially all the rewards and risks of ownership of assets to the group, other than legal title, are accounted for as finance leases. At the inception of a finance lease, the cost of the leased asset is capitalised at the present value of the minimum lease payments and recorded together with the obligation, excluding the interest element, to reflect the purchase and financing. Assets held under capitalised finance leases are included in property, plant and equipment, and depreciated over the shorter of the lease term and the estimated useful lives of the assets. The finance costs of such leases are charged to the income statement so as to provide a constant periodic rate of charge over the lease terms.

Leases where substantially all the rewards and risks of ownership of assets remain with the lessor are accounted for as operating leases. Where the group is the lessor, assets leased by the group under operating leases are included in non-current assets, and rentals receivable under the operating leases are credited to the income statement on the straight-line basis over the lease term. Where the group is the lessee, rentals payable under the operating leases net of any incentives received from the lessor are charged to the income statement on the straight-line basis over the relevant lease terms.

Prepaid operating lease payments are initially stated at cost and subsequently amortised on the straight-line basis over the lease term. When the lease payments cannot be allocated reliably between the land and buildings elements, the entire lease payments are included in the cost of properties as a finance lease.

NOTES TO THE FINANCIAL STATEMENTS

4. SIGNIFICANT ACCOUNTING POLICIES – continued

k) Cash and cash equivalents

For the purpose of the consolidated cash flow statement, cash and cash equivalents comprise cash on hand and demand deposits, and short-term highly liquid investments which are readily convertible into known amounts of cash and which are subject to an insignificant risk of changes in value, and have a short maturity of generally within three months when acquired, less bank overdrafts which are repayable on demand and form an integral part of the group's cash management.

l) Payables

Payables are initially recognised at fair value and thereafter stated at amortised cost unless the effect of discounting would be immaterial, in which case they are stated at cost.

m) Revenue recognition

Sales of goods are recognised when goods are delivered and title has passed.

Service fee income, arising from repairs installation, maintenance and connection services, are recognised when the relevant services are rendered.

Contract revenue:

When the outcome of a construction contract can be estimated reliably:

- revenue from a fixed price contract is recognised using the percentage of completion method, measured by reference to the percentage of contract costs incurred to date to estimated total contract costs for the contract.

When the outcome of a construction contract cannot be estimated reliably, revenue is recognised only to the extent of contract costs incurred that it is probable will be recoverable.

Rental income, including rentals invoiced in advance from properties let under operating leases, is recognised on a straight-line basis over the terms of the relevant leases.

Interest income is accrued on a time proportion basis by reference to the principal outstanding and at the effective interest rate applicable.

NOTES TO THE FINANCIAL STATEMENTS

4. SIGNIFICANT ACCOUNTING POLICIES – continued

n) Employee benefits

Equity-settled share-based payment transactions

The fair value of services received, determined by reference to the fair value of share options granted at the grant date, is expensed on a straight-line basis over the vesting period, with a corresponding increase in share option reserve. At the time when the share options are exercised, the amount previously recognised in share option reserve will be transferred to share premium. When the 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 retained profits.

The fair value of services received, determined by reference to the fair value of awarded shares granted at the grant date, in exchange for the grant of the awarded shares is expensed on a straight-line basis over the vesting period, with a corresponding increase in share award reserve. At the time when the awarded shares are vested, the amount previously recognised in share award reserve and the amount of the relevant treasury shares will be transferred to retained profits. When the awarded shares are not vested or are forfeited during the vesting period, the amount previously recognised in share award reserve will be recognized as income immediately in the income statement.

At each balance sheet date, the group revises its estimates of the number of share options and awarded shares that are expected to ultimately vest. The impact of the revision of the estimates, if any, is recognised in the profit or loss, with a corresponding adjustment to the share option reserve and share award reserve respectively.

Pension schemes and other retirement benefits

The group joins defined contribution retirement benefits schemes in Hong Kong and overseas for those employees who are eligible and have elected to participate in the schemes. Contributions are made based on a percentage of the participating employees' basic salaries and are charged to the income statement as they become payable in accordance with the rules of the schemes. The assets of the schemes are held separately from those of the group in independently administered funds. In respect of the Mandatory Provident Fund retirement benefits scheme (the "MPF Scheme"), the group's employer contributions vest fully with the employees when contributed into the MPF Scheme.

The employees of the group's subsidiaries which operate in Mainland China are required to participate in a central pension scheme operated by the local municipal government. These subsidiaries are required to contribute a specific amount for the employees in Mainland China, pursuant to the local municipal government regulations. The contributions are charged to the income statement as they become payable in accordance with the rules of the central pension scheme.

The group's subsidiaries which operate in Singapore are required to contribute to the Central Provident Fund ("CPF") a defined contribution plan regulated and managed by the Government of Singapore, which applies to the majority of the employees. The contributions to CPF are charged to the income statement in the period to which the contribution relate.

NOTES TO THE FINANCIAL STATEMENTS

4. SIGNIFICANT ACCOUNTING POLICIES – continued

o) Borrowing costs

Borrowing costs are recognised as expenses in the income statement in the period in which they are incurred.

p) Income tax expense

Income tax expense comprises current and deferred tax. Income tax is recognised in the income statement or in equity if it relates to items that are recognised in the same or a different period directly in equity.

Deferred tax is provided, using the balance sheet liability method, on all temporary differences at the balance sheet date between the tax bases of assets and liabilities and their carrying amounts for financial reporting purposes.

Deferred tax liabilities are recognised for all taxable temporary differences except where the deferred tax liabilities arise from the initial recognition of assets or liabilities and, at the time of the transaction, affects neither the accounting profit nor taxable profit or loss.

Deferred tax assets are recognised for all deductible temporary differences, carry forward of unused tax assets and unused tax losses, to the extent that it is probable that future taxable profit will be available against which the deductible temporary differences, and the carry forward of unused tax assets and unused tax losses can be utilised except where the deferred tax assets relating to the deductible temporary differences arises from the initial recognition of assets or liabilities and, at the time of the transaction, affects neither the accounting profit nor taxable profit or loss.

The carrying amount of deferred tax assets is reviewed at each balance sheet date and reduced to the extent that it is no longer probable that sufficient future taxable profit will be available to allow all or part of the deferred tax assets to be utilised. Conversely, previously unrecognised deferred tax assets are recognised to the extent that it is probable that sufficient future taxable profit will be available to allow all or part of the deferred tax assets to be utilised.

Deferred tax assets and liabilities are measured at the tax rates that are expected to apply to the period when the assets are realised or the liabilities are settled, based on tax rates (and tax laws) that have been enacted or substantively enacted at the balance sheet date.

NOTES TO THE FINANCIAL STATEMENTS

4. SIGNIFICANT ACCOUNTING POLICIES – continued

q) Impairment

i) *Impairment of receivables*

Current and non-current receivables that are stated at cost or amortised cost are reviewed at each balance sheet date to determine whether there is objective evidence of impairment. If any such evidence exists, any impairment loss is determined and recognised as follows:

- For current receivables that are carried at cost, the impairment loss is measured as the difference between the carrying amount of the financial assets and the estimated future cash flows, discounted at the current market rate of return for a similar financial assets where the effect of discounting is material. Impairment losses for current receivables are reversed if in a subsequent period the amount of the impairment loss decreases.
- For financial assets carried at amortised cost, the impairment loss is measured as the difference between the asset's carrying amount and the present value of estimated future cash flows, discounted at the financial asset's original effective interest rate (i.e. the effective interest rate computed at initial recognition of these assets).

If in a subsequent period the amount of an impairment loss decreases and the decrease can be linked objectively to an event occurring after the impairment loss was recognised, the impairment loss is reversed through the income statement. A reversal of an impairment loss shall not result in the asset's carrying amount exceeding that which would have been determined had no impairment loss been recognised in prior years.

ii) *Impairment of other assets*

Internal and external sources of information are reviewed at each balance sheet date to identify indications that the following assets may be impaired, an impairment loss previously recognised no longer exists or may have decreased:

- Property, plant and equipment; and
- Other tangible assets.

If any such indication exists, the asset's recoverable amount is estimated.

NOTES TO THE FINANCIAL STATEMENTS

4. SIGNIFICANT ACCOUNTING POLICIES – continued

q) Impairment – continued

ii) *Impairment of other assets – continued*

– Calculation of recoverable amount

The recoverable amount of an asset is the greater of its net selling price and value in use. In assessing value in use, the estimated future cash flows are discounted to their present value using a discount rate that reflects current market assessments of time value of money and the risks specific to the asset. Where an asset does not generate cash inflows largely independent of those from other assets, the recoverable amount is determined for the smallest group of assets that generates cash inflows independently (i.e. a cash-generating unit).

– Recognition of impairment losses

An impairment loss is recognised in the income statement whenever the carrying amount of an asset, or the cash-generating unit to which it belongs, exceeds its recoverable amount.

– Reversals of impairment losses

An impairment loss is reversed if there has been a favourable change in the estimates used to determine the recoverable amount.

A reversal of an impairment loss is limited to the asset's carrying amount that would have been determined had no impairment loss been recognised in prior years. Reversal of impairment loss is credited to the income statement in the year in which the reversal is recognised.

r) Foreign currency transaction

i) *Functional and presentation currency*

Items included in the financial statements of the group and the company are measured using the currency of the primary economic environment in which the group and the company operate ("the functional currency"). The financial statements are presented in Hong Kong dollars, which is the group's and the company's functional and presentation currency.

ii) Foreign currency transactions are translated into the functional currency using the exchange rates prevailing at the dates of the transactions. Monetary assets and liabilities denominated in foreign currencies at the balance sheet date are translated at the year-end exchange rates. All exchange differences are recognised in the income statement.

iii) Translation differences on non-monetary items, such as equity instruments held at fair value through profit or loss, are reported as part of the fair value gain or loss. Translation differences on non-monetary items, such as equities classified as available-for-sale financial assets are included in the investment revaluation reserve in equity.

NOTES TO THE FINANCIAL STATEMENTS

4. SIGNIFICANT ACCOUNTING POLICIES – continued

s) Related parties

For the purposes of these financial statements, parties are considered to be related to the group if the group has the ability, directly or indirectly, to control the parties or exercise significant influence over the party in making financial and operating decisions, or vice versa, or where the group and the parties are subject to common control or common significant influence. Related parties may be individuals (being members of key management personnel, significant shareholders and/or their close family members) or other entities and include entities which are under the significant influence of related parties of the group where those parties are individuals, and post-employment benefit plans which are for the benefits of employees of the group or of any entity that is a related party of the group.

t) Contingent liabilities

A contingent liability is a possible obligation that arises from past events and whose existence will only be confirmed by the occurrence or non-occurrence of one or more uncertain future events not wholly within the control of the group. It can also be a present obligation arising from past events that is not recognised because it is not probable that outflow of economic resources will be required or the amount of obligation cannot be measured reliably.

A contingent liability is not recognised but is disclosed in the note to the financial statements. When a change in the probability of an outflow occurs so that outflow is possible, they will then be recognised as a provision.

u) Segment reporting

A business segment is a group of assets and operations engaged in providing products or services that are subject to risks and returns that are different from those of other business segments. A geographical segment is engaged in providing products or services within a particular economic environment that are subject to risks and returns that are different from those of segments operating in other economic environments.

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 as the secondary reporting format.

