

ANNUAL REPORT



HKC
香港通訊

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



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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

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

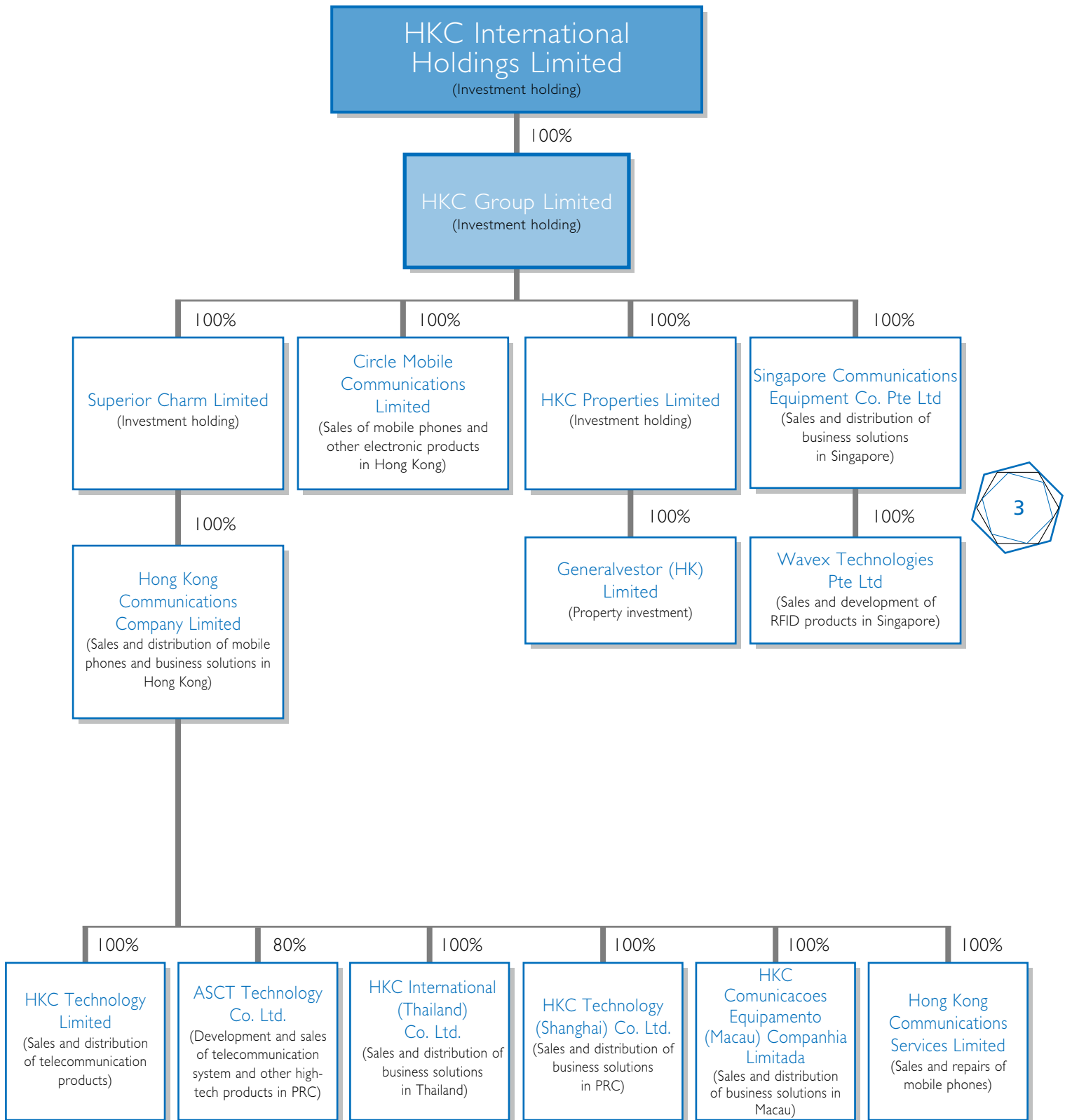
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WEBSITE ADDRESS

<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 p.m. on 6th September, 2010 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, 2010;
2. to approve the declaration of a final dividend for the year ended 31st March, 2010 of HK\$0.01 per share (each a "Share") of HK\$0.01 each in the capital of the company by way of a scrip dividend scheme ("Scrip Dividend Scheme") with an option to elect to receive an allotment and issue of Shares credited as fully paid in lieu of cash payment;
3.
 - (a) 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);
 - (b) 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);
 - (c) To re-elect the retiring Director Dr. Chu Chor Lup as an independent non-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 auditors 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 (including the Scrip Dividend Scheme) 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, 28th July, 2010

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, 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 Monday, 9th August, 2010 to Wednesday, 11th August, 2010 (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 Friday, 6th August 2010.
4. In relation to the proposed resolution numbered 3 above, in accordance with Article 108 of the company's articles of association, Mr. Wu Kwok Lam, Mr. Chan Ming Him, Denny, Dr. Chu Chor Lup 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 authorize 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. 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. WU Kwok Lam, aged 48, 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 of the company.

Mr. Wu has not held any directorship in other listed companies in Hong Kong in the last three years and does not have any relationship with any other Directors, senior management or substantial or controlling Shareholders (as defined in the Listing Rules) of the company.

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\$60,680 and a discretionary bonus to be determined by the board of Directors.

Mr. Wu is not interested or deemed to be interested in any Shares of the company or its associated corporation within the meaning of Part XV of the SFO.

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, there are no other matters concerning the re-election of Mr. Wu that need to be brought to the attention of the Shareholders.

Mr. CHAN Ming Him, Denny, aged 51, 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. 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 this notice.

Mr. Chan has not held any directorship in other listed companies in Hong Kong in the last three years.

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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, there are no other matters concerning the re-election of Mr. Chan that need to be brought to the attention of the Shareholders.

Dr. CHU Chor Lup, aged 57, 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.

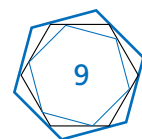
Dr. Chu has not held any directorship in other listed companies in Hong Kong in the last three years and does not have any relationship with any other Directors, senior management or substantial or controlling Shareholders (as defined in the Listing Rules) of the company.

Dr. Chu 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. Under the letter of appointment, Dr. Chu is currently entitled to an annual director fee of HK\$25,000.

Dr. Chu is not interested or deemed to be interested in any Shares of the company or its associated corporations within the meaning of Part XV of the SFO.

There is no information in relation to Dr. Chu 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, there are no other matters concerning the re-election of Dr. Chu that need to be brought to the attention of the Shareholders.



NOTICE OF ANNUAL GENERAL MEETING

Mr. LEUNG Tai Wai, David, aged 54, is the president of Zestra Asia Limited. Mr. Leung holds a Degree in Business Administration and a Master's Degree in Marketing.

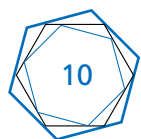
Mr. Leung has not held any directorship in other listed companies in Hong Kong in the last three years and does not have any relationship with any other Directors, senior management or substantial or controlling Shareholders (as defined in the Listing Rules) of the company.

Mr. Leung 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. Under the letter of appointment, Mr. Leung is currently entitled to the annual director fee of HK\$20,000.

Mr. Leung is not interested or deemed to be interested in any Shares of the company or its associated corporation within the meaning of Part XV of the SFO.

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, there are no other matters concerning the re-election of Mr. Leung that need to be brought to the attention of the Shareholders.



MANAGEMENT DISCUSSION AND ANALYSIS

For the year ended 31st March, 2010, the group's turnover decreased by 22% to HK\$871 million (2009: HK\$1,110 million) and net profit was HK\$3 million (2009: loss of HK\$40.6 million).

SALES OF MOBILE PHONES

The turnover decreased from HK\$1,012 million to HK\$795 million and the profit decreased from HK\$10 million to HK\$3 million when compared with last year respectively. The profit margin was decreased due to fierce competition.

SALES OF BUSINESS SOLUTIONS

During the year under review, the turnover decreased by 25% to HK\$72.2 million (2009: HK\$96.4 million) because some corporation decided to reduce their spending. The division recorded loss of HK\$19.9 million compared with the loss of HK\$23.4 million last year.

PROPERTY INVESTMENT

This division recorded loss of HK\$0.7 million (2009: profit of HK\$0.5 million) although the rental income increased from HK\$1.9 million to HK\$3.5 million. The loss was due to the increase in depreciation, amortisation and finance costs for the year under review.

PROSPECTS

In view of the keen price competition and decline in demand, we will strengthen our cost control and increase our efficiency to increase the profit margin. We will seize opportunities to increase our market share and maintain a conservative approach to the investment portfolio.

LIQUIDITY AND FINANCIAL RESOURCES

The group continues to maintain a strong financial position. As at 31st March, 2010, the group's bank balances and cash amounted to approximately HK\$62 million (2009: HK\$84 million) while the bank borrowing was HK\$36 million (2009: HK\$37 million). The gearing ratio was 15.91% (2009: 16.39%) 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 EXPENDITURE

The group invested HK\$4.6 million in investment properties, leasehold land and property, plant and equipment during the year.



MANAGEMENT DISCUSSION AND ANALYSIS

EMPLOYEES

As at 31st March, 2010, the total number of employees of the group was approximately 320 (2009: 330) and the aggregate remuneration of employees (excluding directors' emoluments) amounted to HK\$54 million (2009: HK\$62 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, 2010, 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\$61,829,000 (2009: HK\$64,042,000), (2) bank deposits of HK\$8,581,000 (2009: HK\$12,670,000) and (3) financial assets at fair value through profit or loss of HK\$22,819,000 (2009: Nil).

CONTINGENT LIABILITIES

As at 31st March, 2010, the company had provided corporate guarantees of HK\$94 million (2009: HK\$79 million) to secure general banking facilities granted to the subsidiaries.

DIVIDEND

The directors recommend the payment of a final dividend of HK\$0.01 (2009: HK\$0.01) per ordinary share payable to shareholders of the company whose names appear on the register of members of the company on Wednesday, 11th August, 2010. Subject to the approval of the shareholders of the company at the forthcoming annual general meeting, the dividend will be paid on or before 17th September, 2010. The final dividend will be payable in cash but shareholders may elect to receive final dividend in the form of new shares of the company in lieu of cash or partly in shares and partly in cash. A circular containing details thereof and the election form are expected to be sent to shareholders on or about Friday, 20th August, 2010.

CLOSURE OF REGISTER OF MEMBERS

The register of members of the company will be closed from Monday, 9th August, 2010 to Wednesday, 11th August, 2010, 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 Friday, 6th August, 2010.

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, 2010 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 twelve meetings during the year and the attendance record of individual director are as follows:

Number of meetings attended

Executive directors:

Chan Chung Yee, Hubert	12/12
Chan Chung Yin, Roy	11/12
Chan Man Min	0/12
Chan Ming Him, Denny	9/12
Tsui Hon Wing	9/12
Wu Kwok Lam	12/12

Non-executive director:

Ng Ching Wah	6/12
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Independent non-executive directors:

Chiu Ngar Wing	7/12
Chu Chor Lup	0/12
Leung Tai Wai, David	0/12

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.

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.

CORPORATE GOVERNANCE REPORT

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, 2009 and the audited financial statements for the year ended 31st March, 2010 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 held 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	1/2
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, 2010 amounted to HK\$495,000.



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, 2010, 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 32 of the annual report of the company for the year ended 31st March, 2010.

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.

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.



CORPORATE GOVERNANCE REPORT

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, 2010.

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 50, 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, an Executive Master of Business Administration from the Hong Kong University of Science and Technology and a DBA from the Hong Kong Polytechnic University. 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. He is the elder brother of Mr. Chan Chung Yin, Roy.

Mr. CHAN Chung Yin, Roy, aged 48, 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 48, 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 of the company.

Mr. CHAN Man Min, aged 77, 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 51, 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 63, 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 60, 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.

INDEPENDENT NON-EXECUTIVE DIRECTORS

Mr. CHIU Ngar Wing, aged 56, 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.

BIOGRAPHICAL DETAILS OF DIRECTORS AND SENIOR MANAGEMENT

Dr. CHU Chor Lup, aged 57, 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 54, obtained a Degree in Business Administration and a Master's Degree in Marketing.

SENIOR MANAGEMENT

Mr. CHOI Chun Yik, aged 49, 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. LAM Kwok Hung, Charles, aged 43, 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 52, 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.