Unallocated costs represent corporate expenses. Segment assets consist primarily of property, plant and equipment, investment properties, leasehold land, available-for-sale financial assets, financial assets at fair value through profit or loss, receivables and operating cash excluding taxation. Segment liabilities comprise operating liabilities excluding taxation. Capital expenditure comprises additions to property, plant and equipment, leasehold land and investment properties.

In respect of geographical segment reporting, turnover, operating results, total assets and capital expenditure are based on the country in which the relevant assets are located.

NOTES TO THE FINANCIAL STATEMENTS

5. FINANCIAL RISK MANAGEMENT OBJECTIVES AND POLICIES

Exposure to credit, liquidity, interest rate, foreign currency and price risks arises in the normal course of the group's business. These risks are limited by the group's financial management policies and practices described below.

a) Credit risk

The group's credit risk is primarily attributable to cash at banks, bank deposits, trade debtors and investments. Management has a credit policy in place and the exposure to these credit risks are monitored on an ongoing basis.

Cash at banks and bank deposits are placed with licensed financial institutions with high credit ratings. The group monitors the exposure to each single financial institution.

For trade and other debtors, credit checks are part of the normal operating process and stringent monitoring procedures are in place to deal with overdue debts. In addition, the group reviews the recoverable amounts of trade and other debtors at each balance sheet date to ensure that adequate impairment losses are made for irrecoverable amounts.

The group has no significant concentrations of credit risk with exposure spread over a number of counterparties and customers. The maximum exposure to credit risk is represented by the carrying amount of each financial asset in the balance sheet after deducting any impairment allowance. The group does not provide any guarantees which would expose the group to credit risk.

Further quantitative disclosure in respect of the group's exposure to credit risk arising from trade debtors is set out in note 28.

Investments are normally only in liquid securities, investment funds, debt securities and equity-linked deposits and with counterparties that have a high credit standing. Given their high credit standing, management does not expect any investment counterparty to fail to meet its obligations.

The credit risk on liquid funds is limited because the counterparties are banks with high reputation.

b) Liquidity risk

The group's policy is to regularly monitor current and expected liquidity level to ensure that it maintains sufficient reserves of cash and bank balances and readily realisable marketable securities for its daily operation and investment purposes.

Liquidity risk is the risk that funds will not be available to meet liabilities as they fall due, and it results from amount and maturity mismatches of assets and liabilities.

Prudent liquidity risk management implies maintaining sufficient bank balances.

NOTES TO THE FINANCIAL STATEMENTS

5. FINANCIAL RISK MANAGEMENT OBJECTIVES AND POLICIES – continued

b) Liquidity risk – continued

The following table details the remaining contractual maturities at the balance sheet date of the group's and the company's non-derivative financial liabilities and derivative financial liabilities, which are based on contractual undiscounted cash flows (including interest payments computed using contractual rates or, if the entity, based on rates current at the balance sheet date) and the earliest date the company can be required to pay.

	The group									
	2008				2007					
	Total contractual	More than 1 year but less than 2 years	Within 1 year or on demand	Carrying amount	Total contractual	More than 1 year but less than 2 years	More than 2 year but less than 5 years	More than 5 years	Within 1 year or on demand	Carrying amount
	undiscounted cash flow	HK\$'000	HK\$'000	HK\$'000	undiscounted cash flow	HK\$'000	HK\$'000	HK\$'000	HK\$'000	HK\$'000
Creditors and accrued charges	53,355	(53,355)	(53,355)	-	49,233	(49,233)	(49,233)	-	-	-
Derivative financial instruments	9,986	(9,986)	(9,986)	-	-	-	-	-	-	-
Obligation under finance lease	65	(75)	(39)	(36)	90	(104)	(36)	(68)	-	-
Bank borrowings	27	(27)	(27)	-	25,928	(32,184)	(4,015)	(3,906)	(11,650)	(12,613)
	63,433	(63,443)	(63,407)	(36)	75,251	(81,521)	(53,284)	(3,974)	(11,650)	(12,613)

	The company					
	2008			2007		
	Total contractual	More than 1 year but less than 2 years	Within 1 year or on demand	Total contractual	More than 1 year but less than 2 years	Within 1 year or on demand
	undiscounted cash flow	HK\$'000	HK\$'000	undiscounted cash flow	HK\$'000	HK\$'000
Creditors and accrued charges	29	29	29	-	-	-

NOTES TO THE FINANCIAL STATEMENTS

5. FINANCIAL RISK MANAGEMENT OBJECTIVES AND POLICIES – continued

c) Interest rate risk

The group's short-term bank deposits and bank balances are exposed to the risk arising from changing interest rates. The group manages this risk by placing deposits at various maturities and interest rate terms.

The group's bank loans and obligation under finance lease have exposure to risk arising from changing interest rates. Bank loans at variable rates expose the group to cash flow interest rate risk, and bank loans and obligation under finance lease at fixed rates expose the group to fair value interest rate risk. The group manages this risk by maintaining an appropriate level between fixed rates and variable rates for its bank loans and obligation under finance lease.

Sensitivity analysis

At 31st March, 2008, it is estimated that a general increase/decrease of 200 basis points (2007: 200 basis points) in interest rates, with all other variables held constant, would increase/decrease the group's profit after tax and retained profits by approximately HK\$194,000 (2007: HK\$369,000).

The sensitivity analysis above has been determined assuming that the change in interest rates had occurred at the balance sheet date and had been applied to the exposure to interest rate risk for non-derivative financial instruments in existence at that date. The basis point decrease or increase represents management's assessment of a reasonable possible change in interest rates over the period until the next annual balance sheet date. The analysis performed on the same basis for 2007.

d) Foreign currency risk

There are no significant amounts of the group's foreign currency denominated monetary assets and monetary liabilities other than functional currency of the relevant group entity. Management of the group is of the opinion that the group's exposure to foreign currency risk is minimal. Accordingly, no foreign currency risk sensitivity analysis is presented.

e) Price risk

The group is exposed to price changes arising from available-for-sale financial assets, financial assets at fair value through profit or loss and derivative financial instruments (see notes 23, 24 and 31). Except as disclosed in note 23, all of these investments and derivative financial instruments are measured at fair value at each balance sheet date with reference to the quoted price. Management monitors this exposure and takes appropriate actions when it is required.

NOTES TO THE FINANCIAL STATEMENTS

5. FINANCIAL RISK MANAGEMENT OBJECTIVES AND POLICIES – continued

e) Price risk – continued

The following table indicates the approximate change in the group's profit after tax and retained profits and other components of consolidated equity in response to reasonably possible changes of 15% in price in respect of listed equity securities.

The effect of prices change in respect of equity-linked deposits and equity-linked notes and other derivative financial instruments are excluded from the below calculation as the directors consider that their prices depend on complicated market factors and can not be estimated.

	The group			
	Increase/(decrease) in profit after tax and retained profits		Increase/(decrease) in other components of equity	
	15%	15%	15%	15%
	increase	decrease	increase	decrease
	HK\$'000	HK\$'000	HK\$'000	HK\$'000
At 31st March, 2008	1,388	(1,388)	468	(468)
At 31st March, 2007	683	(683)	2,079	(2,079)

The sensitivity analysis has been determined assuming that the reasonably possible changes in price had occurred as at the balance sheet date and had been applied to the exposure to price risk for the financial instruments in existence at that date and that all other variables remain constant. The stated changes represent management's assessment of reasonably possible changes in price over the period until the next annual balance sheet date. The analysis has been performed on the same basis for 2007.

f) Fair values

All financial instruments are carried at amounts not materially different from their fair values as at 31st March, 2008 and 31st March, 2007 except as follows:

	Note	The group			
		2008		2007	
		Carrying amount HK\$'000	Fair value HK\$'000	Carrying amount HK\$'000	Fair value HK\$'000
Available-for-sale financial assets					
– Unlisted debt securities	1	335	–	335	–

1) The unlisted debt securities (club debenture) do not have a quoted market price in active market and whose fair value cannot be reliably measured. They are recognised at cost less accumulated impairment losses.

NOTES TO THE FINANCIAL STATEMENTS

5. FINANCIAL RISK MANAGEMENT OBJECTIVES AND POLICIES – continued

g) Estimation of fair values

The following summaries the major methods and assumptions used in estimating the fair values of financial instruments.

Listed equity securities

Fair value is based on quoted market prices at the balance sheet date without any deduction for transaction costs.

Investment fund, equity-link deposits, equity-link notes and derivative financial instruments

Fair value is based on the valuation provided by banks.

6. CRITICAL ACCOUNTING ESTIMATES AND JUDGEMENTS

In the process of applying the group's accounting policies which are described in note 4, management has made the following estimates that have significant effect on the amounts recognised in the financial statements. The key assumptions concerning the future, and other key sources of estimation and judgements at the balance sheet date, that have a significant risk of causing a material adjustment to the carrying amounts of assets and liabilities within the next financial year, are also discussed below.

Useful lives of property, plant and equipment

The group's management determines the estimate useful lives and related depreciation charges for its property, plant and equipment. This estimate is based on the historical experience of the actual useful lives of property, plant and equipment of similar nature and functions. It could change significantly as a result of technical innovations and competitor actions in response to severe industry cycles. Management will increase the depreciation charge where useful lives are less than previous estimation, or it will write-off or write-down technically obsolete or non-strategic assets that have been abandoned or sold.

Allowances for inventories

The management of the group makes allowance for obsolete and slow-moving inventories that are identified as no longer salable. The management estimates the net realisable value of its inventories based primarily on the latest invoice prices and current market conditions. The group carries out review of inventories on a product-by-product basis at each balance sheet date and makes allowance for obsolete and slow-moving items.

Provision for impairment of trade debtors

The policy for impairment of trade debtors of the group is based on the evaluation of collectibility and ageing analysis of trade debtors and on management's judgement. A considerable amount of judgement is required in assessing the ultimate realisation of these trade debtors including the current creditworthiness and the past collection history of each customer; if the financial conditions of customers of the group were to deteriorate, resulting in an impairment of their ability to make payments, additional provision may be required.

NOTES TO THE FINANCIAL STATEMENTS

7. TURNOVER/SEGMENTAL INFORMATION

Turnover represents sales of mobile phones and business solutions and gross rental income.

For management purposes, the group is currently organized into three operations divisions – sales of mobile phones, sales of business solutions and property investment, segment information about the group's business is presented below:

i) Primary reporting format – business segments

For the year ended 31st March, 2008:

	Sales of mobile phones HK\$'000	Sales of business solutions HK\$'000	Property investment HK\$'000	Eliminations HK\$'000	Consolidated HK\$'000
TURNOVER					
External sales	1,096,482	58,512	1,361	–	1,156,355
Inter-segment sales	84	–	–	(84)	–
Total turnover	<u>1,096,566</u>	<u>58,512</u>	<u>1,361</u>	<u>(84)</u>	<u>1,156,355</u>

Inter-segment sales were charged at prevailing market prices.

RESULTS

Segment results	<u>10,425</u>	<u>1,512</u>	<u>431</u>	<u>–</u>	12,368
Interest income from bank deposits					4,351
Unallocated other income and gains					5,465
Gain on disposal of investment property and leasehold land			852		852
Loss on disposal of property, plant and equipment		(1,375)			(1,375)
Other losses					(12,654)
Finance costs					(241)
Profit before taxation					8,766
Tax expense					(2,178)
Profit for the year					<u>6,588</u>

NOTES TO THE FINANCIAL STATEMENTS

7. TURNOVER/SEGMENTAL INFORMATION – continued

i) Primary reporting format – business segments – continued

At 31st March, 2008:

Balance sheet

	Sales of mobile phones	Sales of business solutions	Property investment	Consolidated
	HK\$'000	HK\$'000	HK\$'000	HK\$'000
ASSETS				
Segment assets	138,256	170,154	12,807	321,217
	<u> </u>	<u> </u>	<u> </u>	
Unallocated corporate assets				17,765
				<u> </u>
Consolidated total assets				338,982
				<u> </u>
LIABILITIES				
Segment liabilities	42,765	19,781	12	62,558
	<u> </u>	<u> </u>	<u> </u>	
Unallocated corporate liabilities				2,276
				<u> </u>
Consolidated total liabilities				64,834
				<u> </u>
OTHER INFORMATION				
Capital expenditures	303	4,799	–	5,102
Depreciation and amortisation	638	4,120	195	4,953
	<u> </u>	<u> </u>	<u> </u>	<u> </u>

NOTES TO THE FINANCIAL STATEMENTS

7. TURNOVER/SEGMENTAL INFORMATION – continued

i) Primary reporting format – business segments – continued

Segment information about the group's business is presented below:

For the year ended 31st March, 2007:

	Sales of mobile phones HK\$'000	Sales of business solutions HK\$'000	Property investment HK\$'000	Eliminations HK\$'000	Consolidated HK\$'000
TURNOVER					
External sales	770,143	98,615	474	–	869,232
Inter-segment sales	1,834	–	–	(1,834)	–
Total turnover	<u>771,977</u>	<u>98,615</u>	<u>474</u>	<u>(1,834)</u>	<u>869,232</u>

Inter-segment sales were charged at prevailing market prices.

RESULTS

Segment results	<u>7,586</u>	<u>(6,448)</u>	<u>(1,332)</u>	<u>–</u>	(194)
Interest income from bank deposits					2,992
Unallocated other income and gains					5,587
Finance costs					<u>(1,525)</u>
Profit before taxation					6,860
Tax expense					<u>(2,322)</u>
Profit for the year					<u>4,538</u>

NOTES TO THE FINANCIAL STATEMENTS

7. TURNOVER/SEGMENTAL INFORMATION – continued

i) Primary reporting format – business segments – continued

At 31st March, 2007:

Balance sheet

	Sales of mobile phones HK\$'000	Sales of business solutions HK\$'000	Property investment HK\$'000	Consolidated HK\$'000
ASSETS				
Segment assets	158,543	60,899	78,050	297,492
Unallocated corporate assets				54,188
Consolidated total assets				351,680
LIABILITIES				
Segment liabilities	38,922	10,810	6,995	56,727
Unallocated corporate liabilities				25,805
Consolidated total liabilities				82,532
OTHER INFORMATION				
Capital expenditures	1,480	440	–	1,920
Depreciation and amortisation	2,339	2,254	922	5,515

ii) Secondary reporting format – geographical segments

During the years ended 31st March, 2008 and 31st March, 2007, more than 90% of the group's turnover, profit from operations, assets and liabilities were derived from and located in Hong Kong and, therefore, no geographical segments for the relevant years are presented in the financial statements.

NOTES TO THE FINANCIAL STATEMENTS

8. OTHER INCOME AND GAINS

	2008 HK\$'000	2007 HK\$'000
Interest income		
– bank deposits	4,351	2,992
– others	–	158
Computer service fee income	115	59
Commission income	128	127
Rental income for application software provider	383	396
Bad debts recovered	26	765
Reversal of impairment loss on trade debts	32	–
Gain on dissolution of a subsidiary	19	–
Gain on disposal of available-for-sale listed equity securities	5,341	–
Net realized and unrealised gains and interest income on financial assets at fair value through profit or loss		
– equity-linked deposits	–	140
– listed securities	317	2,007
Dividend income from listed equity securities	124	99
Net gains on derivative financial instruments	–	716
Net exchange gains	1,555	1,816
Others	1,047	939
	13,438	10,214
OTHER LOSSES		
Net realized and unrealized losses on financial assets at fair value through profit or loss		
– equity-linked deposits and equity-linked notes	2,868	–
Net losses on derivative financial instruments	9,786	–
Penalty for early termination of bank deposit	–	570
	12,654	570

NOTES TO THE FINANCIAL STATEMENTS

9. FINANCE COSTS

	2008 HK\$'000	2007 HK\$'000
Interest on		
– Bank borrowings wholly repayable within five years	236	9
– Bank borrowings with instalments repayable after five years	–	1,507
– Interest on obligation under finance lease	5	5
– Others	–	4
	<u>241</u>	<u>1,525</u>

10. PROFIT BEFORE TAXATION

Profit before taxation has been arrived at after charging:

	2008 HK\$'000	2007 HK\$'000
Auditors' remuneration	529	430
Depreciation		
– Owned assets	4,795	4,872
– Leased assets	35	33
	4,830	4,905
Amortisation of prepaid operating lease payments	123	610
Operating lease rentals in respect of rented premises		
– Minimum lease payments	8,944	9,205
– Contingent rent	1,507	1,545
	10,451	10,750
Employee benefits expenses (including directors' remuneration)		
– Salaries, allowances and benefits in kind	53,774	49,534
– Retirement benefit scheme contributions	3,053	2,776
– Equity-settled share-based payment expenses	373	–
Total staff costs	57,200	52,310
Impairment loss on trade debtors	1,419	472
Bad debts written off	1,876	95
Donation	500	246
	<u>1,361</u>	<u>474</u>
and after crediting:		
Gross rental income from investment properties under operating leases	<u>1,361</u>	<u>474</u>

NOTES TO THE FINANCIAL STATEMENTS

II. DIRECTORS' REMUNERATION

Directors' remuneration for the year, disclosed pursuant to the Listing Rules and section 161 of the Hong Kong Companies Ordinance, is as follows:

	2008					
	Fees HK\$'000	Salaries, allowances and benefits in kind HK\$'000	Discretionary bonuses HK\$'000	Employee share-based compensation benefits (Note a) HK\$'000	Retirement benefit scheme contributions HK\$'000	Total remuneration HK\$'000
Executive directors:						
Chan Chung Yee, Hubert	-	1,090	932	120	12	2,154
Chan Chung Yin, Roy	-	698	-	65	12	775
Chan Man Min	-	36	-	-	-	36
Chan Ming Him, Denny	-	151	-	-	8	159
Tsui Hon Wing	-	680	136	60	12	888
Wu Kwok Lam	-	825	203	64	12	1,104
Yeh Yui Fong	-	297	-	-	2	299
	-	3,777	1,271	309	58	5,415
Non-executive director:						
Ng Ching Wah	47	-	-	-	-	47
Independent non-executive directors:						
Chiu Ngar Wing	60	-	-	-	-	60
Chu Chor Lup	25	-	-	-	-	25
Leung Tai Wai, David	20	-	-	-	-	20
	105	-	-	-	-	105

NOTES TO THE FINANCIAL STATEMENTS

II. DIRECTORS' REMUNERATION – continued

	2007					Total remuneration HK\$'000
	Salaries, allowances and benefits	Discretionary bonuses	Employee share-based compensation benefits	Retirement benefit scheme contributions	Fees HK\$'000	
	in kind	HK\$'000	HK\$'000	HK\$'000		
	HK\$'000	HK\$'000	HK\$'000	HK\$'000		
Executive directors:						
Chan Chung Yee, Hubert	–	533	645	–	7	1,185
Chan Chung Yin, Roy	–	698	–	–	12	710
Chan Man Min	–	36	–	–	–	36
Chan Ming Him, Denny	–	151	–	–	8	159
Tsui Hon Wing	–	643	37	–	24	704
Wu Kwok Lam	–	657	161	–	24	842
Yeh Yui Fong	–	508	–	–	4	512
	–	3,226	843	–	79	4,148
Independent non-executive directors:						
Chiu Ngar Wing	25	–	–	–	–	25
Chu Chor Lup	25	–	–	–	–	25
Leung Tai Wai, David	20	–	–	–	–	20
	70	–	–	–	–	70

Note:

- Employee share-based compensation benefits represent fair value of shares of the company awarded under share award plan during the year.
- There was no arrangement under which a director waived or agreed to waive any remuneration during the years ended 31st March, 2008 and 31st March, 2007.

NOTES TO THE FINANCIAL STATEMENTS

12. EMPLOYEES' EMOLUMENTS

The five highest paid individuals of the group include four directors (2007: four directors), details of whose emoluments are included in the amounts disclosed in note 11 above. The emoluments of the remaining highest paid employee, other than directors of the company, are as follows:

	2008 HK\$'000	2007 HK\$'000
Salaries and allowances	733	911
Employee share-based compensation benefits	26	–
Retirement benefit schemes contributions	12	12
	771	923

Their emoluments were within the following band:

	2008 Number of employees	2007 Number of employees
Nil to HK\$1,000,000	1	1

NOTES TO THE FINANCIAL STATEMENTS

13. TAX EXPENSE

- a) Hong Kong profits tax has been provided at the rate of 17.5% (2007: 17.5%) on the estimated assessable profits arising in Hong Kong during the year. Taxes on profits assessable in elsewhere have been calculated at the rates of tax prevailing in those places in which the group operates, based on existing legislation, interpretations and practices in respect thereof.

	2008	2007
	HK\$'000	HK\$'000
Hong Kong		
Charge for the year	1,929	2,780
Overprovision in respect of prior years	(66)	(26)
Tax refunded	–	(162)
Elsewhere		
Charge for the year	652	90
Deferred tax		
Charge for the year	(320)	(360)
Attributable to change in tax rate	(17)	–
	<hr/>	<hr/>
Tax expense for the year	2,178	2,322
	<hr/> <hr/>	<hr/> <hr/>

NOTES TO THE FINANCIAL STATEMENTS

13. TAX EXPENSE – continued

- b) The tax expense for the year can be reconciled to the profit before taxation per the consolidated income statement as follows:

	2008	2007
	HK\$'000	HK\$'000
Profit before taxation	8,766	6,860
Tax at the domestic income tax rate of 17.5% (2007: 17.5%)	1,533	1,200
Tax effect of income not taxable	(1,772)	(2,264)
Tax effect of expenses that are not deductible in determining taxable income	348	863
Tax effect of unrecognised tax losses	2,916	2,935
Tax effect of different tax rate in other jurisdiction	(545)	(890)
Tax effect of utilisation of tax losses previously Unrecognized	(350)	(337)
Overprovision of profits tax in respect of current and prior years	(24)	(16)
Decrease in opening deferred tax assets/liabilities resulting in decrease in tax rate	(17)	–
Others	89	831
Tax expense for the year	2,178	2,322

- c) On 27th February, 2008, the Hong Kong SAR Government announced a proposed reduction in the profits tax rate from 17.5% to 16.5% applicable to the operations in Hong Kong with effect from the year of assessment 2008/09. The deferred tax balances have been adjusted to reflect the tax rate that is expected to apply to the periods when the asset is realised or the liability is settled.

14. PROFIT ATTRIBUTABLE TO EQUITY HOLDERS OF THE COMPANY

The consolidated profit attributable to equity holders of the company includes a profit of HK\$8,378,000 (2007: HK\$3,374,000) which has been dealt with in the financial statements of the company.