Mr. LEE Sheng Weng, Nick, aged 38, Mr. Lee joined the group in 2007. He has more than 12 years of experience in the Smart Card and RFID Industries. He is one of the key founders of Wavex Technologies Pte Ltd and being the CEO, he does not only oversee the whole company's operations but also head the Sales Division. Mr. Lee comes from the IT and Computing background and started working for a Smartcard and RFID company in Singapore in 1996. In 2001, he founded Wavex Technologies which today has more than 60 RFID sites implementation in Singapore and the Asia Pacific. Not only did Mr. Lee obtain the Entrepreneur of the Year 2006 Award in Singapore organised by Rotary Club of Singapore and the Association of Small & Medium Enterprises, he has also led the company into the achievement of being awarded the Enterprise 50 and SME500 of Singapore. He is currently an active member in the Singapore IT Standard Committee for Smartcard and RFID Workgroups.

Mr. IP Man Hon, Martin, aged 43, is the chief technical officer of the group. 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.

Mr. CHEUNG Ying Sum, Ray, aged 48, joined the group in 2010 with over 25 years of experience in the information and communication technology industry. He obtained an Executive Master of Business Administration from the City University of Hong Kong and was granted the status of Chartered Marketer by the Chartered Institute of Marketing in UK. Besides, he is now a Project Director of eHealth Consortium; a Board Governor of HL7 Hong Kong; a Council Member of Internet Professional Association and a Member of the Institution of Engineering & Technology.



REPORT OF THE DIRECTORS

The directors have pleasure in presenting their annual report and the audited financial statements for the year ended 31st March, 2010.

PRINCIPAL ACTIVITIES

The company acts as an investment holding company. The principal activities of its subsidiaries are set out in note 47 to the financial statements.

RESULTS AND APPROPRIATIONS

The profit of the group for the year ended 31st March, 2010 are set out in the consolidated statement of comprehensive income on pages 34 and 35.

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 Wednesday, 11th August, 2010.

Shareholders may elect to receive final dividend in the form of new shares of the company or cash or partly in shares and partly in cash.

PROPERTY, PLANT AND EQUIPMENT

During the year, the group spent HK\$4,612,000 on property, plant and equipment. The group also disposed of certain of its property, plant and equipment with the aggregate carrying amount of HK\$76,000.

Details of the 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, 2010 are set out on page 113.

INVESTMENT PROPERTIES

Details of the 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, 2010 are set out on page 114.

LEASEHOLD LAND

Details of the movements in leasehold land of the group during the year are set out in note 19.

BORROWINGS

Particulars of the borrowings of the group at the balance sheet date are set out in note 33 to the financial statements.



REPORT OF THE DIRECTORS

SHARE CAPITAL

Details of the movements in share capital of the company during the year are set out in note 35 to the financial statements.

DONATIONS

Donations made by the group during the year amounted to HK\$295,000.

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.

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
Wu Kwok Lam
Tsui Hon Wing

Non-executive director:

Ng Ching Wah

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. Mr. Wu Kwok Lam, Mr. Chan Ming Him, Denny, Mr. Leung Tai Wai, David and Dr. Chu Chor Lup 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 (Cont'd)

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 45 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	242,224,575 Shares (L) (Note 2)	49.42%
	The company	Beneficial owner	9,260,000 Shares (L) (Note 3)	1.89%
	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 (Cont'd)

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	61,417,400 Shares (L) (Note 4)	12.53%
	The company	Beneficial owner	100,000 Shares (L) (Note 5)	0.02%
	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	2,995,200 Shares (L) (Note 8)	0.61%
Chan Ming Him, Denny	The company	Beneficial owner	1,000,000 Shares (L) (Note 9)	0.20%



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 (Cont'd)

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, 8,764,848 Shares were held by Light Emotion Limited, a company wholly owned by Matrix World Group Limited and 233,459,727 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.



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 (Cont'd)

- (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	233,459,727 (L)	Beneficial owner	47.63%
	(Note 2)		
	8,764,848 (L)	Interest of controlled corporation	1.79%
	(Note 2)		
Star Global International Limited (Note 3)	61,417,400 (L)	Beneficial owner	12.53%
Ocean Hope Group Limited (Note 4)	24,709,650 (L)	Beneficial owner	5.04%
Chan Low Wai Han, Edwina (Note 5)	61,517,400 (L)	Interests of spouse	12.55%
Josephine Liu (Note 6)	251,484,575 (L)	Interests of spouse	51.31%

REPORT OF THE DIRECTORS

DISCLOSEABLE INTERESTS UNDER DIVISIONS 2 AND 3 OF PART XV OF THE SFO AND SUBSTANTIAL SHAREHOLDERS OF OTHER MEMBERS OF THE GROUP (Cont'd)

Notes:

- (1) The Letter "L" represents the person's interests in Shares.
- (2) Among these Shares, 8,764,848 Shares were held by Light Emotion Limited, a company wholly owned by Matrix World Group Limited and 233,459,727 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 the 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

No share options were offered under the Share Option Scheme during the year ended 31st March, 2010 and no share option was outstanding at 31st March, 2010.

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.

Further details in relation to the Share Award Plan are set out in note 37 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, 2010, the aggregate turnover attributable to the group's five largest customers accounted for approximately 30% by value of the group's total turnover and the sales attributable to the group's largest customer was approximately 21% of the total sales. The aggregate purchases attributable to the group's five largest suppliers accounted for approximately 99% by value of the group's total purchases and the purchases attributable to the group's largest supplier was approximately 97% 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 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, 2010, 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, 2010
Matrix World Group Limited (Note 2)	233,459,727 (L)	Beneficial owner	47.63%
	(Note 1)		
	8,764,848 (L)	Interest of controlled corporation	1.79%
Star Global International Limited (Note 3)	6,097,400 (L)	Beneficial owner	13.08%
Ocean Hope Group Limited (Note 4)	24,709,650 (L)	Beneficial owner	5.04%
Chan Low Wai Han, Edwina (Note 5)	64,197,400 (L)	Interest of spouse	13.10%
Josephine Liu (Note 6)	251,484,575 (L)	Interest of spouse	51.31%



REPORT OF THE DIRECTORS

SUBSTANTIAL SHAREHOLDERS AND OTHER PERSONS WHO ARE REQUIRED TO DISCLOSE THEIR INTERESTS PURSUANT TO PART XV OF THE SFO (Cont'd)

Notes:

1. The letter "L" represents the person's interest in the Shares.
2. Among these Shares, 8,764,848 Shares were held by Light Emotion Limited, a company wholly owned by Matrix World Group Limited and 233,459,727 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 the 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, 2010, 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, 16th July, 2010



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 34 to 111, which comprise the consolidated and company balance sheets as at 31st March, 2010, the consolidated statement of comprehensive income, the consolidated statement of changes in equity and the consolidated statement of cash flows for the year then ended, and a summary of significant accounting policies and other explanatory 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 consolidated financial statements in accordance with Hong Kong Financial Reporting Standards issued by the Hong Kong Institute of Certified Public Accountants and the disclosure requirements of the Hong Kong Companies Ordinance. This responsibility includes designing, implementing and maintaining internal control relevant to the preparation and the true and fair presentation of 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.

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



INDEPENDENT AUDITOR'S REPORT

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, 2010 and of the group's profit and cash flows for the year then ended in accordance with Hong Kong Financial Reporting Standards and have been properly prepared in accordance with the disclosure requirements of the Hong Kong Companies Ordinance.

Li, Tang, Chen & Co.

Certified Public Accountants (Practising)

10/F Sun Hung Kai Centre

30 Harbour Road

Wanchai

Hong Kong

16th July, 2010



CONSOLIDATED STATEMENT OF COMPREHENSIVE INCOME

For the year ended 31st March, 2010

	Note	2010 HK\$'000	2009 HK\$'000
TURNOVER	7	870,594	1,109,970
Cost of sales		(785,000)	(1,011,491)
GROSS PROFIT		85,594	98,479
Gain/(loss) on disposal of property, plant and equipment		82	(694)
Other income and gains	8	26,608	3,936
Other losses	8	(7,519)	(32,371)
Selling and distribution expenses		(14,842)	(15,673)
Administrative and other operating expenses		(82,731)	(96,221)
Finance costs	9	(829)	(321)
PROFIT/(LOSS) BEFORE TAXATION	10	6,363	(42,865)
TAX (EXPENSE)/INCOME	13(a)	(3,271)	2,299
PROFIT/(LOSS) FOR THE YEAR		3,092	(40,566)
OTHER COMPREHENSIVE (EXPENSE)/INCOME			
Exchange differences on translation of overseas operations		(2,166)	1,410
Fair value gain/(loss) on available-for-sale financial assets		1,627	(1,452)
Reclassification adjustment of fair value loss to profit or loss on disposal of available-for-sale financial assets		-	63
OTHER COMPREHENSIVE (EXPENSE)/INCOME FOR THE YEAR		(539)	21
TOTAL COMPREHENSIVE INCOME/(EXPENSE) FOR THE YEAR		2,553	(40,545)



CONSOLIDATED STATEMENT OF COMPREHENSIVE INCOME

For the year ended 31st March, 2010

	Note	2010 HK\$'000	2009 HK\$'000
Profit/(loss) attributable to			
Equity holders of the company	14	3,165	(40,403)
Minority interests		(73)	(163)
Profit/(loss) for the year		3,092	(40,566)
Total comprehensive income/(expense) attributable to			
Equity holders of the company	14	2,400	(40,359)
Minority interests		153	(186)
Total comprehensive income/(expense) for the year		2,553	(40,545)
EARNINGS/(LOSS) PER SHARE – (HK CENTS)			
– basic	15	0.65 cents	(8.27) cents
– diluted	15	0.65 cents	(8.24) cents
DIVIDEND	16	4,901	4,901



BALANCE SHEETS

As at 31st March, 2010

	Note	The group		The company	
		2010 HK\$'000	2009 HK\$'000	2010 HK\$'000	2009 HK\$'000
NON-CURRENT ASSETS					
Property, plant and equipment	17	15,825	15,053	–	–
Investment properties	18	12,016	12,341	–	–
Leasehold land	19	74,181	76,873	–	–
Goodwill	20	–	6,314	–	–
Interests in subsidiaries	21	–	–	216,050	216,632
Interest in an associate	22	–	–	–	–
Available-for-sale financial assets	23	4,908	3,150	–	–
Deferred tax assets	34	57	2,514	–	–
		106,987	116,245	216,050	216,632
CURRENT ASSETS					
Inventories	25	37,817	23,362	–	–
Gross amount due from customers for contract work	26	1,841	1,993	–	–
Debtors, deposits and prepayments	27	35,560	40,972	–	–
Financial assets at fair value through profit or loss	24	41,432	29,648	–	–
Tax recoverable		84	1,593	–	–
Cash and bank balances	29	62,116	84,415	52	59
		178,850	181,983	52	59
CURRENT LIABILITIES					
Creditors and accrued charges	30	23,679	18,895	44	29
Gross amount due to customers for contract work	26	266	712	–	–
Derivative financial instruments	28	48	10,881	–	–
Amount due to a director	31	684	684	–	–
Tax payable		1,263	688	–	–
Obligations under finance leases	32	69	68	–	–
Bank borrowings	33	1,988	1,857	–	–
		27,997	33,785	44	29



BALANCE SHEETS

As at 31st March, 2010

	Note	The group		The company	
		2010 HK\$'000	2009 HK\$'000	2010 HK\$'000	2009 HK\$'000
NET CURRENT ASSETS		150,853	148,198	8	30
TOTAL ASSETS LESS CURRENT LIABILITIES		257,840	264,443	216,058	216,662
NON-CURRENT LIABILITIES					
Obligations under finance leases	32	168	216	–	–
Bank borrowings	33	33,636	35,593	–	–
Deferred tax liabilities	34	117	106	–	–
		33,921	35,915	–	–
		223,919	228,528	216,058	216,662
CAPITAL AND RESERVES					
Share capital	35	4,901	4,901	4,901	4,901
Reserves	38	219,018	221,519	211,157	211,761
Equity attributable to equity holders of the company		223,919	226,420	216,058	216,662
Minority interests		–	2,108	–	–
TOTAL EQUITY		223,919	228,528	216,058	216,662



The financial statements on pages 34 to 111 were approved and authorised for issue by the board of directors on 16th July, 2010 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, 2010