NOTES TO THE FINANCIAL STATEMENTS

15. DIVIDEND

	2008 HK\$'000	2007 HK\$'000
Final dividend for the year 2007 of HK\$0.01 per ordinary share (2007: final dividend for the year 2006 of HK\$0.01 per ordinary share)	4,761	4,621

Final dividend of HK\$0.01 (2007: HK\$0.01) per ordinary share for the year ended 31st March, 2008 has been proposed by the directors and is subject to the approval by the shareholders in general meeting.

16. EARNINGS PER SHARE ATTRIBUTABLE TO ORDINARY EQUITY HOLDERS OF THE COMPANY

The calculation of the basic and diluted earnings per share is based on the following data:

	The group	
	2008 HK\$'000	2007 HK\$'000
Profit attributable to equity holders of the company	6,509	5,071
	Number of shares	Number of shares
Basic		
Weighted average number of ordinary shares in issue less shares held for Share Award Plan for the purposes of calculating basic earnings per share	480,603,120	462,069,603
Diluted		
Weighted average number of ordinary shares in issue less shares held for Share Award Plan	480,603,120	462,069,603
Effect of dilutive potential ordinary shares: Award shares	146,301	—
Weighted average number of ordinary shares for the purpose of calculating diluted earnings per share	480,749,421	462,069,603

NOTES TO THE FINANCIAL STATEMENTS

17. PROPERTY, PLANT AND EQUIPMENT

	Leasehold buildings	Motor vehicles	Computer equipment	Office equipment, leasehold improvements and furniture and fixtures	Moulds	Plant and machinery	Total
	HK\$'000	HK\$'000	HK\$'000	HK\$'000	HK\$'000	HK\$'000	HK\$'000
The group							
Net book value at							
1st April, 2006	1,209	697	3,711	5,791	1,185	707	13,300
Currency realignment	85	26	5	155	–	5	276
Additions	–	135	524	1,225	–	36	1,920
Disposals	–	–	(74)	(22)	–	–	(96)
Depreciation	(34)	(212)	(1,632)	(1,744)	(477)	(380)	(4,479)
	<u>1,260</u>	<u>646</u>	<u>2,534</u>	<u>5,405</u>	<u>708</u>	<u>368</u>	<u>10,921</u>
Net book value at							
31st March, 2007	<u>1,260</u>	<u>646</u>	<u>2,534</u>	<u>5,405</u>	<u>708</u>	<u>368</u>	<u>10,921</u>
At 31st March, 2007							
Cost	1,979	1,811	8,703	14,727	2,384	1,571	31,175
Accumulated depreciation	(719)	(1,165)	(6,169)	(9,322)	(1,676)	(1,203)	(20,254)
	<u>1,260</u>	<u>646</u>	<u>2,534</u>	<u>5,405</u>	<u>708</u>	<u>368</u>	<u>10,921</u>
Net book value	<u>1,260</u>	<u>646</u>	<u>2,534</u>	<u>5,405</u>	<u>708</u>	<u>368</u>	<u>10,921</u>

NOTES TO THE FINANCIAL STATEMENTS

17. PROPERTY, PLANT AND EQUIPMENT – continued

	Leasehold buildings HK\$'000	Motor vehicles HK\$'000	Computer equipment HK\$'000	Office equipment, leasehold improvements and furniture and fixtures HK\$'000	Moulds HK\$'000	Plant and machinery HK\$'000	Total HK\$'000
Net book value at							
1st April, 2007	1,260	646	2,534	5,405	708	368	10,921
Currency realignment	122	38	(4)	153	–	–	309
Acquisition of subsidiaries	–	–	526	669	–	–	1,195
Additions	–	303	1,147	2,448	–	1,204	5,102
Disposals	–	(211)	(26)	(1,748)	–	–	(1,985)
Depreciation	(34)	(166)	(1,803)	(1,745)	(477)	(410)	(4,635)
Net book value at 31st March, 2008	<u>1,348</u>	<u>610</u>	<u>2,374</u>	<u>5,182</u>	<u>231</u>	<u>1,162</u>	<u>10,907</u>
At 31st March, 2008							
Cost	2,121	1,503	9,825	14,046	2,384	2,480	32,359
Accumulated depreciation	(773)	(893)	(7,451)	(8,864)	(2,153)	(1,318)	(21,452)
Net book value	<u>1,348</u>	<u>610</u>	<u>2,374</u>	<u>5,182</u>	<u>231</u>	<u>1,162</u>	<u>10,907</u>
Net book value of property, plant and equipment held under finance lease							
At 31st March, 2008	<u>–</u>	<u>72</u>	<u>–</u>	<u>–</u>	<u>–</u>	<u>–</u>	<u>72</u>
At 31st March, 2007	<u>–</u>	<u>100</u>	<u>–</u>	<u>–</u>	<u>–</u>	<u>–</u>	<u>100</u>

NOTES TO THE FINANCIAL STATEMENTS

17. PROPERTY, PLANT AND EQUIPMENT – continued

Note:

- i) The group's leasehold buildings comprise:

	2008	2007
	HK\$'000	HK\$'000
Properties held under long lease		
– in Hong Kong	508	523
– Overseas	840	737
	1,348	1,260

- ii) At 31st March, 2008, the group had pledged its leasehold buildings with aggregate net book value of HK\$1,348,000 (2007: HK\$1,260,000) to secure the group's general banking facilities.
- iii) The analysis of net book value as at 1st April, 2006 was as follows:

	Leasehold buildings	Motor vehicles	Computer equipment	Office equipment, and furniture and fixtures improvements	Moulds	Plant and machinery	Total
	HK\$'000	HK\$'000	HK\$'000	HK\$'000	HK\$'000	HK\$'000	HK\$'000
At 1st April, 2006							
Cost	1,893	1,618	8,180	13,186	2,384	1,510	28,771
Accumulated depreciation	(684)	(921)	(4,469)	(7,395)	(1,199)	(803)	(15,471)
Net book value	1,209	697	3,711	5,791	1,185	707	13,300

- iv) The total cost of property, plant and equipment disposed of or written off during the year ended 31st March, 2008 was HK\$3,969,000 (2007: HK\$380,000).

NOTES TO THE FINANCIAL STATEMENTS

18. INVESTMENT PROPERTIES

	The group
	HK\$'000
Cost	
At 1st April, 2006 and 31st March, 2007	17,035

Accumulated depreciation	
At 1st April, 2006	1,124
Charge for the year	426

At 31st March, 2007	1,550

Net book value at 31st March, 2007	15,485
	=====
Fair value at 31st March, 2007	16,790
	=====
Cost	
At 1st April, 2007	17,035
Disposal	(9,257)

At 31st March, 2008	7,778

Accumulated depreciation	
At 1st April, 2007	1,550
Charge for the year	195
Written back on disposal	(463)

At 31st March, 2008	1,282

Net book value at 31st March, 2008	6,496
	=====
Fair value at 31st March, 2008	6,750
	=====

NOTES TO THE FINANCIAL STATEMENTS

18. INVESTMENT PROPERTIES – continued

The fair value of the group's investment properties at 31st March, 2008 and 31st March, 2007 has been arrived based on the valuations carried out by LCH (Asia-Pacific) Surveyors Limited, an independent firm of professional property valuer. Valuations were made on the basis of investment approach by capitalising the net rental income receivable from the existing tenancies and the reversionary rental income potentials.

The group's investment properties comprise:

	The group	
	2008 HK\$'000	2007 HK\$'000
Properties in Hong Kong		
– Long lease	5,342	14,298
– Medium-term lease	421	434
	5,763	14,732
Property in Mainland China		
– Medium-term lease	733	753
	6,496	15,485

The investment properties of the group are rented out under operating leases.

The group has pledged some of its investment properties with aggregate carrying value of HK\$5,342,000 (2007: HK\$14,298,000) to secure the group's general banking facilities.

NOTES TO THE FINANCIAL STATEMENTS

19. LEASEHOLD LAND

	The group
	HK\$'000
At 1st April, 2006	65,069
Currency realignment	28
Amortisation of prepaid operating lease payments	(610)
	<hr/>
At 31st March, 2007	64,487
	<hr/> <hr/>
At 1st April, 2007	64,487
Currency realignment	(9)
Disposals	(57,979)
Amortisation of prepaid operating lease payments	(123)
	<hr/>
At 31st March, 2008	6,376
	<hr/> <hr/>

	The group	
	2008	2007
	HK\$'000	HK\$'000
Leasehold land in Hong Kong		
Long lease	2,032	60,034
Medium-term lease	187	191
Leasehold land in Mainland China		
Medium-term lease	3,835	3,924
Leasehold land in Overseas		
Long lease	322	338
	<hr/>	<hr/>
	6,376	64,487
	<hr/> <hr/>	<hr/> <hr/>

NOTES TO THE FINANCIAL STATEMENTS

19. LEASEHOLD LAND – continued

The interests in leasehold land represent prepaid operating lease payments. Leasehold land with aggregate carrying value of HK\$2,354,000 (2007: HK\$60,372,000) are pledged to secure the group's general banking facilities.

	The group	
	2008 HK\$'000	2007 HK\$'000
Analysed for reporting purposes as		
Non-current portion	6,253	63,877
Current portion included in debtors, deposits and prepayments	123	610
	6,376	64,487

20. GOODWILL

	The group	
	2008 HK\$'000	2007 HK\$'000
Cost and carrying amount		
At 1st April, 2007	–	–
Addition through acquisition of subsidiaries during the year (note 44)	8,289	–
Currency realignment	400	–
At 31st March, 2008	8,689	–

The goodwill at 31st March, 2008 arose on acquisition of subsidiaries engaged in sales and distribution of RFID products during the year. The group determines that such goodwill, which had been allocated to one cash generating unit ("CGU"), including three subsidiaries engaging in sales of business solution amounting to HK\$8,689,000 (2007: HK\$Nil) was not impaired by comparing the carrying amount of the CGU including the goodwill, with its recoverable amount.

The recoverable amount of the relevant CGU had been determined on the basis of value-in-use calculation. The value-in-use calculation use cash flow projections which were based on approved financial budgets covering a 5-year period, and the discount rate of 10%. No cash flow has been projected beyond that period. Other key assumptions for the value-in-use calculations included the budgeted sales and gross margins, such estimations were based on past performance and management's expectation for the market's development. Management believed that any reasonably possible change in any of these assumptions would not cause the aggregate carrying amount of the CGU to exceed the aggregate recoverable amount of the CGU.

NOTES TO THE FINANCIAL STATEMENTS

21. INTERESTS IN SUBSIDIARIES

	The company	
	2008 HK\$'000	2007 HK\$'000
Unlisted shares, at cost	163,654	163,654
Capital contribution in respect of employee share-based compensation	373	–
Amounts due from subsidiaries	64,000	54,000
	228,027	217,654
Amounts due to subsidiaries	(10,739)	(12,801)
	217,288	204,853

The amounts due from/(to) subsidiaries are non-interest bearing, unsecured and have no fixed terms of repayment.

The fair values of amounts due from/(to) subsidiaries have not been determined as the timing of expected cash flows of this balance cannot be reasonably determined because of the relationship.

Particulars of the subsidiaries as at 31st March, 2008 are set out in note 53.

22. INTEREST IN ASSOCIATE

	The group	
	2008 HK\$'000	2007 HK\$'000
Share of net assets	–	–
Amount due from an associate	1,047	349
	1,047	349

The amount due from an associate is unsecured, interest-free and has no fixed terms of repayment. The carrying amount of this amount approximates to its fair value.

NOTES TO THE FINANCIAL STATEMENTS

22. INTEREST IN ASSOCIATE – continued

Details of the associate which is held indirectly through subsidiary, are as follows:

Name of associate	Place of incorporation and operation	Issued and fully paid ordinary share capital	Percentage of effective interest attributable to the group	Principal activity
Singcomm Technology Pte. Ltd.	Singapore	S\$160,000	50%	Development of software and software maintenance

The following table sets out the summarised financial information of the group's associate.

	The group	
	2008 HK\$'000	2007 HK\$'000
Assets	29	11
Liabilities	(1,070)	(362)
Revenue	96	–
Loss	(654)	(351)

23. AVAILABLE-FOR-SALE FINANCIAL ASSETS

	The group	
	2008 HK\$'000	2007 HK\$'000
Financial assets stated at fair value		
Equity securities listed in Hong Kong	3,121	13,860
Unlisted investment fund	4,953	3,598
Unlisted debt securities	–	12,101
	8,074	29,559
Financial assets stated at cost		
Unlisted debt securities	335	335
	8,409	29,894

NOTES TO THE FINANCIAL STATEMENTS

23. AVAILABLE-FOR-SALE FINANCIAL ASSETS – continued

At 31st March, 2008, unlisted debt securities which are stated at fair value had effective interest rates ranged from 3.34% to 11.5% per annum.

	2008	2007
Equity securities		
Corporate entities	3,121	13,860
Unlisted investment fund		
Bank	4,953	3,598
Unlisted debt securities		
Bank	–	12,101
Club debenture	335	335
Analysis for reporting purpose		
Current assets	–	9,101
Non-current assets	8,409	20,793

The club debenture is accounted for at cost less accumulated impairment losses as such investment does not have a quoted market price in active markets and the range of reasonable fair value estimated is so significant that the directors are of the opinion that whose fair value cannot be reliably measured.

Unlisted investment fund and certain unlisted debt securities with an aggregate value of HK\$3,806,000 (2007: HK\$12,976,000) have been pledged to secure the group's general banking facilities.

NOTES TO THE FINANCIAL STATEMENTS

24. FINANCIAL ASSETS AT FAIR VALUE THROUGH PROFIT OR LOSS

	The group	
	2008 HK\$'000	2007 HK\$'000
Analysis of financial assets at fair value through profit or loss:		
Held for trading		
– Equity securities listed in Hong Kong	6,061	985
– Equity securities listed elsewhere	3,195	3,566
	9,256	4,551
Designated as financial assets at fair value through profit or loss		
– Equity-linked deposits	10,485	4,146
– Equity-linked notes	23,219	–
	33,704	4,146
	42,960	8,697
Analysis for reporting purpose		
Current assets	19,719	4,551
Non-current assets	23,241	4,146

Listed equity securities in Hong Kong with a total carrying value of HK\$988,000 (2007: HK\$Nil) have been pledged to secure the group's general banking facilities. The fair values for the above equity-linked deposits and equity-linked notes are determined based on the quoted prices from investment banks.

NOTES TO THE FINANCIAL STATEMENTS

25. LONG-TERM BANK DEPOSITS

	The group	
	2008 HK\$'000	2007 HK\$'000
Pledged bank deposit	7,798	7,798
Other bank deposit	8,152	7,798
	15,950	15,596

The pledged bank deposit is placed for 10 years and earns interest at 6.125% (2007: 6.125%) per annum. The other bank deposit is also placed for 10 years and earns interest at 7.5% (2007: 6.5%) per annum.

26. INVENTORIES

	The group	
	2008 HK\$'000	2007 HK\$'000
Office telephone system, mobile phones and other electronic products and accessories	38,738	54,850

The inventories stated at net realisable value amounted to HK\$5,354,000 (2007: HK\$2,863,000).

The cost of inventories recognised in the consolidated income statement during the year amounted to HK\$1,044,062,000 (2007: HK\$768,933,000).

The analysis of the amount of inventories recognised as an expense is as follows:

	The group	
	2008 HK\$'000	2007 HK\$'000
Carrying amount of inventories sold	1,041,269	766,573
Write-down of inventories	2,793	2,360
	1,044,062	768,933

NOTES TO THE FINANCIAL STATEMENTS

27. GROSS AMOUNT DUE FROM CUSTOMERS FOR CONTRACT WORK

	The group	
	2008 HK\$'000	2007 HK\$'000
Contract costs incurred	5,944	–
Recognised profits	1,465	–
	7,409	–
Progress billings	(388)	–
Due from customers	7,021	–

The gross amount due from customers for contract work at 31st March, 2008 that is expected to be recovered after more than one year is HK\$6,631,000 (2007: HK\$Nil).

The directors consider that the carrying amounts of gross amount due from customers for contract work approximate to their fair values.

28. DEBTORS, DEPOSITS AND PREPAYMENTS

	2008	2007
	HK\$'000	HK\$'000
Trade debtors	37,295	34,395
Less: allowance for doubtful debts	(2,575)	(1,069)
	34,720	33,326
Deposits and prepayments	14,454	24,774
	49,174	58,100

NOTES TO THE FINANCIAL STATEMENTS

28. DEBTORS, DEPOSITS AND PREPAYMENTS – continued

The ageing analysis of trade debtors that are neither individually nor collectively considered to be impaired are as follows:

	The group	
	2008 HK\$'000	2007 HK\$'000
Neither overdue nor impaired	17,403	18,412
Less than 1 month overdue	3,367	4,218
1 to 3 months overdue	5,207	2,963
More than 3 months but less than 12 months overdue	8,743	7,733
	<u>17,317</u>	<u>14,914</u>
	<u>34,720</u>	<u>33,326</u>

The group has a policy of allowing average credit period ranging from seven days to one month to its customers. In addition, for certain customers with long-established relationship and have good credit worthiness, a longer credit period may be granted.

Receivables that were neither overdue nor impaired relate to a wide range of customers for whom there was no recent history of default.

Receivables that were overdue but not impaired relate to 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.

NOTES TO THE FINANCIAL STATEMENTS

28. DEBTORS, DEPOSITS AND PREPAYMENTS – continued

Impairment of trade debtors

At 31st March, 2008, the group's trade debtors of HK\$2,806,000 (2007: HK\$1,069,000) were individually determined to be impaired. The individually impaired receivables related to customers that were in financial difficulties and management assessed that only a portion of the receivables is expected to be recovered. Consequently, specific allowances for doubtful debts of HK\$2,575,000 (2007: HK\$1,069,000) were recognised. The group does not hold any collateral over these balances.

The movements in the allowance for doubtful debts during the year are as follows:

	The group	
	2008 HK\$'000	2007 HK\$'000
At 1st April	1,069	539
Impairment losses recognised	1,419	472
Currency realignment	87	58
At 31st March	2,575	1,069

The directors consider that the carrying amounts of debtors, deposits and prepayments approximate to their fair values.

29. DEPOSITS PAID FOR ACQUISITION OF PROPERTIES

On 18th and 28th March, 2008, a subsidiary of the company entered into various agreements with third parties for acquisition of certain investment properties for an aggregate cash consideration of HK\$18,850,000. Total deposits of HK\$1,525,000 were paid by the subsidiary upon signing these agreements. All of the transactions had been completed after the balance sheet date (see notes 48 and 50).

NOTES TO THE FINANCIAL STATEMENTS

30. AMOUNT DUE FROM RELATED COMPANIES

The group

Details of the amount due from related companies are as follows:

Name of related companies	2008 HK\$'000	2007 HK\$'000	Maximum amount outstanding during the year HK\$'000
BIA Technology Limited	-	500	500
Hong Kong Communications Holdings Limited	-	1,016	1,016
	-	1,516	

BIA Technology Limited is no longer a related company of the group due to Messrs. Chan Chung Yee, Hubert, Chan Man Min, Chan Chung Yin, Roy, Tsui Hong Wing and Yeh Yui Fong had no beneficial interest in this company as at 31st March, 2008.

Messrs. Chan Chung Yee, Hubert, Chan Man Min and Chan Chung Yin, Roy have beneficial interests in Hong Kong Communications Holdings Limited.

The amount due from related companies was unsecured, interest free and repayable on demand.

The directors consider that the carrying amounts of the amount due from related companies outstanding at 31st March, 2007 approximate to their fair values.

NOTES TO THE FINANCIAL STATEMENTS

31. DERIVATIVE FINANCIAL INSTRUMENTS

	The group			
	As at 31st March, 2008		As at 31st March, 2007	
	Assets HK\$'000	Liabilities HK\$'000	Assets HK\$'000	Liabilities HK\$'000
Equity contracts	122	3,428	–	–
Equity-linked contracts	–	6,558	–	–
	122	9,986	–	–

The carrying amounts of equity contracts and equity-linked contracts are the same as their fair values. The above transactions involving derivative financial instruments are with creditworthy financial institutions.

Included in derivative financial instruments are the following amounts denominated in a currency other than the functional currency of the entity to which they relate.

	2008		2007
United States dollars	USD 2,365,000	USD	–
Japanese Yen	JPY 91,867,000	JPY	–

As at 31st March, 2007, the group did not enter into any equity contracts and equity-linked contracts.

NOTES TO THE FINANCIAL STATEMENTS

32. CASH AND BANK BALANCES

	The group		The company	
	2008 HK\$'000	2007 HK\$'000	2008 HK\$'000	2007 HK\$'000
Pledged time deposits with banks	4,042	–	–	–
Time deposits with bank with maturity over 3 months	17,107	15,596	–	–
Time deposits with banks with maturity within 3 months	93,005	74,738	–	–
Cash and bank balances	42,204	16,731	709	690
	156,358	107,065	709	690
Less: Long-term bank deposits (see note 25)	15,950	15,596	–	–
	140,408	91,469	709	690

The effective interest rates on time deposits with banks ranged from 0.8% to 7.5% (2007: from 2.5% to 6.5%) per annum at 31st March, 2008.

Cash at banks earns interest at floating rates based on daily bank deposit rates.

Included in the amount of HK\$156,358,000 (2007: HK\$107,065,000) are the following amounts denominated in a currency other than the functional currency of the entity to which they relate:

	2008	2007
United States Dollars	US\$5,702,903	US\$3,664,000
Japanese Yen	JPY 4,242,809	JPY 406,000
Ringgit Malaysia	RM 29,221	RM Nil

The directors consider that the carrying amounts of cash and bank balances approximate to their fair value.

NOTES TO THE FINANCIAL STATEMENTS

33. CREDITORS AND ACCRUED CHARGES

The aged analysis of trade creditors of HK\$43,800,000 (2007: HK\$39,938,000) which is included in the group's creditors and accrued charges is as follows:

	The group	
	2008 HK\$'000	2007 HK\$'000
0 – 30 days	41,611	35,476
31 – 60 days	427	395
61 – 90 days	244	339
Over 90 days	1,518	3,728
	43,800	39,938

The directors consider that the carrying amounts of creditors and accrued charges approximate to their fair values.

34. DEPOSIT RECEIVED

On 9th February, 2007, a subsidiary of the company entered into an agreement with a third party for the disposal of one of its investment properties for a cash consideration of HK\$68,500,000. A deposit of HK\$6,850,000 was received by the subsidiary upon signing the agreement. This transaction had been completed and the consideration was fully received by the group on 30th April, 2007.