Attributable to equity holders of the company

	Shares held		Share award reserve	Investment			Retained profits	Total	Minority interests	Total	
	Share capital	Share premium		for share award plan	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	
At 1st April, 2008	4,901	41,404	(947)	373	28,325	1,254	1,380	195,150	271,840	2,308	274,148
Loss for the year	-	-	-	-	-	-	-	(40,403)	(40,403)	(163)	(40,566)
Other comprehensive income/(expense) for the year	-	-	-	-	-	(1,389)	1,433	-	44	(23)	21
Total comprehensive (expense)/income for the year	-	-	-	-	-	(1,389)	1,433	(40,403)	(40,359)	(186)	(40,545)
Shares purchased for Share Award Plan	-	-	(1,791)	-	-	-	-	-	(1,791)	-	(1,791)
Recognition of equity-settled share-based payment	-	-	-	1,631	-	-	-	-	1,631	-	1,631
Share awarded to staff under the Share Award Plan	-	-	451	(403)	-	-	-	(48)	-	-	-
Dissolution of a subsidiary	-	-	-	-	-	-	-	-	-	(119)	(119)
Capital contribution from a minority shareholder of a subsidiary	-	-	-	-	-	-	-	-	-	105	105
Dividend paid	-	-	-	-	-	-	-	(4,901)	(4,901)	-	(4,901)
At 31st March, 2009	4,901	41,404	(2,287)	1,601	28,325	(135)	2,813	149,798	226,420	2,108	228,528



CONSOLIDATED STATEMENT OF CHANGES IN EQUITY

For the year ended 31st March, 2010

Attributable to equity holders of the company

	Shares held			Share award reserve	Investment			Retained profits	Total	Minority interests	Total
	Share capital	Share premium	for share award plan		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
At 1st April, 2009	4,901	41,404	(2,287)	1,601	28,325	(135)	2,813	149,798	226,420	2,108	228,528
Profit for the year	-	-	-	-	-	-	-	3,165	3,165	(73)	3,092
Other comprehensive (expense)/income for the year	-	-	-	-	-	1,627	(2,392)	-	(765)	226	(539)
Total comprehensive income/(expense) for the year	-	-	-	-	-	1,627	(2,392)	3,165	2,400	153	2,553
Share awarded to staff under the Share Award Plan	-	-	1,791	(941)	-	-	-	(850)	-	-	-
Distribution to minority shareholders	-	-	-	-	-	-	-	-	-	(1,218)	(1,218)
Decrease in minority interests upon acquisition of additional interest in a subsidiary	-	-	-	-	-	-	-	-	-	(849)	(849)
Decrease in minority interests upon disposal of subsidiary	-	-	-	-	-	-	-	-	-	(194)	(194)
Dividend paid	-	-	-	-	-	-	-	(4,901)	(4,901)	-	(4,901)
At 31st March, 2010	4,901	41,404	(496)	660	28,325	1,492	421	147,212	223,919	-	223,919



CONSOLIDATED STATEMENT OF CASH FLOWS

For the year ended 31st March, 2010

Note	2010 HK\$'000	2009 HK\$'000
OPERATING ACTIVITIES		
Profit/(loss) before taxation	6,363	(42,865)
Adjustments for:		
Depreciation	4,287	4,848
Amortisation of prepaid operating lease payments	2,712	601
(Gain)/loss on disposal of property, plant and equipment	(82)	694
Loss on disposal of a subsidiary	61	–
Loss on dissolution of a subsidiary	–	1,613
Impairment losses on an associate	1,009	1,759
Impairment losses on goodwill	6,432	–
Gain on disposal of available-for-sale financial assets	–	(47)
Net realized and unrealized (gains)/losses on financial assets through profit or loss	(19,420)	21,885
Net losses on derivative financial instruments	16	4,323
Dividend income from listed investments	(548)	(445)
Write-down of inventories	2,333	5,489
Reversal of impairment losses on trade debtors	(566)	–
Impairment losses on trade debtors	677	374
Bad debts written off	337	3,440
Deposits paid written off	–	193
Interest income	(87)	(1,450)
Interest expenses	829	321
Employee share-based compensation benefits	–	1,631
Operating cash inflows before movements in working capital	4,353	2,364
(Increase)/decrease in inventories	(16,912)	9,887
(Increase)/decrease in gross amount due from customers for contract work	(501)	5,028
Decrease in debtors, deposits and prepayments	3,848	6,783
Increase/(decrease) in creditors and accrued charges	6,581	(33,793)
(Decrease)/increase in gross amount due to customers for contract work	(446)	712
Increase in amount due to a director	–	17
Exchange differences	(2,853)	2,680
Net cash used in operations	(5,930)	(6,322)
Interest received	87	1,450
Interest paid on obligations under finance leases	(14)	(13)
Interest paid on bank borrowings	(815)	(308)
Tax refunded/(paid):		
Hong Kong	1,367	(935)
Overseas	(86)	(198)
NET CASH USED IN OPERATING ACTIVITIES	(5,391)	(6,326)



CONSOLIDATED STATEMENT OF CASH FLOWS

For the year ended 31st March, 2010

	Note	2010 HK\$'000	2009 HK\$'000
INVESTING ACTIVITIES			
Purchases of property, plant and equipment	40(a)	(4,612)	(10,732)
Purchases of leasehold land and investment properties		(28)	(78,453)
Purchases of available-for-sale financial assets		(131)	–
Purchases of financial assets at fair value through profit or loss		(19,833)	(36,267)
Proceeds from disposal of property, plant and equipment		158	1,359
Payments for acquisition of additional equity interest in a subsidiary	40(b)	(967)	–
Disposal of a subsidiary (net of cash and cash equivalents disposed of)	40(c)	(116)	–
Cash outflow in respect of dissolution of a subsidiary	40(d)	–	(119)
Advances to an associate		(1,009)	(712)
Dividend received from listed investments		548	445
Proceeds from disposal of available-for-sale financial assets		–	3,917
Proceeds from disposal of financial assets at fair value through profit or loss		16,588	27,694
Net settlement of derivative financial instruments		32	(3,306)
Decrease/(increase) in pledged time deposits		4,089	(830)
Decrease in other long-term bank deposits		–	8,152
(Increase)/decrease in short-term bank deposits with maturity over three months		(2,376)	1,157
		(7,657)	(87,695)
NET CASH USED IN INVESTING ACTIVITIES			
FINANCING ACTIVITIES			
Repayment of obligations under finance leases		(47)	(157)
Bank loans obtained		–	37,996
Repayment of bank loans		(1,881)	(573)
Capital contribution from minority shareholders of a subsidiary		–	105
Distribution to minority shareholders of a subsidiary		(1,218)	–
Purchase of shares of the company under Share Award Plan		–	(1,791)
Dividend paid		(4,901)	(4,901)
		(8,047)	30,679
NET CASH (USED IN)/GENERATED FROM FINANCING ACTIVITIES			
NET DECREASE IN CASH AND CASH EQUIVALENTS			
		(21,095)	(63,342)
CASH AND CASH EQUIVALENTS AT BEGINNING OF YEAR			
		71,745	135,209
Effect of foreign exchange rates changes		454	(122)
CASH AND CASH EQUIVALENTS AT END OF YEAR			
		51,104	71,745
ANALYSIS OF BALANCES OF CASH AND CASH EQUIVALENTS			
Time deposits with maturity within three months		15,914	47,367
Cash and bank balances		35,245	24,378
Bank overdraft		(55)	–
		51,104	71,745



NOTES TO THE FINANCIAL STATEMENTS

I. 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 47.

2. ADOPTION OF NEW AND REVISED HONG KONG FINANCIAL REPORTING STANDARDS (“HKFRSs”)

The Hong Kong Institute of Certified Public Accountants (“HKICPA”) has issued one new HKFRS, a number of amendments to HKFRSs and new Interpretations that are first effective for the current accounting period of the group and the company. Of these, the following developments are relevant to the group’s financial statements:

- HKFRS 8, *Operating segments*
- HKAS 1 (revised 2007), *Presentation of financial statements*
- HKAS 23 (revised 2007), *Borrowing costs*
- Amendments to HKAS 27, *Consolidated and separate financial statements – cost of an investment in a subsidiary, jointly controlled entity or associate*
- Amendments to HKFRS 2, *Share-based payment – vesting conditions and cancellations*
- Amendments to HKFRS 7, *Financial instruments: Disclosures – improving disclosures about financial instruments*
- Improvements to HKFRSs (2008)

HKFRS 8 is a disclosure standard that requires operating segments to be identified on the basis of internal reports about components of the group that are regularly reviewed by the chief operating decision maker for the purpose of allocating resources to segments and assessing their performance. The application of the HKFRS 8 has not resulted in a redesignation of the group’s reportable segments (see note 7). In addition, there are no changes in the basis of measurement of segment revenue, segment profit or loss, segment assets and segment liabilities.



NOTES TO THE FINANCIAL STATEMENTS

2. ADOPTION OF NEW AND REVISED HONG KONG FINANCIAL REPORTING STANDARDS (“HKFRSs”) (Cont’d)

HKAS 1 (revised 2007) has introduced terminology changes (including revised titles for the financial statements) and changes in the presentation and disclosures of financial statements. The revised standard requires the entity to present, in a statement of changes in equity, all owner changes in equity. All non-owner changes in equity (i.e. comprehensive income) are required to be presented in one statement of comprehensive income or two statements (a separate income statement and a statement of comprehensive income). The company has elected to present one statement of comprehensive income. Corresponding amounts have been restated to conform to the new presentation. This change in presentation has no effect on report profit or loss, total income and expense or net assets for any period presented.

The amendments to HKAS 27 have removed the requirement that dividends out of pre-acquisition profits should be recognised as a reduction in the carrying amount of the investment in the investee, rather than as income. As a result, as from 1st April, 2009, all dividends receivable from subsidiaries and associates, whether out of pre- or post-acquisition profits, will be recognised in the company’s profit or loss and the carrying amount of the investment in the investee will not be reduced unless that carrying amount is assessed to be impaired as a result of the investee declaring the dividend. In such cases, in addition to recognizing dividend income in profit or loss, the company would recognize an impairment loss. In accordance with the transitional provisions in the amendment, this new policy will be applied prospectively to any dividends receivable in the current or future periods and previous periods have not been restated.

As a result of the adoption of the amendments to HKFRS 7, the financial statements include expanded disclosures in note 5(f) about the fair value measurement of the group’s financial instruments, categorising these fair value measurements into a three-level fair value hierarchy according to the extent to which they are based on observable market data. The group has taken advantage of the transitional provisions set out in the amendments to HKFRS 7, under which comparative information for the newly required disclosures about the fair value measurements of financial instruments has not been provided.

The amendments to HKAS 23 and HKFRS 2 have had no material impact on the group’s financial statements as the amendments and interpretations were consistent with policies already adopted by the group.

The improvements to HKFRSs (2008) have had no material impact on the group’s financial statements.

3. 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 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.



NOTES TO THE FINANCIAL STATEMENTS

4. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

The significant accounting policies applied in the preparation of these consolidated financial statements are set out below. These policies have been consistently applied to all the year presented, unless otherwise stated.

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 statement of comprehensive income as an allocation of the total profit or loss and total comprehensive income or expense 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 dividend received and receivable.



NOTES TO THE FINANCIAL STATEMENTS

4. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Cont'd)

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 is 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 result is recognised in profit or loss, 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.

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.

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 less 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. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Cont'd)

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 profit or loss 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 profit or loss 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 consolidated 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. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Cont'd)

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 profit or loss. 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.

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. 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.



NOTES TO THE FINANCIAL STATEMENTS

4. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Cont'd)

f) Financial instruments (Cont'd)

iv) *Gains or losses on subsequent measurement and interest income (Cont'd)*

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 profit or loss in the period in which they arise. Upon disposal, the difference between the sale proceeds and the carrying value is included in profit or loss.
- 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.

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 profit or loss – is removed from investment revaluation reserve and recognised in profit or loss.

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 profit or loss on equity instruments are not reversed through profit or loss.



NOTES TO THE FINANCIAL STATEMENTS

4. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Cont'd)

f) Financial instruments (Cont'd)

vi) Impairment (Cont'd)

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 profit or loss.

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 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.

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".



NOTES TO THE FINANCIAL STATEMENTS

4. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Cont'd)

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 profit or loss 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 profit or loss 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 profit or loss 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.

k) Cash and cash equivalents

For the purpose of the consolidated statement of cash flows, 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.



NOTES TO THE FINANCIAL STATEMENTS

4. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Cont'd)

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 during 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 recognised using the effective interest method.

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 profit or loss.