35. AMOUNT DUE TO A DIRECTOR

The amount due to a director is non-interest bearing, unsecured and repayable on demand.

The directors consider that the carrying amount of the advances approximates to its fair value.

NOTES TO THE FINANCIAL STATEMENTS

36. OBLIGATION UNDER FINANCE LEASE

	The group			
	Minimum lease payments		Present value of minimum lease payments	
	2008 HK\$'000	2007 HK\$'000	2008 HK\$'000	2007 HK\$'000
Amounts payable under finance lease				
Within one year	39	36	34	31
In the second year	36	36	31	31
In the third to fifth years	–	32	–	28
	<u>75</u>	<u>104</u>	<u>65</u>	<u>90</u>
Less: Future finance charges	(10)	(14)		
Present value of finance lease	<u><u>65</u></u>	<u><u>90</u></u>		
Less: Amount due for settlement within one year shown under current liabilities			<u>(34)</u>	<u>(31)</u>
Amount due for settlement after one year			<u><u>31</u></u>	<u><u>59</u></u>

The effective interest rate on obligation under finance lease was 7.5% (2007: 7.5%) per annum at 31st March, 2008.

The directors consider that the carrying amount of obligation under finance lease approximates to its fair value.

NOTES TO THE FINANCIAL STATEMENTS

37. BANK BORROWINGS

	The group	
	2008 HK\$'000	2007 HK\$'000
Bank borrowings comprise:		
Bank loans (secured)	27	25,928

The effective interest rate on secured bank loan was 5.75% (2007: ranged from 5.4% – 5.75%) per annum at 31st March, 2008.

The directors consider that the carrying amounts of bank borrowings approximate to their fair values.

The maturity of the bank borrowings is as follows:

	The group	
	2008 HK\$'000	2007 HK\$'000
Due within one year	27	2,430
Due more than one year, but not exceeding two years	–	2,346
Due more than two years, but not exceeding five years	–	6,978
Due more than five years	–	14,174
	27	25,928
Less: Amount due within one year shown under current liabilities	27	2,430
Amount due after one year	–	23,498

NOTES TO THE FINANCIAL STATEMENTS

38. DEFERRED TAX

The followings are the major deferred tax assets and liabilities recognised and movements thereon during the current and prior years:

Deferred tax assets:

	The group
	Deductible
	temporary differences
	HK\$'000
At 1st April, 2006	41
Charged to consolidated income statement	(5)
At 31st March, 2007 and 1st April, 2007	36
Credited to consolidated income statement	227
Currency realignment	16
At 31st March, 2008	<u>279</u>

Deferred tax liabilities:

	The group		
	Accelerated		Total
	tax depreciation	Tax losses	Total
	HK\$'000	HK\$'000	HK\$'000
At 31st March, 2006	1,004	(276)	728
(Credited)/charged to consolidated income statement	(473)	108	(365)
At 31st March, 2007 and 1st April, 2007	531	(168)	363
Acquisition of subsidiaries	157	–	157
Credited to consolidated income statement	(110)	–	(110)
Currency realignment	(1)	–	(1)
At 31st March, 2008	<u>577</u>	<u>(168)</u>	<u>409</u>

NOTES TO THE FINANCIAL STATEMENTS

38. DEFERRED TAX – continued

At the balance sheet date, the group has unused tax losses of HK\$54,470,000 (2007: HK\$46,078,000) available to offset against future profits. A deferred tax asset has been recognised in respect of HK\$1,297,000 (2007: HK\$1,569,000) of such losses. No deferred tax asset has been recognised in respect of the remaining HK\$53,173,000 (2007: HK\$44,509,000) due to the unpredictability of future profit streams.

At the balance sheet date, the company had unused tax losses of HK\$4,753,000 (2007: HK\$3,725,000) available to offset against future profits. No deferred tax asset has been recognised due to the unpredictability of future profit streams.

The tax losses can be carried forward to offset against the taxable profits of subsequent years. There is no restriction on their expiry except the unused tax losses of PRC subsidiaries of HK\$8,297,000 (2007: HK\$6,391,000) can only be carried forward for five years from the year of the incurrence.

39. SHARE CAPITAL

	Number of shares		Amount	
	2008	2007	2008 HK\$'000	2007 HK\$'000
Ordinary shares of HK\$0.01 each				
Authorised:				
At beginning of the year and at end of the year	2,000,000,000	2,000,000,000	20,000	20,000
Issued and fully paid:				
At beginning of the year	462,069,603	462,069,603	4,621	4,621
Exercise of share options	13,998,000	–	140	–
Issue and allotment of consideration shares (note 44)	14,045,454	–	140	–
At end of the year	490,113,057	462,069,603	4,901	4,621

Details of the company's share option scheme and share award plan are set out in notes 40 and 41 to the financial statements.

NOTES TO THE FINANCIAL STATEMENTS

40. SHARE OPTION SCHEME

The company's share option scheme (the "Share Option Scheme") was adopted by a written resolution passed on 23rd October, 2001 for the purpose of providing incentives or rewards to selected participants for their contribution to the group. Under the Share Option Scheme, the directors may, at their discretion, invite any person belonging to any of the following classes of participants, to take up options to subscribe for shares of the company:

- i) any eligible employee of the company, any of its subsidiaries or any entity ("Invested Entity");
- ii) any non-executive director (including independent non-executive directors) of the company, any of its subsidiaries or any Invested Entity;
- iii) any supplier of goods or services to any member of the group or any Invested Entity;
- iv) any customer of the group or any Invested Entity;
- v) any person or entity that provides research, development or other technological support to the group or any Invested Entity;
- vi) any shareholder of any member of the group or any Invested Entity or any holder of any securities issued by any member of the group or any Invested Entity; and
- vii) any other group or classes of participants from time to time determined by the directors as having contributed or may contribute by way of joint venture, business alliance or other business arrangement to the development and growth of the group,

and for the purposes of the Share Option Scheme, the options may be granted to any company wholly-owned by one or more persons belonging to any of the above classes of participants. For the avoidance of doubt, the grant of any options by the company for the subscription of shares of the company or other securities of the group to any person who fall within any of the above classes of participants shall not, by itself, unless the directors otherwise determined, be construed as a grant of option under the Share Option Scheme.

The eligibility of any of the above class of participants to the grant of any options shall be determined by the directors from time to time.

NOTES TO THE FINANCIAL STATEMENTS

40. SHARE OPTION SCHEME – continued

An option may be accepted by a participant upon payment of HK\$1 per option and within such time as may be specified in the offer for grant of the option, which shall not be later than 21 days of the date of the offer. An option may be exercised in accordance with the terms of the Share Option Scheme at any time during a period to be determined and notified by the directors at the time of such grant to each grantee, which period may commence on the date of acceptance of the offer for the grant of option but shall end in any event not later than 10 years from the date of grant of the option subject to the provisions of early termination thereof. The subscription price for shares under the Share Option Scheme shall be a price determined by the directors, but shall not be less than the higher of (i) the closing price of shares as stated in daily quotations sheet of the Stock Exchange on the date of the offer for grant; (ii) the average closing price of shares as stated in the Stock Exchange's daily quotations sheet for the five business days immediately preceding the date of the offer of grant; and (iii) the nominal value of the shares.

The maximum number of shares which may be issued upon exercise of all outstanding options granted and yet to be exercised under the Share Option Scheme and any other share option scheme of the group must not in aggregate exceed 30% of the relevant class of securities of the company (or any of its subsidiaries) in issue from time to time. The total number of shares in respect of which options may be granted under the Share Option Scheme and any other share option scheme of the group shall not exceed 10% of the shares of the company in issue as at the date of which dealing in the shares of the company on the Stock Exchange, without prior approval from the company's shareholders. The number of shares in respect of which options may be granted to any participant in any 12 month period 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. Options granted to directors, chief executives or substantial shareholders of the company or any of their respective associates (as defined under Listing Rules) must be approved by independent non-executive directors of the company (excluding any independent non-executive director who is the grantee of the options). Options granted to substantial shareholders or independent non-executive directors or any of their respective associates in the 12 month period up to and including the date of such grant in excess of 0.1% of the shares of the company in issue and with a value in excess of HK\$5 million must be approved in advance by the company's shareholders. As at 31st March, 2008, no share option was outstanding.

Share options do not confer rights on the holders to dividends or to vote at shareholders' meeting.

The life of the Share Option Scheme is 10 years commencing from 23rd October, 2001 and will end on 22nd October, 2011.

NOTES TO THE FINANCIAL STATEMENTS

40. SHARE OPTION SCHEME – continued

Movements in the options to subscribe for shares for the year ended 31st March, 2008 are as follows:

	Date of grant	Exercisable period	Exercise price per share HK\$	Outstanding at 1st April, 2007	Exercised during the year	Lapsed during the year	Outstanding at 31st March, 2008	Price of company's shares		
								At date of grant HK\$	Immediate exercise before date HK\$	At date of exercise HK\$
Directors										
Chan Chung Yee, Hubert	17.6.2005	17.12.2005 – 16.6.2007	0.284	4,300,000	(4,300,000)	–	–	0.280	0.48	0.55
Chan Chung Yin, Roy	17.6.2005	17.12.2005 – 16.6.2007	0.284	2,000,000	(1,000,000)	(1,000,000)	–	0.280	0.53	0.52
Chan Man Min	17.6.2005	17.12.2005 – 16.6.2007	0.284	1,000,000	(1,000,000)	–	–	0.280	0.52	0.53
Chan Ming Him, Denny	17.6.2005	17.12.2005 – 16.6.2007	0.284	1,000,000	(1,000,000)	–	–	0.280	0.52	0.53
Tsui Hon Wing	17.6.2005	17.12.2005 – 16.6.2007	0.284	1,000,000	(200,000)	(800,000)	–	0.280	0.46	0.47
Wu Kwok Lam	17.6.2005	17.12.2005 – 16.6.2007	0.284	1,000,000	–	(1,000,000)	–	0.280	–	–
Yeh Yui Fong	17.6.2005	17.12.2005 – 16.6.2007	0.284	1,000,000	(1,000,000)	–	–	0.280	0.465	0.48
				11,300,000	(8,500,000)	(2,800,000)	–			
				-----	-----	-----	-----			
Employees										
	17.6.2005	17.12.2005 – 16.6.2007	0.284	6,900,000	(5,498,000)	(1,402,000)	–	0.280	0.415	0.406
				-----	-----	-----	-----			
				18,200,000	(13,998,000)	(4,202,000)	–			
				=====	=====	=====	=====			

NOTES TO THE FINANCIAL STATEMENTS

40. SHARE OPTION SCHEME – continued

Movements in the options to subscribe for shares for the year ended 31st March, 2007 are as follows:

Date of grant	Exercisable period	Exercise price per share HK\$	Outstanding at 1st April, 2006	Lapsed during the year	Cancelled during the year	Outstanding at 31st March, 2007	Price of company's shares			
							At date of grant HK\$	Immediate before exercise date HK\$	At date of exercise HK\$	
Directors										
Chan Chung Yee, Hubert	17.6.2005	17.12.2005 – 16.6.2007	0.284	4,300,000	–	–	4,300,000	0.280	–	–
Chan Chung Yin, Roy	17.6.2005	17.12.2005 – 16.6.2007	0.284	2,000,000	–	–	2,000,000	0.280	–	–
Chan Man Min	17.6.2005	17.12.2005 – 16.6.2007	0.284	1,000,000	–	–	1,000,000	0.280	–	–
Chan Ming Him, Denny	17.6.2005	17.12.2005 – 16.6.2007	0.284	1,000,000	–	–	1,000,000	0.280	–	–
Tsui Hon Wing	17.6.2005	17.12.2005 – 16.6.2007	0.284	1,000,000	–	–	1,000,000	0.280	–	–
Wu Kwok Lam	17.6.2005	17.12.2005 – 16.6.2007	0.284	1,000,000	–	–	1,000,000	0.280	–	–
Yeh Yui Fong	17.6.2005	17.12.2005 – 16.6.2007	0.284	1,000,000	–	–	1,000,000	0.280	–	–
				<u>11,300,000</u>	<u>–</u>	<u>–</u>	<u>11,300,000</u>			
Employees										
	4.5.2004	4.11.2004 – 3.5.2006	0.196	2,564,000	(2,564,000)	–	–	0.200	–	–
	17.6.2005	17.12.2005 – 16.6.2007	0.284	9,000,000	–	(2,100,000)	6,900,000	0.280	–	–
				<u>11,564,000</u>	<u>(2,564,000)</u>	<u>(2,100,000)</u>	<u>6,900,000</u>			
				<u>22,864,000</u>	<u>(2,564,000)</u>	<u>(2,100,000)</u>	<u>18,200,000</u>			

NOTES TO THE FINANCIAL STATEMENTS

41. SHARE AWARD PLAN

Pursuant to a resolution passed by the shareholders of the company in general meeting on 8th September, 2006 (Adoption date), the company adopted the Share Award Plan under which the shares of the company may be awarded to the directors and employees of the group in accordance with the terms and conditions of the Share Award Plan. Pursuant to the rules of the Share Award Plan, the group has appointed a Share Award Plan Trustee ("the Trustee"), for the purpose of administering the Share Award Plan and holding the shares of the company before they vested. Unless early terminated by the Board, the Share Award Plan shall be valid and effective for a term of 10 years commencing on the Adoption Date. Vested shares will be transferred at no cost to the relevant awardees. Under the Share Award Plan, the directors will, in their absolute discretion, determine whether the award is to be satisfied by way of allotment and issue the new shares of the company or purchase of the relevant number of shares of the company on the Stock Exchange of Hong Kong Limited by the Share Award Plan Trustee.

On 24th April, 2007, the directors informed the employees that the year end bonus for the directors and certain employees for the year ended 31st March, 2008 is to be satisfied by cash or award the shares of the company to those directors and employees of the group. During the year ended 31st March, 2008, 2,668,000 shares of the company were acquired from the market at the total cost of HK\$947,000 by the trustee. On 22nd April, 2008, the directors approved 1,492,000 shares of the company to be awarded to eligible directors and employees in lieu of cash bonus. The fair value of these shares was HK\$373,000. Those shares of the company were subsequently transferred to those eligible directors and employees at nil consideration on 13th May, 2008. The remaining 1,176,000 shares of the company will be held by the trustee for the purpose of 2008/09 bonus.

The fair value of the awarded shares for the year ended 31st March, 2008 was based on the market value of the shares of the company at the date of grant.

NOTES TO THE FINANCIAL STATEMENTS

42. RESERVES

The group

The amounts of the group's reserves and the movements therein for the current and prior years are presented in the consolidated statement of changes in equity on page 41.

The company

	Share premium	Shares held for share award plan	Share award reserve	Share option reserve	Special reserve	Investment revaluation reserve	Retained profits	Total
	HK\$'000	HK\$'000	HK\$'000	HK\$'000	HK\$'000	HK\$'000	HK\$'000	HK\$'000
At 1st April, 2006	31,580	–	–	1,047	163,453	16	6,089	202,185
Transfer upon cancellation of share options	–	–	–	(108)	–	–	108	–
Release to retained profits upon disposal of available-for-sale financial assets	–	–	–	–	–	(16)	–	(16)
Profit for the year	–	–	–	–	–	–	3,374	3,374
Dividend paid	–	–	–	–	–	–	(4,621)	(4,621)
At 31st March, 2007	<u>31,580</u>	<u>–</u>	<u>–</u>	<u>939</u>	<u>163,453</u>	<u>–</u>	<u>4,950</u>	<u>200,922</u>
At 1st April, 2007	31,580	–	–	939	163,453	–	4,950	200,922
Shares purchased for share award plan	–	(947)	–	–	–	–	–	(947)
Exercise of share options	3,835	–	–	–	–	–	–	3,835
Issue and allotment of consideration shares	5,267	–	–	–	–	–	–	5,267
Transfer upon share options exercised	722	–	–	(722)	–	–	–	–
Release to retained profits upon shares option expired	–	–	–	(217)	–	–	217	–
Recognition of equity-settled share-based payment	–	–	373	–	–	–	–	373
Profit for the year	–	–	–	–	–	–	8,378	8,378
Dividend paid	–	–	–	–	–	–	(4,761)	(4,761)
At 31st March, 2008	<u>41,404</u>	<u>(947)</u>	<u>373</u>	<u>–</u>	<u>163,453</u>	<u>–</u>	<u>8,784</u>	<u>213,067</u>

NOTES TO THE FINANCIAL STATEMENTS

42. RESERVES – continued

The special reserve of the company represents the difference between the aggregate net assets of the subsidiaries acquired pursuant to the group reorganisation over the nominal value of the company's shares issued for the acquisition prior to the listing of the company's shares in 2001.

The company's reserves available for distribution represent the share premium, share award reserve, share option reserve and retained profits. Under the Companies Laws of the Cayman Islands, the share premium of the company is available for paying distributions or dividends to shareholders subject to the provisions of memorandum and articles of association and provided that immediately following the distribution or dividend the company is able to pay its debt as they fall due in the ordinary course of business. The company's reserves available for distributions to shareholders as at 31st March, 2008 amounted to HK\$213,067,000 (2007: HK\$200,922,000).

43. CAPITAL MANAGEMENT

The group's objectives when managing capital are:

- To safeguard the group's ability to continue as a going concern, so that it continues to provide returns for shareholders;
- To support the group's stability and growth; and
- To provide capital for the purpose of strengthening the group's risk management capability.

The group actively and regularly reviews and manages its capital structure to ensure optimal capital structure and shareholder returns, taking into consideration the future capital requirements of the group and capital efficiency, prevailing and projected profitability, projected operating cash flows, projected capital expenditures and projected strategic investment opportunities.

As in prior years, the group monitors capital by reviewing the level of capital that is at the disposal of the group. Capital comprises all components of equity. The capital of the group at 31st March, 2008 was HK\$274,148,000 (2007: HK\$269,148,000). The increase of capital was due to the group made operating profit of HK\$6,588,000 (2007: HK\$4,538,000) during the year.

NOTES TO THE FINANCIAL STATEMENTS

44. BUSINESS COMBINATION

On 22nd October, 2007, the group entered into the acquisition agreement to acquire 70% of the issued share capital of Wavex Innovations Pte Ltd. ("Wavex Innovations") and Wavex Technologies Pte Ltd. ("Wavex Technologies"), at a total consideration of S\$3,500,000 (equivalent to HK\$18,500,000). Both companies are incorporated in Singapore and are currently engaged in sales and distribution of RFID product. This transaction was completed on 30th November, 2007.

Upon the completion of the above-mentioned transaction on 30th November, 2007:

- a) S\$1,050,000 (representing 30% of the total consideration) had been satisfied by issue and allotment of the shares of the company;
- b) S\$1,400,000 (representing 40% of the consideration) had been paid by the group in cash;
- c) The remaining balance S\$1,050,000 (representing 30% of the consideration) is to be paid by the group on the 45th calendar day after the last of the audited financial statements of the Wavex Innovations and Wavex Technologies for the three successive years commencing from 1st October, 2007 are made available to the group (Consideration Balance Payment Date) which is expected to be no earlier than 30th September, 2010 subject to the adjustment to the consideration as defined in the company's circular dated 14th November, 2007.

Due to the fact that the remaining balance of S\$1,050,000 will be affected by adjustment to the consideration which could not measure exactly until Consideration Balance Payment Date, the balance of S\$1,050,000 minus any adjustment would only be accounted for at Consideration Balance Payment Date, at which time such sum will be treated as an adjustment to the cost of acquisition.

NOTES TO THE FINANCIAL STATEMENTS

44. BUSINESS COMBINATION – continued

The aggregate carrying values of the identifiable assets and liabilities of Wavex Innovations and Wavex Technologies immediately before the acquisition were as follows:

	Fair value recognised on acquisition	Previous carrying value
	HK\$'000	HK\$'000
Property, plant and equipment	1,195	1,195
Inventories	970	970
Prepayments, deposits and other receivables	2,724	2,724
Cash and bank balances	5,711	5,711
Trade payables	(411)	(411)
Accruals, other payables and deposits received	(2,827)	(2,827)
Tax payable	(211)	(211)
Deferred taxation	(116)	(116)
	<hr/>	<hr/>
	7,035	7,035
Minority interests	(2,143)	<hr/> <hr/>
	<hr/>	
	4,892	
Goodwill on acquisition	8,289	
	<hr/>	
	13,181	
	<hr/> <hr/>	
Satisfied by:		
Cash consideration paid	7,532	
Shares issued (Note)	5,649	
	<hr/>	
	13,181	
	<hr/> <hr/>	

NOTES TO THE FINANCIAL STATEMENTS

44. BUSINESS COMBINATION – continued

An analysis of the net outflow of cash and cash equivalents in respect of the acquisition of Wavex Innovations and Wavex Technologies is as follows:

	HK\$'000
Cash consideration paid	(7,532)
Cash and bank balances acquired	5,711
Net outflow of cash and cash equivalents in respect of the acquisition of subsidiaries	<u>(1,821)</u>

Note: As part of the consideration for the acquisition, a total of 14,045,454 shares of the company with a par value of HK\$0.01 each were issued. The fair value of the shares issued, which was determined by reference to the average closing prices of shares for the five trading days as quoted on the Stock Exchange immediately prior the date of the acquisition agreement.

Since its acquisition, Wavex Innovations and Wavex Technologies contributed HK\$4,380,000 to the group's consolidated turnover and profit of HK\$36,600 to the consolidated results for the year ended 31st March, 2008.

Had the combination taken place at the beginning of the year, the group's consolidated turnover and profit for the year ended 31st March, 2008 would have been HK\$1,170,000,000 and HK\$7,480,000 respectively.

45. PLEDGE OF ASSETS

As at 31st March, 2008, the group's general banking facilities were secured by (1) first legal charge on certain leasehold land and buildings and investment properties with aggregate net book value of HK\$9,044,000 (2007: HK\$75,930,000), (2) bank deposit of HK\$11,840,000 (2007: HK\$7,798,000), (3) available-for-sale financial assets of HK\$3,806,000 (2007: HK\$12,976,000) and (4) financial assets at fair value through profit or loss of HK\$988,000 (2007: HK\$Nil).