NOTES TO THE FINANCIAL STATEMENTS

4. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Cont'd)

n) Employee benefits (Cont'd)

Equity-settled share-based payment transactions (Cont'd)

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 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 profit or loss 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 profit or loss 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 profit or loss in the period to which the contribution relate.

o) Borrowing costs

Borrowing costs are recognised as expenses in profit or loss in the period in which they are incurred.

p) Income tax expense

Income tax expense comprises current and deferred tax.

Current tax is the expected tax payable on the taxable income for the year, using tax rates enacted or substantively enacted at the balance sheet date, and any adjustment to tax payable in respect of previous years. Current tax is recognised in profit or loss, except it relates to items that are recognised in other comprehensive income, in which case, the current tax is also recognised in other comprehensive income.

Deferred taxation is recognised 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.



NOTES TO THE FINANCIAL STATEMENTS

4. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Cont'd)

p) Income tax expense (Cont'd)

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. Deferred taxation is recognised in profit or loss, except when it relates to items that are recognised in other comprehensive income or directly in equity, in which case the deferred taxation is also recognised in other comprehensive income or directly in equity respectively.

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).



NOTES TO THE FINANCIAL STATEMENTS

4. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Cont'd)

q) Impairment (Cont'd)

i) *Impairment of receivables (Cont'd)*

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 profit or loss. 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.

- 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 profit or loss 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 profit or loss in the year in which the reversal is recognised.



NOTES TO THE FINANCIAL STATEMENTS

4. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Cont'd)

r) Foreign currency transaction

i) *Functional and presentation currency*

Items included in the financial statements of each of the group's entities are measured using the currency of the primary economic environment in which the entity operates ("the functional currency"). The consolidated financial statements are presented in Hong Kong dollars ("HK\$"), which is the company's functional and group's presentation currency.

ii) *Transactions and balances*

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 profit or loss.

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.

The results and financial position of all the group's foreign operations (none of which has the currency of a hyperinflationary economy) that have a functional currency different from the presentation currency are translated into the presentation currency as follows:

- i) assets and liabilities for each balance sheet presented are translated at the closing rate at the date of that balance sheet;
- ii) income and expenses are translated at average exchange rates (unless this average is not a reasonable approximation of the cumulative effect of the rates prevailing on the transaction dates, in which case income and expenses are translated at the dates of the transactions); and
- iii) all of the resulting exchange differences are recognised in other comprehensive income and accumulated in equity.

Goodwill and fair value adjustments arising on the acquisition of a foreign entity are treated as assets and liabilities of the foreign entity and translated at the closing rate.



NOTES TO THE FINANCIAL STATEMENTS

4. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Cont'd)

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

Operating segments, and the amounts of each segment item reported in the financial statements, are identified from the financial information provided regularly to the group's most senior executive management for the purposes of allocating resources to, and assessing the performance of, the group's various lines of business and geographical locations.

Individually material operating segments are not aggregated for financial reporting purposes unless the segments have similar economic characteristics and are similar in respect of the nature of products and services, the nature of production processes, the type or class of customers, the methods used to distribute the products or provide the services, and the nature of the regulatory environment. Operating segments which are not individually material may be aggregated if they share a majority of these criteria.



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 and other 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 27.

Investments are normally only in liquid equity and debt securities, investments funds and equity-linked deposits and notes 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.

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 (Cont'd)

b) Liquidity risk (Cont'd)

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 floating, based on rates current at the balance sheet date) and the earliest date the group and the company can be required to pay.

	The group											
	2010						2009					
	Total		Within 1 year or on demand	More than 1 year but less than 2 years	More than 2 years but less than 5 years	More than 5 years	Total		Within 1 year or on demand	More than 1 year but less than 2 years	More than 2 years but less than 5 years	More than 5 years
	contractual Carrying amount	undiscounted cash flow					contractual Carrying amount	undiscounted cash flow				
HK\$'000	HK\$'000	HK\$'000	HK\$'000	HK\$'000	HK\$'000	HK\$'000	HK\$'000	HK\$'000	HK\$'000	HK\$'000	HK\$'000	
Creditors and accrued charges	23,679	(23,679)	(23,679)	-	-	-	18,895	(18,895)	(18,895)	-	-	-
Gross amount due to customers from contract work	266	(266)	(266)	-	-	-	712	(712)	(712)	-	-	-
Derivative financial instruments	48	(48)	(48)	-	-	-	10,881	(10,881)	(10,881)	-	-	-
Amount due to a director	684	(684)	(684)	-	-	-	684	(684)	(684)	-	-	-
Obligations under finance leases	237	(257)	(80)	(81)	(96)	-	284	(316)	(76)	(76)	(164)	-
Bank borrowings	35,624	(42,190)	(2,766)	(1,975)	(8,853)	(28,596)	37,450	(45,558)	(2,792)	(2,792)	(8,408)	(31,566)
	60,538	(67,124)	(27,523)	(2,056)	(8,949)	(28,596)	68,906	(77,046)	(34,040)	(2,868)	(8,572)	(31,566)



NOTES TO THE FINANCIAL STATEMENTS

5. FINANCIAL RISK MANAGEMENT OBJECTIVES AND POLICIES (Cont'd)

b) Liquidity risk (Cont'd)

	The company					
	2010			2009		
	Carrying amount	Total contractual	Within	Carrying amount	Total contractual	Within
		undiscounted cash flow	1 year or on demand		undiscounted cash flow	1 year or on demand
HK\$'000	HK\$'000	HK\$'000	HK\$'000	HK\$'000	HK\$'000	
Creditors and accrued charges	44	44	44	29	29	29

c) Interest rate risk

The group's financial assets only include short-term bank deposits and bank balances. Management does not anticipate significant impact on interest-bearing assets resulted from the changes in interest rates because the interest rates at bank deposits are not expected to change significantly.

The group's bank borrowings and obligations under finance leases have exposure to risk arising from changing interest rates. Bank borrowings at variable rates expose the group to cash flow interest rate risk, and obligations under finance leases at fixed rates expose the group to fair value interest rate risk.

Due to the fact that the changes in interest rates would not have significant impact on the group's result and accordingly, the sensitivity analysis in respect of changes in interest rates is not presented.

d) Foreign currency risk

The group is exposed to currency risk primarily through sales and purchases which give rise to receivables, payables and cash balances that are denominated in a foreign currency, i.e. a currency other than the functional currency of the operations to which the transactions relate. The currencies giving rise to this risk are primarily Euros, United States Dollars, Japanese Yen and Renminbi, New Taiwan Dollars and Swiss Franc.

Sensitivity analysis

The following table indicates the instantaneous change in the group's profit after tax (and retained profits) and other components of consolidated equity that would arise if foreign exchange rates to which the group has significant exposure at the balance sheet date had changed at that date, assuming all other risk variables remained constant.



NOTES TO THE FINANCIAL STATEMENTS

5. FINANCIAL RISK MANAGEMENT OBJECTIVES AND POLICIES (Cont'd)

d) Foreign currency risk (Cont'd)

Sensitivity analysis (Cont'd)

	The group					
	2010			2009		
	Increase/ (decrease) in foreign exchange rates	Effect on	Effect on	Increase/ (decrease) in foreign exchange rates	Effect on	Effect on
		profit after tax and retained profits	other components of equity		loss after tax and retained profits	other components of equity
	HK\$'000	HK\$'000		HK\$'000	HK\$'000	
United States Dollars	0.5%	88	4	0.5%	89	4
	(0.5%)	(88)	(4)	(0.5%)	(89)	(4)
Euros	5%	53	-	-	-	-
	(5%)	(53)	-	-	-	-
Japanese Yen	10%	232	-	10%	(55)	-
	(10%)	(232)	-	(10%)	55	-
Renminbi	2%	58	-	-	-	-
	(2%)	(58)	-	-	-	-
New Taiwan Dollars	5%	22	-	-	-	-
	(5%)	(22)	-	-	-	-
Swiss Franc	7%	35	-	-	-	-
	(7%)	(35)	-	-	-	-

Results of the analysis as presented in the above table represent an aggregation of the instantaneous effects on each of the group entities' profit/(loss) after tax and equity measured in the respective functional currencies, translated into Hong Kong dollars at the exchange rate ruling at the balance sheet date for presentation purposes.

The sensitivity analysis assumes that the change in foreign exchange rates had been applied to re-measure those financial instruments held by the group which expose the group to foreign currency risk at the balance sheet date, including inter-company payables and receivables within the group which are denominated in a currency other than the functional currencies of the lender or the borrower. The analysis excludes differences that would result from the translation of the financial statements of foreign operations into the group's presentation currency. The analysis is performed on the same basis for 2009.

NOTES TO THE FINANCIAL STATEMENTS

5. FINANCIAL RISK MANAGEMENT OBJECTIVES AND POLICIES (Cont'd)

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 28). 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.

The following table indicates the approximate change in the group's profit/(loss) after tax and retained profits and other components of consolidated equity in response to reasonably possible changes of 15% (2009: 15%) in price in respect of listed equity and debt securities.

The effect of price changes in respect of unlisted investment fund and other derivative financial instruments are excluded from the below calculation as the directors consider that their prices depend on complicated market factors and cannot be estimated.

	The group			
	Increase/(decrease) in profit/(loss) after tax and retained profits		Increase/(decrease) in investment revaluation reserve	
	15% increase	15% decrease	15% increase	15% decrease
	HK\$'000	HK\$'000	HK\$'000	HK\$'000
At 31st March, 2010	5,189	(5,189)	566	(566)
At 31st March, 2009	1,842	(1,842)	310	(310)

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 balance sheet date. The analysis has been performed on the same basis for 2009.



NOTES TO THE FINANCIAL STATEMENTS

5. FINANCIAL RISK MANAGEMENT OBJECTIVES AND POLICIES (Cont'd)

f) Fair values

i) Financial instruments carried at fair value

The following table presents the carrying value of financial instruments measured at fair value at the balance sheet date across the three levels of the fair value hierarchy defined in HKFRS 7, *Financial Instruments: Disclosures*, with the fair value of each financial instrument categorised in its entirety based on the lowest level of input that is significant to that fair value measurement. The levels are defined as follows:

- Level 1 (highest level): fair values measured using quoted prices (unadjusted) in active markets for identical financial instruments.
- Level 2: fair values measured using quoted prices in active markets for similar financial instruments, or using valuation techniques in which all significant inputs are directly or indirectly based on observable market data.
- Level 3 (lowest level): fair values measured using valuation techniques in which any significant input is not based on observable market data.



31.3.2010	The group			Total
	Level 1	Level 2	Level 3	
	HK\$'000	HK\$'000	HK\$'000	HK\$'000
Financial assets/(liabilities)				
Available-for-sale financial assets	4,573	–	–	4,573
Financial assets at fair value through profit or loss	41,432	–	–	41,432
Derivative financial liabilities	–	(48)	–	(48)
	<u> </u>	<u> </u>	<u> </u>	<u> </u>

During the year, there were no transfers between instruments in Level 1 and Level 2.

ii) Fair values of financial instruments carried at other than fair value

The carrying amounts of the group's other financial instruments carried at cost or amortised cost are not materially different from their fair values as at 31st March, 2010 and 31st March, 2009.

Unlisted debt securities of which the fair value cannot be reliably measured are recognised in the balance sheet at cost less impairment loss, if any.

NOTES TO THE FINANCIAL STATEMENTS

5. FINANCIAL RISK MANAGEMENT OBJECTIVES AND POLICIES (Cont'd)

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 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.

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.

The group has adopted HKFRS 8 “Operating Segments” with effect from 1st April, 2009. HKFRS 8 is a disclosure standard that requires operating segments to be identified on the basis of internal reports about components of the group that are regularly reviewed by the chief operating decision maker for the purpose of allocating resources to segments and assessing their performance. In contrast, the predecessor standard (HKAS 14 “Segment Reporting”) required an entity to identify two sets of segments (business and geographical) using a risks and returns approach. In the past, the group primary reporting format was business segments. The application of HKFRS 8 has not resulted in a redesignation of the group’s reportable segments as compared with the primary reportable segments determined in accordance with HKAS 14. Nor has the adoption of HKFRS 8 changed the basis of measurement of segment profit or loss.

In prior years, segment information reported externally was analysed on the basis of the operation of the group’s business, including sales of mobile phones, sales of business solutions and property investment. For the purposes of resources allocation and performance assessment, information reported to the chief operating decision maker, Chairman of the company, specifically focuses on the performance of sales of mobile phone in Hong Kong, sales of business solution in Hong Kong, sales of business solution in mainland China and other countries in South East Asia and property investment. Information regarding the group’s reportable segments is presented below. Amounts reported for the prior year have been restated to conform to the requirements of HKFRS 8.



NOTES TO THE FINANCIAL STATEMENTS

7. TURNOVER/SEGMENTAL INFORMATION (Cont'd)

a) Segment results, assets and liabilities

The reportable segments for the year ended 31st March, 2010 are as follows:

	Sales of mobile phone in Hong Kong HK\$'000	Sales of business solution in Hong Kong HK\$'000	Sales of business solution in mainland China and other countries in South East Asia HK\$'000	Property investment HK\$'000	Total HK\$'000
REVENUES					
Revenue from external customers	794,954	38,041	34,130	3,469	870,594
Inter-segment sales	112	1,577	221	–	1,910
Reportable segment revenue	<u>795,066</u>	<u>39,618</u>	<u>34,351</u>	<u>3,469</u>	<u>872,504</u>
Reportable segment profit/(loss)	<u>3,181</u>	<u>(6,713)</u>	<u>(13,216)</u>	<u>(672)</u>	<u>(17,420)</u>
Interest income from bank deposits	26	–	61	–	87
Finance cost	–	–	–	(829)	(829)
Impairment loss recognised in respect of goodwill	–	–	(6,432)	–	(6,432)
Impairment loss recognised in respect of amount due from an associate	–	–	(1,009)	–	(1,009)
Depreciation and amortisation for the year	(1,553)	(523)	(2,540)	(2,383)	(6,999)
Reportable segment assets	80,489	38,927	60,946	59,078	239,440
Additions to non-current assets during the year	621	873	2,983	165	4,642
Reportable segment liabilities	<u>15,619</u>	<u>2,018</u>	<u>8,291</u>	<u>35,825</u>	<u>61,753</u>



NOTES TO THE FINANCIAL STATEMENTS

7. TURNOVER/SEGMENTAL INFORMATION (Cont'd)

a) Segment results, assets and liabilities (Cont'd)

The reportable segments for the year ended 31st March, 2009 are as follows:

	Sales of mobile phone in Hong Kong HK\$'000	Sales of business solution in Hong Kong HK\$'000	Sales of business other countries in South East Asia HK\$'000	Sales of business solution in mainland China and Property investment HK\$'000	Total HK\$'000
REVENUES					
Revenue from external customers	1,011,652	54,872	41,568	1,878	1,109,970
Inter-segment sales	132	1,659	1,012	–	2,803
Reportable segment revenue	<u>1,011,784</u>	<u>56,531</u>	<u>42,580</u>	<u>1,878</u>	<u>1,112,773</u>
Reportable segment profit/(loss)	<u>10,110</u>	<u>(13,323)</u>	<u>(10,040)</u>	<u>457</u>	<u>(12,796)</u>
Interest income from bank deposits	1,189	–	261	–	1,450
Finance cost	–	–	–	(321)	(321)
Impairment loss recognised in respect of amount due from an associate	–	–	(1,759)	–	(1,759)
Depreciation and amortisation for the year	(1,217)	(2,434)	(1,469)	(329)	(5,449)
Reportable segment assets	66,697	70,773	64,558	60,888	262,916
Additions to non-current assets during the year	2,856	359	31,164	56,711	91,090
Reportable segment liabilities	<u>10,305</u>	<u>2,980</u>	<u>7,686</u>	<u>37,742</u>	<u>58,713</u>



NOTES TO THE FINANCIAL STATEMENTS

7. TURNOVER/SEGMENTAL INFORMATION (Cont'd)

a) Segment results, assets and liabilities (Cont'd)

The accounting policies of the reportable segments are the same as the group's accounting policies described in note 4. Segment profit/(loss) represents the profit/(loss) earned by each segment without allocation of revenues from investment in financial assets, exchange gain and tax (expense)/income. This is the measure reported to the chief operating decision maker for the purposes of resource allocation and assessment of segment performance.

b) Geographic information

	Revenues from external customers		Non-current assets*	
	2010 HK\$'000	2009 HK\$'000	2010 HK\$'000	2009 HK\$'000
Hong Kong (place of domicile)	836,464	1,068,402	68,214	71,206
Mainland China	12,600	16,089	30,702	30,010
Singapore	20,036	25,157	3,088	9,327
Other countries in South East Asia	1,494	322	18	38
	34,130	41,568	33,808	39,375
	870,594	1,109,970	102,022	110,581

* Non-current assets excluding available-for-sales financial assets and deferred tax assets.



NOTES TO THE FINANCIAL STATEMENTS

7. TURNOVER/SEGMENTAL INFORMATION (Cont'd)

c) Reconciliations of reportable segment revenues, profit or loss, assets and liabilities

	2010	2009
	HK\$'000	HK\$'000
REVENUES		
Reportable segment revenue	872,504	1,112,773
Elimination of inter-segment revenue	(1,910)	(2,803)
	870,594	1,109,970
PROFIT OR LOSS		
Reportable segment loss	(17,420)	(12,796)
Unallocated other income and gains	23,779	1,237
Gain/(loss) on disposal of property, plant and equipment	82	(694)
Other losses	(78)	(30,612)
	6,363	(42,865)



NOTES TO THE FINANCIAL STATEMENTS

7. TURNOVER/SEGMENTAL INFORMATION (Cont'd)

c) Reconciliations of reportable segment revenues, profit or loss, assets and liabilities (Cont'd)

	2010 HK\$'000	2009 HK\$'000
ASSETS		
Reportable segment assets	239,440	262,916
Non-current financial assets	4,908	3,150
Deferred tax assets	57	2,514
Unallocated corporate assets	41,432	29,648
	<u>285,837</u>	<u>298,228</u>
LIABILITIES		
Reportable segment liabilities	61,753	58,713
Deferred tax liabilities	117	106
Unallocated corporate liabilities	48	10,881
	<u>61,918</u>	<u>69,700</u>



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

- all assets are allocated to reportable segments other than available-for-sale financial assets, financial assets at fair value through profit or loss and deferred tax assets. Goodwill is allocated to reportable segments "Sales of business solution in mainland China and other countries in South East Asia"; and
- all liabilities are allocated to reportable segments other than deferred tax liabilities and derivative financial instruments.

d) Information about major customers

For the year ended 31st March, 2010, revenue from a major customer contributed to the group's revenue of approximately HK\$181,702,000 was included in reportable segment "sales of mobile phone in Hong Kong" which individually accounted for more than 10% of the group's total revenue during the year.

For the year ended 31st March, 2009, revenue from two major customers contributed to the group's revenue of approximately HK\$372,979,000 and HK\$116,549,000 respectively were included in reportable segment "sales of mobile phone in Hong Kong" which individually accounted for more than 10% of the group's total revenue during the year.

NOTES TO THE FINANCIAL STATEMENTS

8. OTHER INCOME AND GAINS

	2010 HK\$'000	2009 HK\$'000
OTHER INCOME		
Bank interest income	87	1,450
Computer service fee income	126	–
Commission income	52	80
Rental income for application software provider	328	355
Bad debts recovered	425	199
Dividend income from listed equity securities	548	445
Others	1,245	615
	<u>2,811</u>	<u>3,144</u>
OTHER GAINS		
Reversal of impairment loss on trade debts	566	–
Gain on disposal of available-for-sale listed equity securities	–	47
Net realized and unrealised gains and interest income on financial assets at fair value through profit or loss – listed equity and debt securities	19,420	745
Net exchange gains	3,811	–
	<u>23,797</u>	<u>792</u>
TOTAL OTHER INCOME AND GAINS	<u><u>26,608</u></u>	<u><u>3,936</u></u>
OTHER LOSSES		
Net realized and unrealized losses on financial assets at fair value through profit or loss – equity-linked deposits and equity-linked notes	–	22,630
Net losses on derivative financial instruments	16	4,323
Net exchange losses	–	2,046
Loss on dissolution of a subsidiary	–	1,613
Loss on disposal of a subsidiary	62	–
Impairment losses recognised in respect of goodwill	6,432	–
Impairment losses recognised in respect of the amount due from an associate	1,009	1,759
	<u>7,519</u>	<u>32,371</u>



NOTES TO THE FINANCIAL STATEMENTS

9. FINANCE COSTS

	2010 HK\$'000	2009 HK\$'000
Interest on		
– Bank borrowings wholly repayable within five years	–	1
– Bank borrowings not wholly repayable within five years	815	307
– Interest on obligations under finance leases	14	13
	<u>829</u>	<u>321</u>

10. PROFIT/(LOSS) BEFORE TAXATION

Profit/(loss) before taxation has been arrived at after charging:

	2010 HK\$'000	2009 HK\$'000
Auditors' remuneration	495	541
Depreciation		
– Owned assets	4,207	4,774
– Leased assets	80	74
	4,287	4,848
Amortisation of prepaid operating lease payments	2,712	601
Operating lease rentals in respect of rented premises		
– Minimum lease payments	10,251	11,740
– Contingent rent	963	763
	11,214	12,503
Employee benefits expenses (including directors' remuneration)		
– Salaries, allowances and benefits in kind	54,285	61,009
– Retirement benefit scheme contributions	3,706	3,675
– Equity-settled share-based payment expenses	–	1,631
Total staff costs	57,991	66,315
Write-down of inventories – note (25)	2,333	5,489
Impairment loss on trade debtors	677	374
Bad debts written off	337	3,440
Deposits paid written off	–	193
Donations	295	1,121
	<u>57,991</u>	<u>66,315</u>



NOTES TO THE FINANCIAL STATEMENTS

10. PROFIT/(LOSS) BEFORE TAXATION (Cont'd)

and after crediting:

	2010 HK\$'000	2009 HK\$'000
Gross rental income from investment properties under operating leases less outgoings	<u>3,469</u>	<u>1,878</u>

11. 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:

	2010					Total remuneration HK\$'000
	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	
Executive directors:						
Chan Chung Yee, Hubert	-	1,296	-	-	12	1,308
Chan Chung Yin, Roy	-	740	93	-	12	845
Chan Man Min	-	36	-	-	-	36
Chan Ming Him, Denny	-	144	-	-	7	151
Wu Kwok Lam	-	707	150	-	24	881
Tsui Hon Wing	-	662	142	-	24	828
	<u>-</u>	<u>3,585</u>	<u>385</u>	<u>-</u>	<u>79</u>	<u>4,049</u>
Non-executive director:						
Ng Ching Wah	<u>60</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>60</u>
Independent non-executive directors:						
Chiu Ngar Wing	85	-	-	-	-	85
Chu Chor Lup	25	-	-	-	-	25
Leung Tai Wai, David	20	-	-	-	-	20
	<u>130</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>130</u>

NOTES TO THE FINANCIAL STATEMENTS

11. DIRECTORS' REMUNERATION (Cont'd)

	2009					
	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	–	1,296	60	47	12	1,415
Chan Chung Yin, Roy	–	720	–	26	12	758
Chan Man Min	–	36	–	–	–	36
Chan Ming Him, Denny	–	151	–	–	8	159
Wu Kwok Lam	–	707	161	26	24	918
Tsui Hon Wing	–	662	80	160	24	926
	–	3,572	301	259	80	4,212
Non-executive director:						
Ng Ching Wah	60	–	–	–	–	60
Independent non-executive directors:						
Chiu Ngar Wing	85	–	–	–	–	85
Chu Chor Lup	25	–	–	–	–	25
Leung Tai Wai, David	20	–	–	–	–	20
	130	–	–	–	–	130

Notes:

- Employee share-based compensation benefits represented fair value of shares of the company awarded under Share Award Plan during the year ended 31st March, 2009.
- There was no arrangement under which a director waived or agreed to waive any remuneration during the years ended 31st March, 2010 and 31st March, 2009.



NOTES TO THE FINANCIAL STATEMENTS

12. EMPLOYEES' EMOLUMENTS

The five highest paid individuals of the group include four directors (2009: 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:

	2010	2009
	HK\$'000	HK\$'000
Salaries and allowances	720	611
Employee share-based compensation benefits	–	125
Retirement benefit schemes contributions	12	12
	732	748

His emoluments were within the following band:

	2010	2009
	Number of	Number of
	employee	employee
Nil to HK\$1,000,000	1	1



NOTES TO THE FINANCIAL STATEMENTS

13. TAX EXPENSE/(INCOME)

- a) Hong Kong profits tax has been provided at the rate of 16.5% (2009: 16.5%) 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.