NOTES TO THE FINANCIAL STATEMENTS

46. OPERATING LEASE ARRANGEMENTS

a) The group as lessee:

At the balance sheet date, the group had outstanding commitments for future minimum lease payments under non-cancellable operating leases in respect of rented premises which fall due as follows:

	The group	
	2008 HK\$'000	2007 HK\$'000
Within one year	4,593	2,542
In the second to fifth years, inclusive	11,064	315
	15,657	2,857

Operating lease payments represent rentals payable by the group for its office premises and shops. Leases are negotiated for terms ranging from two to three years (2007: two to three years). In addition to the minimum rental payments disclosed above, the group has commitments to pay additional rent of a proportion of turnover for certain leased shops if the turnover generated from these leased shops exceeds the predetermined levels. Contingent rentals are not included in the above commitments as it is not possible to estimate the amounts which may be payable.

b) The group as lessor:

At the balance sheet date, the group had contracted with tenants for the following minimum lease receivable under non-cancellable operating leases in respect of rented premises which fall due as follows:

	The group	
	2008 HK\$'000	2007 HK\$'000
Within one year	504	819
In the second to fifth years, inclusive	-	504
	504	1,323

The properties held have committed tenants in terms of one year (2007: two years).

c) The company had no operating lease commitments as at 31st March, 2008 and 31st March, 2007.

NOTES TO THE FINANCIAL STATEMENTS

47. CONTINGENT LIABILITIES

	The group		The company	
	2008 HK\$'000	2007 HK\$'000	2008 HK\$'000	2007 HK\$'000
Guarantees for general banking facilities granted to subsidiaries	-	-	49,000	49,000

The company has not recognised any deferred income in respect of guarantee as its fair value cannot be reliably measured and its transaction price was HK\$Nil (2007: HK\$Nil).

48. CAPITAL COMMITMENTS

1) Acquisition of investment properties

As mentioned in note 29 to the financial statements, the group entered into various agreements to acquire investment properties for a total consideration of HK\$18,850,000. Deposits of HK\$1,525,000 have been paid before the balance sheet date and the balance of HK\$17,325,000 would be paid by the group upon completion of these transactions after the balance sheet date.

2) Acquisition of subsidiaries

During the year, the group acquired certain subsidiaries in Singapore. As mentioned in note 44, the amount of HK\$5,550,000 (S\$1,050,000) minus any adjustment as defined in the company's circular dated 14th November, 2007, is expected to be paid by the group no earlier than 30th September, 2010.

NOTES TO THE FINANCIAL STATEMENTS

49. RELATED PARTY TRANSACTIONS

- a) During the year, the group had the following transactions, which were conducted in the ordinary course of the group's business, with its related companies:

Name of related company	Note	Nature of transactions	2008 HK\$'000	2007 HK\$'000
HKC Intown Limited	(i)	Internet access fee paid	179	152
Hong Kong Communications Holdings Limited	(ii)	Sales of unlisted equity securities	250	–
			179	152
			250	–

Mr. Chan Chung Yin, Roy, director of the company, has beneficial interest in HKC Intown Limited.

Mr. Chan Chung Yee, Hubert director of the company, is a shareholder and director of Hong Kong Communication Holdings Limited.

In view of the 45% interest of Mr. Chan Chung Yin, Roy, a director of the company in HKC Intown Limited, HKC Intown Limited is a connected person (as defined in the Listing Rules) of the company. The transactions entered into with HKC Intown Limited constitute a continuing connected transaction under Chapter 14A of the Listing Rules. As the aggregate amounts involved during the year in respect of this transaction fell below the de-minimis threshold of the Chapter 14A of the Listing Rules, this transaction is not subject to reporting, disclosure and independent shareholders' approval requirements of Chapter 14A of the Listing Rules.

b) Key management personnel compensation

The remuneration of directors and other members of key management during the year was as follows:

	2008 HK\$'000	2007 HK\$'000
– Salaries and other short-term employee benefits	7,014	7,885
– Employee share-based compensation benefits	313	–
– Post-employment benefits	97	151
	7,424	8,036

- c) Details of the balances with related companies and a director are mentioned in notes 30 and 35 to the financial statements.

Note:

- (i) These transactions were based on cost plus a percentage of profit mark-up.
- (ii) Unlisted equity securities were disposal of at cost.

NOTES TO THE FINANCIAL STATEMENTS

50. SUBSEQUENT EVENTS

- 1) Subsequent to the balance sheet date, the group had completed the acquisition of the investment properties with an aggregate cost of HK\$18,850,000 (see note 29).
- 2) On 28th April, 2008, the group entered into an agreement to acquire an investment property located at Hong Kong at a cash consideration of HK\$5,750,000. This transaction had been completed on 18th July, 2008.
- 3) On 8th May, 2008, the group entered into another agreement to acquire an office located at Shanghai, PRC at a cash consideration of HK\$25,354,000 (RMB22,727,000). This transaction is expected to be completed on or before 28th October, 2008.

51. POSSIBLE IMPACT OF AMENDMENTS, NEW STANDARDS AND INTERPRETATIONS ISSUED BUT NOT YET EFFECT FOR THE YEAR ENDED 31ST MARCH, 2008

Up to the date of issue of these financial statements, the HKICPA has issued a number of amendments, new standards and interpretations which are not yet effective for the year ended 31st March, 2008 and which have not been adopted in these financial statements.

The group is in the process of making an assessment of what the impact of these amendments, new standards and new interpretations is expected to be in the period of initial application. So far it has concluded that the adoption of them is unlikely to have a significant impact on the group's and company's results of operations and financial position.

52. COMPARATIVE FIGURES

Certain comparative figures in note 10 have been adjusted to conform with the current year's presentation.

As a result of adopting HKFRS 7, Financial instruments: Disclosures and the amendments to HKAS 1, Presentation of financial statements: Capital disclosures, certain comparative figures have also been adjusted to conform with changes in disclosures in the current year and to show separately comparative amounts in respect of items disclosed for the first time in 2007.

NOTES TO THE FINANCIAL STATEMENTS

53. SUBSIDIARIES

Particulars of the subsidiaries at 31st March, 2008 are as follows:

Name	Place of incorporation/ registration	Principal place of Operation	Issued and fully paid share capital/ registered capital	Percentage of effective interest attributable to the group	Principal activities
HKC Group Limited	British Virgin Islands	Hong Kong	Ordinary shares US\$100,000	100%	Investment holding
HKC Properties Limited	British Virgin Islands	Hong Kong	Ordinary shares US\$30	100%	Investment holding
Superior Charm Limited	British Virgin Islands	Hong Kong	Ordinary shares US\$1,200	100%	Investment holding
Hong Kong Communications Equipment Company Limited	Hong Kong	Hong Kong	Ordinary shares HK\$10,560	100%	Sales and distribution of mobile phones and business solutions
Circle Mobile Communications Limited	Hong Kong	Hong Kong	Ordinary shares HK\$1,000,000	100%	Sales of mobile phones and other electronic products
Generalvestor (H.K.) Limited	Hong Kong	Hong Kong	Ordinary shares HK\$10,000,000	100%	Property investment
HKC Technology Limited	Hong Kong	Hong Kong	Ordinary shares HK\$6,000,100	100%	Sales and distribution of telecommunication products
HKC International (Thailand) Co. Ltd.	Thailand	Thailand	Preference shares THB9,999,990 Ordinary shares THB10,000,010	100%	Sales and distribution of business solutions

NOTES TO THE FINANCIAL STATEMENTS

53. SUBSIDIARIES – continued

Name	Place of incorporation/ registration	Principal place of Operation	Issued and fully paid share capital/ registered capital	Percentage of effective interest attributable to the group	Principal activities
Singapore Communications Equipment Co. Pte Ltd.	The Republic of Singapore	Singapore	Ordinary shares S\$160,000	100%	Sales and distribution of business solutions
HKC Technology (USA) Inc.	United States of America	United States of America	Ordinary shares US\$15,000	100%	Sales and distribution of telecommunication products
HKC International (M) Sdn Bhd	Malaysia	Malaysia	Ordinary shares RM250,000	100%	Dormant
Circle Mobile Communications (M) Sdn Bhd	Malaysia	Malaysia	Ordinary shares RM500,000	100%	Dormant
上海希華通訊科技 有限公司 (note 1) HKC Technology (Shanghai) Co. Ltd.	PRC	PRC	Contributed capital US\$2,270,000	100%	Sales and distribution of business solutions
亞衛通智能系統(上海) 有限公司 (note 2) (ASCT Technology Co. Ltd.)	PRC	PRC	Contributed capital US\$610,000	80%	Development and sales of telecommunication system and other high-tech products
HKC Mobile Technology Limited	Hong Kong	Hong Kong	Ordinary shares HK\$20,000,000	100%	Dormant
HKC Comunicacoes Equipamento (Macau) Companhia Limitada	Macau	Macau	Contributed capital MOP 100,000	100%	Sales and distribution of business solutions

NOTES TO THE FINANCIAL STATEMENTS

53. SUBSIDIARIES – continued

Name	Place of incorporation/ registration	Principal place of Operation	Issued and fully paid share capital/ registered capital	Percentage of effective interest attributable to the group	Principal activities
Wavex Innovations Pte. Ltd.	Singapore	Singapore	Ordinary shares S\$50,000	70%	Sales & development of RFID products
Wavex Technologies Pte. Ltd.	Singapore	Singapore	Ordinary shares S\$200,000	70%	Sales and distribution of RFID products
Wavetech Sdn Bhd	Malaysia	Malaysia	Ordinary shares RM\$100,000	42%	Sales and distribution of RFID products

The company directly holds the interest in HKC Group Limited. All other interests shown above are indirectly held by the company.

None of the subsidiaries had any debt securities subsisting at 31st March, 2008 and 2007 or at any time during the year.

Note 1: The subsidiary is a wholly foreign owned enterprise.

Note 2: The subsidiary is a sino-foreign owned enterprise.

FINANCIAL SUMMARY

	2004	2005	2006	2007	2008
	HK\$'000	HK\$'000	HK\$'000	HK\$'000	HK\$'000
RESULTS					
Turnover	954,137	974,056	1,002,490	869,232	1,156,355
Profit before taxation	1,561	18,157	78,075	6,860	8,766
Tax expense	(1,340)	(7,003)	(5,775)	(2,322)	(2,178)
Profit for the year	221	11,154	72,300	4,538	6,588
Attributable to:					
Equity holders of the company	523	11,304	72,174	5,071	6,509
Minority interests	(302)	(150)	126	(533)	79
	221	11,154	72,300	4,538	6,588
ASSETS/(LIABILITIES) AND MINORITY INTERESTS					
Total assets	276,492	290,874	326,864	351,680	338,982
Total liabilities	(80,994)	(82,301)	(65,901)	(82,532)	(64,834)
Minority interests	(557)	(407)	(533)	–	(2,308)
	194,941	208,166	260,430	269,148	271,840

PARTICULARS OF PROPERTIES FOR INVESTMENT/OWN USE

Location	Type	Lease term
Block A on 14th Floor Vita Tower No. 29 Wong Chuk Hang Road Wong Chuk Hang Hong Kong	Industrial	Long lease
Block B on 14th Floor Vita Tower No. 29 Wong Chuk Hang Road Wong Chuk Hang Hong Kong	Industrial	Long lease
Workshop 05 on 5th Floor Kwong Sang Hong Centre Nos. 151-153 Hoi Bun Road Kwun Tong Kowloon Hong Kong	Industrial	Medium-term lease
Flat 19B on Level 19 Sea of Clouds Gardens No. 138 Qing Hai Road Jingan District Shanghai	Residential	Medium-term lease
The whole of the strata unit #02-09 Kewalram House No. 8, Jalan Kilang Timor Singapore	Industrial	Long lease