	2010	2009
	HK\$'000	HK\$'000
Hong Kong		
Charge for the year	800	201
Under/(over)provision in respect of prior years	11	(68)
Elsewhere		
Charge for the year	-	96
Overprovision in respect of prior years	-	(9)
Deferred tax		
Charge/(credit) for the year	2,460	(2,505)
Attributable to change in tax rate	-	(14)
	<hr/>	<hr/>
Tax expense/(income) for the year	3,271	(2,299)
	<hr/> <hr/>	<hr/> <hr/>



NOTES TO THE FINANCIAL STATEMENTS

13. TAX EXPENSE/(INCOME) (Cont'd)

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

	2010	2009
	HK\$'000	HK\$'000
Profit/(loss) before taxation	6,363	(42,865)
Tax at the income tax rate of 16.5% (2009: 16.5%)	1,050	(7,073)
Tax effect of income not taxable	(698)	(433)
Tax effect of expenses that are not deductible in determining taxable income	1,827	2,451
Tax effect of unrecognised tax losses	1,613	2,830
Tax effect of different tax rates in other jurisdiction	(411)	(508)
Tax effect of utilisation of tax losses previously unrecognized	(172)	–
Under/(over)provision of profits tax in respect of current year	11	(68)
Decrease in opening deferred tax assets/liabilities resulting in decrease in tax rate	–	(14)
Others	51	516
Tax expense/(income) for the year	3,271	(2,299)

14. PROFIT/(LOSS) ATTRIBUTABLE TO EQUITY HOLDERS OF THE COMPANY

The consolidated profit/(loss) attributable to equity holders of the company includes a profit of HK\$4,297,770 (2009: HK\$3,755,000) which has been dealt with in the financial statements of the company.

15. EARNINGS/(LOSS) PER SHARE ATTRIBUTABLE TO ORDINARY EQUITY HOLDERS OF THE COMPANY

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

	2010	2009
	HK\$'000	HK\$'000
Profit/(loss) attributable to equity holders of the company	3,165	(40,403)

NOTES TO THE FINANCIAL STATEMENTS

15. EARNINGS/(LOSS) PER SHARE ATTRIBUTABLE TO ORDINARY EQUITY HOLDERS OF THE COMPANY (Cont'd)

	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 earning/(loss) per share	488,377,057	488,672,312
Diluted		
Weighted average number of ordinary shares in issue less shares held for Share Award Plan	488,377,057	488,672,312
Effect of dilutive potential ordinary shares: Awardeed shares	1,736,000	1,440,745
Weighted average number of ordinary shares for the purpose of calculating diluted earnings/(loss) per share	490,113,057	490,113,057

16. DIVIDEND

	2010 HK\$'000	2009 HK\$'000
Final dividend for the year 2009 of HK\$0.01 per ordinary share (2009: final dividend for the year 2008 of HK\$0.01 per ordinary share)	4,901	4,901

Final dividend of HK\$0.01 (2009: HK\$0.01) per ordinary share for the year ended 31st March, 2010 has been proposed by the directors and is subject to the approval by the shareholders in annual general meeting.

Shareholders may elect to receive final dividend in the form of new shares of the company or cash or partly in shares and partly in cash.



NOTES TO THE FINANCIAL STATEMENTS

17. PROPERTY, PLANT AND EQUIPMENT

	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
Cost							
At 1st April, 2008	2,121	1,503	9,825	14,046	2,384	2,480	32,359
Currency realignment	(155)	(4)	(242)	(2,905)	-	-	(3,306)
Additions	5,083	352	992	4,678	-	3	11,108
Disposals	-	(346)	(184)	(1,793)	-	(1,213)	(3,536)
At 31st March, 2009	<u>7,049</u>	<u>1,505</u>	<u>10,391</u>	<u>14,026</u>	<u>2,384</u>	<u>1,270</u>	<u>36,625</u>
Accumulated depreciation							
At 1st April, 2008	(773)	(893)	(7,451)	(8,864)	(2,153)	(1,318)	(21,452)
Currency realignment	(6)	2	205	2,715	-	-	2,916
Charge for the year	(92)	(202)	(1,588)	(2,118)	(225)	(294)	(4,519)
Written back on disposal	-	202	138	747	-	396	1,483
At 31st March, 2009	<u>(871)</u>	<u>(891)</u>	<u>(8,696)</u>	<u>(7,520)</u>	<u>(2,378)</u>	<u>(1,216)</u>	<u>(21,572)</u>
Net book value:							
At 31st March, 2009	<u>6,178</u>	<u>614</u>	<u>1,695</u>	<u>6,506</u>	<u>6</u>	<u>54</u>	<u>15,053</u>
Cost							
At 1st April, 2009	7,049	1,505	10,391	14,026	2,384	1,270	36,625
Currency realignment	124	29	(13)	169	1	-	310
Additions	1,051	113	1,759	1,274	415	-	4,612
Disposals	-	(196)	(18)	-	-	-	(214)
Disposal of a subsidiary	-	-	(40)	(42)	-	-	(82)
At 31st March, 2010	<u>8,224</u>	<u>1,451</u>	<u>12,079</u>	<u>15,427</u>	<u>2,800</u>	<u>1,270</u>	<u>41,251</u>
Accumulated depreciation							
At 1st April, 2009	(871)	(891)	(8,696)	(7,520)	(2,378)	(1,216)	(21,572)
Currency realignment	(71)	(6)	52	(71)	(1)	-	(97)
Charge for the year	(190)	(197)	(1,167)	(2,287)	(44)	(49)	(3,934)
Written back on disposal	-	128	10	-	-	-	138
Disposal of subsidiary	-	-	19	20	-	-	39
At 31st March, 2010	<u>(1,132)</u>	<u>(966)</u>	<u>(9,782)</u>	<u>(9,858)</u>	<u>(2,423)</u>	<u>(1,265)</u>	<u>(25,426)</u>
Net book value							
At 31st March, 2010	<u>7,092</u>	<u>485</u>	<u>2,297</u>	<u>5,569</u>	<u>377</u>	<u>5</u>	<u>15,825</u>

NOTES TO THE FINANCIAL STATEMENTS

17. PROPERTY, PLANT AND EQUIPMENT (Cont'd)

Note

- i) The group's leasehold buildings comprise:

	2010	2009
	HK\$'000	HK\$'000
Properties held under long lease		
– Hong Kong	835	791
– Mainland China	97	30
– Overseas	693	659
	1,625	1,480
Property held under medium-term lease		
– Mainland China	5,467	4,698
	7,092	6,178

- ii) At 31st March, 2010, the group had pledged its leasehold buildings with aggregate net book value of HK\$835,000 (2009: HK\$791,000) to secure the group's general banking facilities.
- iii) At 31st March, 2010, the aggregate net book value of property, plant and equipment held under finance lease was HK\$255,000 (2009: HK\$312,000).



NOTES TO THE FINANCIAL STATEMENTS

18. INVESTMENT PROPERTIES

	The group
	HK\$'000
<hr/>	
Cost	
At 1st April, 2008	7,778
Additions	6,174
	<hr/>
At 31st March, 2009	13,952

Accumulated depreciation	
At 1st April, 2008	(1,282)
Charge for the year	(329)
	<hr/>
At 31st March, 2009	(1,611)

Net book value at 31st March, 2009	12,341
	<hr/> <hr/>
Fair value at 31st March, 2009	13,333
	<hr/> <hr/>
Cost	
At 1st April, 2009	13,952
Additions	28
	<hr/>
At 31st March, 2010	13,980

Accumulated depreciation	
At 1st April, 2009	(1,611)
Charge for the year	(353)
	<hr/>
At 31st March, 2010	(1,964)

Net book value at 31st March, 2010	12,016
	<hr/> <hr/>
Fair value at 31st March, 2010	11,460
	<hr/> <hr/>



NOTES TO THE FINANCIAL STATEMENTS

18. INVESTMENT PROPERTIES (Cont'd)

The fair values of the group's investment properties at 31st March, 2010 and 31st March, 2009 have 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	
	2010	2009
	HK\$'000	HK\$'000
Properties in Hong Kong		
– Long lease	6,730	7,005
– Medium-term lease	4,592	4,622
	11,322	11,627
Property in mainland China		
– Medium-term lease	694	714
	12,016	12,341

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\$10,927,000 (2009: HK\$11,219,000) to secure the group's general banking facilities.



NOTES TO THE FINANCIAL STATEMENTS

19. LEASEHOLD LAND

	The group HK\$'000
At 1st April, 2008	6,376
Currency realignment	4
Additions	73,805
Amortisation of prepaid operating lease payments	(601)
	<hr/>
At 31st March, 2009	79,584
	<hr/> <hr/>
At 1st April, 2009	79,584
Currency realignment	20
Amortisation of prepaid operating lease payments	(2,712)
	<hr/>
At 31st March, 2010	76,892
	<hr/> <hr/>

	The group	
	2010 HK\$'000	2009 HK\$'000
Leasehold land in Hong Kong		
Long lease	11,583	11,617
Medium-term lease	38,660	40,595
Leasehold land in mainland China		
Long lease	1,986	2,019
Medium-term lease	24,326	25,041
Leasehold land in Overseas		
Long lease	337	312
	<hr/>	<hr/>
	76,892	79,584
	<hr/> <hr/>	<hr/> <hr/>



NOTES TO THE FINANCIAL STATEMENTS

19. LEASEHOLD LAND (Cont'd)

The interests in leasehold land represent prepaid operating lease payments. Leasehold land with aggregate carrying value of HK\$50,067,000 (2009: HK\$52,031,000) are pledged to secure the group's general banking facilities.

	The group	
	2010	2009
	HK\$'000	HK\$'000
Analysed for reporting purposes as		
Non-current portion	74,181	76,873
Current portion included in debtors, deposits and prepayments	2,711	2,711
	76,892	79,584

20. GOODWILL

	The group	
	2010	2009
	HK\$'000	HK\$'000
Cost and carrying amount		
At 1st April	6,314	8,689
Arising on acquisition of subsidiaries	118	–
Release on dissolution of a subsidiary	–	(1,613)
Currency realignment	–	(762)
At 31st March	6,432	6,314
Accumulated impairment losses		
At 1st April	–	–
Impairment loss recognised during the year	(6,432)	–
At 31st March	(6,432)	–
Carrying amount at 31st March	–	6,314



NOTES TO THE FINANCIAL STATEMENTS

20. GOODWILL (Cont'd)

For the purpose of impairment testing, goodwill is allocated to one individual cash generating unit ("CGU") in the sales and distribution of business solutions.

The carrying amounts of the goodwill are attributable to the acquisition of Wavex Technologies Pte. Ltd. which engaged in development and distribution of software for various computer application in Singapore.

The recoverable amount of this CGU has been determined based on a value in use calculation. The calculation uses cash flow projections based on the financial budgets approved by management covering a 5-year period, and discount rate of 10% (2009: 10%). No cash flow has been projected beyond that period. Other key assumptions for the value in use calculations relate to the estimation of cash inflows which include budgeted sales and gross margin. Such estimation is based on the unit's past performance and management's expectations for market development. Due to the global economy recession in 2009, the turnover of this CGU in 2009/2010 was behind management's expectation. The directors reassessed the recoverable amount of goodwill as at 30th September, 2009. The management of the company was of the opinion that their previous expectation on the potential profitability could not be met and as a result, goodwill was impaired accordingly.

During the year ended 31st March, 2010, the group recognised an impairment loss of HK\$6,432,000 (2009: HK\$ Nil) to fully write down the amount of goodwill.



NOTES TO THE FINANCIAL STATEMENTS

21. INTERESTS IN SUBSIDIARIES

	The company	
	2010	2009
	HK\$'000	HK\$'000
Unlisted shares, at cost	163,654	163,654
Capital contribution in respect of employee share-based compensation	2,004	2,004
Amount due from a subsidiary	74,000	69,000
	239,658	234,658
Amounts due to subsidiaries	(23,608)	(18,026)
	216,050	216,632

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

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

Particulars of the subsidiaries as at 31st March, 2010 are set out in note 47.

22. INTEREST IN AN ASSOCIATE

	The group	
	2010	2009
	HK\$'000	HK\$'000
Share of net assets	–	–
Amount due from an associate	2,963	1,759
	2,963	1,759
Impairment losses	(2,963)	(1,759)
	–	–

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 AN ASSOCIATE (Cont'd)

Details of the associate which is held indirectly through a 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\$2	50%	Development of software and software maintenance

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

	The group	
	2010	2009
	HK\$'000	HK\$'000
Assets	618	90
Liabilities	(2,977)	(1,772)
Revenue	493	170
Loss for the year	(500)	(824)



NOTES TO THE FINANCIAL STATEMENTS

23. AVAILABLE-FOR-SALE FINANCIAL ASSETS

	The group	
	2010 HK\$'000	2009 HK\$'000
Financial assets stated at fair value		
Equity securities listed in Hong Kong	3,777	2,072
Unlisted investment fund	796	743
	4,573	2,815
Financial assets stated at cost		
Unlisted debt securities	335	335
	4,908	3,150
Equity securities		
Corporate entities	3,777	2,072
Unlisted investment fund		
Bank	796	743
Unlisted debt securities		
Club debenture	335	335



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.

Included in available-for-sale financial assets are the following amounts denominated in a currency other than the functional currency of the entity to which they relate:

	The group	
	2010 '000	2009 '000
United States Dollars	USD 103	USD 96

NOTES TO THE FINANCIAL STATEMENTS

24. FINANCIAL ASSETS AT FAIR VALUE THROUGH PROFIT OR LOSS

	The group	
	2010 HK\$'000	2009 HK\$'000
Analysis of financial assets at fair value through profit or loss:		
Held for trading		
– Equity securities listed in Hong Kong	32,102	8,368
– Equity securities listed elsewhere	5,871	3,235
– Debt securities listed in Hong Kong	3,459	3,102
	41,432	14,705
Designated as financial assets at fair value through profit or loss		
– Equity-linked deposits	–	6,639
– Equity-linked notes	–	8,304
	–	14,943
	41,432	29,648

The fair values for the above equity-linked deposits and equity-linked notes were determined based on the quoted prices from the investment banks.

Included in financial assets at fair value through profit or loss are the following amounts denominated in a currency other than the functional currency of the entity to which they relate:

	The group	
	2010 '000	2009 '000
United States Dollars	USD 329	USD 1,607
Japanese Yen	JPY 16,454	JPY 20,977
Euro	EUR 129	EUR –
Renminbi	RMB 3,043	RMB 2,733
Swiss Franc	CHF 83	CHF –



NOTES TO THE FINANCIAL STATEMENTS

25. INVENTORIES

	The group	
	2010	2009
	HK\$'000	HK\$'000
Office telephone system, mobile phones and other electronic products and accessories	37,817	23,362

The inventories stated at net realisable value amounted to HK\$5,762,000 (2009: HK\$3,878,000).

The cost of inventories recognised in profit or loss during the year amounted to HK\$781,302,000 (2009: HK\$1,011,491,000).

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

	The group	
	2010	2009
	HK\$'000	HK\$'000
Carrying amount of inventories sold	778,969	1,006,002
Write-down of inventories	2,333	5,489
	781,302	1,011,491



NOTES TO THE FINANCIAL STATEMENTS

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

	The group	
	2010 HK\$'000	2009 HK\$'000
Contract costs incurred	19,331	20,235
Recognised profits	2,653	3,131
	21,984	23,366
Progress billings	(20,409)	(22,085)
Due from customers	1,575	1,281
Classified as:		
Gross amount due from customers	1,841	1,993
Gross amount due (to) customers	(266)	(712)

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

27. DEBTORS, DEPOSITS AND PREPAYMENTS

	The group	
	2010 HK\$'000	2009 HK\$'000
Trade debtors	23,838	31,811
Less: allowance for doubtful debts	(2,970)	(2,670)
	20,868	29,141
Deposits, other debtors and prepayments	14,692	11,831
	35,560	40,972

Included in trade debtors are the following amounts denominated in a currency other than the functional currency of the entity to which they relate:

NOTES TO THE FINANCIAL STATEMENTS

27. DEBTORS, DEPOSITS AND PREPAYMENTS (Cont'd)

	2010 '000	2009 '000
New Taiwan Dollars	NTD2,544	NTD –

a) Ageing analysis

The ageing analysis of trade debtors of HK\$20,868,000 (2009: HK\$29,141,000) which are included in the debtors, deposits and prepayments are as follows:

	The group	
	2010 HK\$'000	2009 HK\$'000
0 – 30 days	8,241	11,588
31 – 60 days	2,533	5,383
61 – 90 days	2,314	6,716
91 – 120 days	429	431
121 – 360 days	4,238	3,866
Over 360 days	3,113	1,157
	20,868	29,141



NOTES TO THE FINANCIAL STATEMENTS

27. DEBTORS, DEPOSITS AND PREPAYMENTS (Cont'd)

b) Trade debtors that are not impaired

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

	The group	
	2010 HK\$'000	2009 HK\$'000
Neither overdue nor impaired	8,183	11,587
Less than 1 month overdue	2,590	5,377
1 to 3 months overdue	2,863	6,986
More than 3 months	7,232	5,191
	12,685	17,554
	20,868	29,141

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

27. DEBTORS, DEPOSITS AND PREPAYMENTS (Cont'd)

c) Impairment of trade debtors

Impairment losses in respect of trade debtors are recorded fully on allowance account unless the group is satisfied that recovery of the amount is remote, in which case the impairment loss is written off against trade debtors directly.

The movement in the allowance for doubtful debts during the year is as follows:

	The group	
	2010	2009
	HK\$'000	HK\$'000
At 1st April	2,670	2,575
Reversal of impairment losses	(566)	–
Impairment losses recognised	677	374
Currency realignment	189	(279)
At 31st March	2,970	2,670

At 31st March, 2010, the group's trade debtors of HK\$2,970,000 (2009: HK\$2,670,000) were individually determined to be impaired. The individually impaired receivables related to customers that were in financial difficulties and management assessed that such trade receivables cannot be fully recovered. Consequently, specific allowances for doubtful debts of HK\$2,970,000 (2009: HK\$2,670,000) were recognised. The group does not hold any collateral over these balances.

The amount of the group's deposits, other debtors and prepayments expected to be recovered or recognised as expense after more than one year is HK\$3,823,000 (2009: HK\$3,205,000). All of the remaining deposits, other debtors and prepayments are expected to be recovered or recognised as expense within one year.

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



NOTES TO THE FINANCIAL STATEMENTS

28. DERIVATIVE FINANCIAL INSTRUMENTS

	The group	
	2010 HK\$'000	2009 HK\$'000
Equity contracts	–	1
Equity-linked contracts	48	10,880
	48	10,881

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.

	2010 '000		2009 '000	
	United States Dollars	USD –	USD	1,700
Japanese Yen	JPY –	JPY	30,000	

29. CASH AND BANK BALANCES

	The group		The company	
	2010 HK\$'000	2009 HK\$'000	2010 HK\$'000	2009 HK\$'000
Pledged time deposits	8,581	12,670	–	–
Time deposits with a bank				
with maturity over 3 months	2,376	–	–	–
Time deposits with banks				
with maturity within 3 months	15,914	47,367	–	–
Cash and bank balances	35,245	24,378	52	59
	62,116	84,415	52	59

The effective interest rates on all of the time deposits with banks ranged from 0.01% to 0.75% (2009: 0.01% to 3.7%) per annum at 31st March, 2010.



NOTES TO THE FINANCIAL STATEMENTS

29. CASH AND BANK BALANCES (Cont'd)

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

Included in the amount of HK\$62,116,000 (2009: HK\$84,415,000) are the following amounts denominated in a currency other than the functional currency of the entity to which they relate:

	The group			
	2010		2009	
	'000		'000	
United States Dollars	USD 2,379		USD	1,762
Japanese Yen	JPY 15,388		JPY	704

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

30. CREDITORS AND ACCRUED CHARGES

The ageing analysis of trade creditors of HK\$15,319,000 (2009: HK\$11,578,000) which is included in the group's creditors and accrued charges is as follows:

	The group			
	2010		2009	
	HK\$'000		HK\$'000	
0 – 30 days	13,819			7,651
31 – 60 days	185			1,060
61 – 90 days	262			102
Over 90 days	1,053			2,765
	15,319			11,578

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



NOTES TO THE FINANCIAL STATEMENTS

30. CREDITORS AND ACCRUED CHARGES (Cont'd)

Included in trade creditors are the following amounts denominated in a currency other than the functional currency of the entity to which they relate:

	2010 '000		2009 '000
United States Dollars	USD 1	USD	28
Euro	EUR 8	EUR	–
New Taiwan Dollars	NTD 384	NTD	–

31. 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 advance received approximates to its fair value.

32. OBLIGATIONS UNDER FINANCE LEASES

	The group			
	Minimum lease payments		Present value of minimum lease payments	
	2010 HK\$'000	2009 HK\$'000	2010 HK\$'000	2009 HK\$'000
Amounts payable under finance leases				
Within one year	80	76	69	68
In the second year	156	203	147	179
In the third to fifth years	21	37	21	37
	257	316	237	284
Less: future finance charges	(20)	(32)		
Present value of finance leases	237	284		
Less: amount due for settlement within one year shown under current liabilities			(69)	(68)
Amount due for settlement after one year			168	216

NOTES TO THE FINANCIAL STATEMENTS

32. OBLIGATIONS UNDER FINANCE LEASES (Cont'd)

The effective interest rate on obligations under finance leases was 7.5% (2009: 7.5%) per annum at 31st March, 2010.

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

33. BANK BORROWINGS

	The group	
	2010	2009
	HK\$'000	HK\$'000
Bank borrowings comprise:		
Bank overdraft (unsecured)	55	–
Bank loans (secured)	35,569	37,450
	35,624	37,450

The effective interest rates of bank borrowings were 1.95% – 2.35% (2009: 1.95% – 2.9%) per annum at 31st March, 2010.

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

The maturity of bank borrowings is as follows:

	The group	
	2010	2009
	HK\$'000	HK\$'000
Due within one year	1,988	1,857
Due more than one year, but not exceeding two years	1,975	1,857
Due more than two years, but not exceeding five years	6,190	6,042
Due more than five years	25,471	27,694
	35,624	37,450
Less: amount due within one year shown under current liabilities	(1,988)	(1,857)
Amount due after one year	33,636	35,593



NOTES TO THE FINANCIAL STATEMENTS

34. 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	Tax losses	Total
	HK\$'000	HK\$'000	HK\$'000
At 1st April, 2008	279	–	279
(Charged)/credited to profit or loss	(253)	2,483	2,230
Currency realignment	5	–	5
At 31st March, 2009 and 1st April, 2009	31	2,483	2,514
(Charged)/credited to profit or loss	26	(2,483)	(2,457)
At 31st March, 2010	57	–	57

Deferred tax liabilities:

	The group		
	Accelerated tax depreciation	Tax losses	Total
	HK\$'000	HK\$'000	HK\$'000
At 1st April, 2008	577	(168)	409
(Credited)/charged to profit or loss	(457)	168	(289)
Currency realignment	(14)	–	(14)
At 31st March, 2009 and 1st April, 2009	106	–	106
Charged to profit or loss	3	–	3
Currency realignment	8	–	8
At 31st March, 2010	117	–	117

NOTES TO THE FINANCIAL STATEMENTS

34. DEFERRED TAX (Cont'd)

At the balance sheet date, the group has unused tax losses of HK\$56,640,000 (2009: HK\$73,703,000) available to offset against future profits. A deferred tax asset has been recognised in respect of HK\$ Nil (2009: HK\$15,047,000) of such losses. No deferred tax asset has been recognised in respect of the remaining HK\$56,640,000 (2009: HK\$58,656,000) 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\$14,050,000 (2009: HK\$12,297,000) can only be carried forward for five years from the year of the incurrence.

At the balance sheet date, the company had unused tax losses of HK\$7,073,000 (2009: HK\$6,412,000) available to offset against future profits. No deferred tax asset has been recognised due to the unpredictability of future profit streams.

35. SHARE CAPITAL

	Number of shares		Amount	
	2010	2009	2010 HK\$'000	2009 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 and at end of the year	490,113,057	490,113,057	4,901	4,901

Details of the company's Share Option Scheme and Share Award Plan are set out in notes 36 and 37 to the financial statements.



NOTES TO THE FINANCIAL STATEMENTS

36. 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

36. SHARE OPTION SCHEME (Cont'd)

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.

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.

No share options was offered under the Share Option Scheme during the years ended 31st March, 2010 and 31st March, 2009 and no share option outstanding at 31st March, 2010 and 31st March, 2009.



NOTES TO THE FINANCIAL STATEMENTS

37. 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 22nd April, 2008, the directors informed the employees of the group that the year end bonus for the directors and certain employees of the group for the year ended 31st March, 2009 was to be satisfied by cash or award the shares of the company to those directors and employees of the group. Total 6,272,000 (2008: 1,492,000) shares of the company had been awarded to the employees and directors of the company as year end bonus for the year ended 31st March, 2009. Those shares of the company were subsequently awarded to those eligible directors of the company and employees of the group at nil consideration on 8th May, 2009.

No year end bonus for the directors of the company and employees of the group for the year ended 31st March, 2010 had been satisfied by award the shares of the company.

38. 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 pages 38 and 39.



NOTES TO THE FINANCIAL STATEMENTS

38. RESERVES (Cont'd)

The company

	Share premium	Shares held for share award plan	Shares award reserve	Special reserve	Retained profits	Total
	HK\$'000	HK\$'000	HK\$'000	HK\$'000	HK\$'000	HK\$'000
At 1st April, 2008	41,404	(947)	373	163,453	8,784	213,067
Shares purchased for Share Award Plan	-	(1,791)	-	-	-	(1,791)
Recognition of equity-settled share-based payment	-	-	1,631	-	-	1,631
Shares awarded to directors and other employees under the Share Award Plan	-	451	(403)	-	(48)	-
Profit and total comprehensive income for the year	-	-	-	-	3,755	3,755
Dividend paid	-	-	-	-	(4,901)	(4,901)
At 31st March, 2009	41,404	(2,287)	1,601	163,453	7,590	211,761
At 1st April, 2009	41,404	(2,287)	1,601	163,453	7,590	211,761
Shares awarded to directors and other employees under the Share Award Plan	-	1,791	(941)	-	(850)	-
Profit and total comprehensive income for the year	-	-	-	-	4,297	4,297
Dividend paid	-	-	-	-	(4,901)	(4,901)
At 31st March, 2010	41,404	(496)	660	163,453	6,136	211,157



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, special 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 of the company 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, 2010 amounted to HK\$211,653,000 (2009: HK\$214,048,000).

NOTES TO THE FINANCIAL STATEMENTS

39. 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, 2010 was HK\$223,919,000 (2009: HK\$228,528,000).

40. NOTE TO THE CONSOLIDATED CASH FLOW STATEMENT

a) Non-cash transactions

During the year, the company acquired property, plant and equipment with an aggregate cost of HK\$4,612,000 (2009: HK\$11,108,000) of which HK\$Nil (2009: HK\$376,000) was acquired by means of finance leases. Cash payments of HK\$4,612,000 (2009: HK\$10,732,000) were made to acquire property, plant and equipment.

b) Acquisition of assets and liabilities through the acquisition of additional interest in a subsidiary

On 7th July, 2009, the group completed the acquisition of an additional 30% equity interest in Wavex Technologies Pte. Ltd. ("Wavex"), a company established in the Singapore to carry out sales and distribution of RFID products, for a consideration of SGD\$180,000 (equivalent to approximately HK\$967,000) from the minority shareholders of Wavex. Wavex then became a wholly-owned subsidiary of the company. Due to the acquisition of 30% minority interests in Wavex, the minority interests decreased by HK\$849,000.



NOTES TO THE FINANCIAL STATEMENTS

40. NOTE TO THE CONSOLIDATED CASH FLOW STATEMENT (Cont'd)

c) Disposal of subsidiaries

In September, 2009, the group completed the disposal of its entire equity interest in WaveTech Sdn Bhd for a cash consideration of MYR110,000 (equivalent to approximately HK\$240,000). A loss of HK\$61,000 arose from this disposal.

Details of the net assets disposed of in respect of WaveTech Sdn Bhd are summarized below:

	2010 HK\$'000	2009 HK\$'000
Property, plant and equipment	43	–
Inventories	124	–
Debtors deposits and prepayments	1,116	–
Gross amount due from customer for contract work	653	–
Cash and bank balances	356	–
Creditors and accrued charges	(1,797)	–
Minority interests	(194)	–
Loss on disposal	(61)	–
	<hr/>	<hr/>
Total consideration satisfied by:		
Cash received	240	–
	<hr/> <hr/>	<hr/> <hr/>
Net cash outflow arising on disposal:		
Cash consideration received	240	–
Bank balances and cash disposal of	(356)	–
	<hr/>	<hr/>
Net outflow of cash and cash equivalents in respect of the disposal of a subsidiary	(116)	–
	<hr/> <hr/>	<hr/> <hr/>



NOTES TO THE FINANCIAL STATEMENTS

40. NOTE TO THE CONSOLIDATED CASH FLOW STATEMENT (Cont'd)

d) Dissolution of a subsidiary

One of the group's subsidiary, Wavex Innovations Pte. Ltd. was dissolved during the year ended 31st March, 2009:

	2010	2009
	HK\$'000	HK\$'000
Settlement of liabilities:		
Minority interest	-	(119)
Goodwill released on disposal	-	1,613
	-	1,494
Loss on dissolution	-	1,613
Cash outflow in respect of dissolution of a subsidiary	-	(119)

41. PLEDGE OF ASSETS

As at 31st March, 2010, 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\$61,829,000 (2009: HK\$64,042,000), (2) bank deposits of HK\$8,581,000 (2009: HK\$12,670,000) and (3) financial assets at fair value through profit or loss of HK\$22,819,000 (2009: HK\$ Nil).

42. 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	
	2010	2009
	HK\$'000	HK\$'000
Within one year	5,477	7,871
In the second to fifth years, inclusive	4,961	7,588
	10,438	15,459

NOTES TO THE FINANCIAL STATEMENTS

42. OPERATING LEASE ARRANGEMENTS (Cont'd)

a) The group as lessee: (Cont'd)

Operating lease payments represent rentals payable by the group for its office premises and shops. Leases are negotiated for terms ranging from one to four years (2009: 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 receivables under non-cancellable operating leases in respect of rented premises which fall due as follows:

	The group	
	2010 HK\$'000	2009 HK\$'000
Within one year	1,177	1,418
In the second to fifth years, inclusive	396	328
	1,573	1,746

The properties held have committed tenants in terms of two years (2009: two years).

c) The company had no operating lease commitments as at 31st March, 2010 and 31st March, 2009.

43. CAPITAL COMMITMENTS

Contracted but not provided for at the balance sheet date:

	The group	
	2010 HK\$'000	2009 HK\$'000
Acquisition of property, plant and equipment	1,301	–



NOTES TO THE FINANCIAL STATEMENTS

44. CONTINGENT LIABILITIES

	The group		The company	
	2010 HK\$'000	2009 HK\$'000	2010 HK\$'000	2009 HK\$'000
Guarantees for general banking facilities granted to subsidiaries	–	–	93,866	78,866
Counter-indemnity given to a bank in respect of guarantee given to a supplier of the subsidiary	1,400	1,300	–	–
	1,400	1,300	93,866	78,866

The group and the company have not recognised any deferred income in respect of guarantees as their fair values cannot be reliably measured and their transaction prices were HK\$Nil (2009: HK\$Nil).

45. RELATED PARTY TRANSACTIONS

a) Key management personnel compensation

	2010 HK\$'000	2009 HK\$'000
Salaries and other short-term employee benefits	6,835	7,346
Employee share-based compensation benefits	–	497
Post-employment benefits	194	224
	7,029	8,067

b) Details of the balance with a director is mentioned in note 31 to the financial statements.

NOTES TO THE FINANCIAL STATEMENTS

46. POSSIBLE IMPACT OF AMENDMENTS, NEW STANDARDS AND INTERPRETATIONS ISSUED BUT NOT YET EFFECT FOR THE YEAR ENDED 31ST MARCH, 2010

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, 2010 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 restatement of the group's and company's results of operations and financial position.

47. SUBSIDIARIES

Particulars of the principal subsidiaries at 31st March, 2010 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 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



NOTES TO THE FINANCIAL STATEMENTS

47. SUBSIDIARIES (Cont'd)

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 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
Singapore Communications Equipment Co. Pte Ltd.	Singapore	Singapore	Ordinary shares S\$160,000	100%	Sales and distribution of business solutions
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\$5,850,000	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

NOTES TO THE FINANCIAL STATEMENTS

47. SUBSIDIARIES (Cont'd)

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 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 MOP100,000	100%	Sales and distribution of business solutions
Wavex Technologies Pte. Ltd.	Singapore	Singapore	Ordinary shares S\$270,000	100%	Development and sales of software for various computer applications
Hong Kong Communications Services Company Limited	Hong Kong	Hong Kong	Ordinary shares HK\$1	100%	Business not yet commenced



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, 2010 and 31st March, 2009 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.

FIVE YEARS FINANCIAL SUMMARY

	2006 HK\$'000	2007 HK\$'000	2008 HK\$'000	2009 HK\$'000	2010 HK\$'000
RESULTS					
Turnover	1,002,490	869,232	1,156,355	1,109,970	870,594
Profit/(loss) before taxation	78,075	6,860	8,766	(42,865)	6,363
Tax (expense)/income	(5,775)	(2,322)	(2,178)	2,299	(3,271)
Profit/(loss) for the year	72,300	4,538	6,588	(40,566)	3,092
Attributable to:					
Equity holders of the company	72,174	5,071	6,509	(40,403)	3,165
Minority interests	126	(533)	79	(163)	(73)
	72,300	4,538	6,588	(40,566)	3,092
ASSETS/(LIABILITIES) AND (MINORITY INTERESTS)					
Total assets	326,864	351,680	338,982	298,228	285,837
Total liabilities	(65,901)	(82,532)	(64,834)	(69,700)	(61,918)
Minority interests	(533)	–	(2,308)	(2,108)	–
	260,430	269,148	271,840	226,420	223,919



PARTICULARS OF PROPERTIES

(I) PROPERTIES HELD FOR OWNER OCCUPATION

	Use	Lease term	Group's interest
Location in Hong Kong			
Block A on 14th Floor Vita Tower No. 29 Wong Chuk Hang Road Wong Chuk Hang Hong Kong	Commercial	Long lease	100%
Shop Nos. 9 and 23B on Ground Floor National Court Nos. 240-252 Nathan Road Nos. 16A-16F Jordan Road Nos. 19-24 Tak Hing Street, Mongkok Kowloon, Hong Kong	Commercial	Long lease	100%
Location in Singapore			
The whole of the strata unit #02-09 Kewalram House No. 8, Jalan Kilang Timor Singapore	Commercial	Long lease	100%
Location in the Mainland China			
Units 1101, 1102, 1103, 1104, 1105, 1106, 1107 and 1108 on Level 11 East Huai Hai International Building Nos. 45-49 Huai Hai Road East Huang Pu District, Shanghai The People's Republic of China	Commercial	Medium-term lease	100%
Room 1101, No. 12, 568 Lane PuXing Highway Min Xing District, Shanghai The People's Republic of China	Residential	Long lease	100%



PARTICULARS OF PROPERTIES

(2) INVESTMENT PROPERTIES

	Use	Lease term	Group's interest
Location in Hong Kong			
Block B on 14th Floor Vita Tower No. 29 Wong Chuk Hang Road Wong Chuk Hang Hong Kong	Commercial	Long lease	100%
Workshop 05 on 5th Floor Kwong Sang Hong Centre Nos. 151-153 Hoi Bun Road Kwun Tong, Kowloon Hong Kong	Commercial	Medium-term lease	100%
Flat E, 11th Floor with Balcony and Utility Platform Splendid Place No. 39 Taikoo Shing Road Quarry Bay, Hong Kong	Residential	Long lease	100%
Flat E, 22nd Floor with Balcony and Utility Platform Splendid Place No. 39 Taikoo Shing Road Quarry Bay, Hong Kong	Residential	Long lease	100%
Shop No. 8 on Ground Floor National Court Nos. 240-252 Nathan Road Nos. 16A-16F Jordan Road Nos. 19-24 Tak Hing Street, Mongkok, Kowloon, Hong Kong	Commercial	Long lease	100%
Flat C on 37th Floor of Tower 8 Phase II (known as Le Point) of Metro Town No. 8 King Ling Road Tseung Kwan O New Territories, Hong Kong	Residential	Medium-term lease	100%
Flat G on 45th Floor of Tower 10 Phase II (known as Le Point) of Metro Town No. 8 King Ling Road Tseung Kwan O New Territories, Hong Kong	Residential	Medium-term lease	100%
Location in the Mainland China			
Flat 19B on Level 19 Sea of Clouds Gardens No. 138 Qing Hai Road Jiangan District, Shanghai The People's Republic of China	Residential	Medium-term lease	100%

