

# 2011

ANNUAL REPORT



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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**EXECUTIVE DIRECTORS**

Chan Chung Yee, Hubert (*Chairman*)  
 Chan Chung Yin, Roy  
 Chan Man Min  
 Chan Ming Him, Denny  
 Wu Kwok Lam *CPA, FCCA*  
 Tsui Hon Wing  
 (retired on 30th September, 2010)  
 Ip Man Hon  
 (appointed on 15th November, 2010)

**NON-EXECUTIVE DIRECTOR**

Ng Ching Wah  
 (resigned on 31st October, 2010)

**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, Wanchai  
 Hong Kong

**PRINCIPAL BANKERS**

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

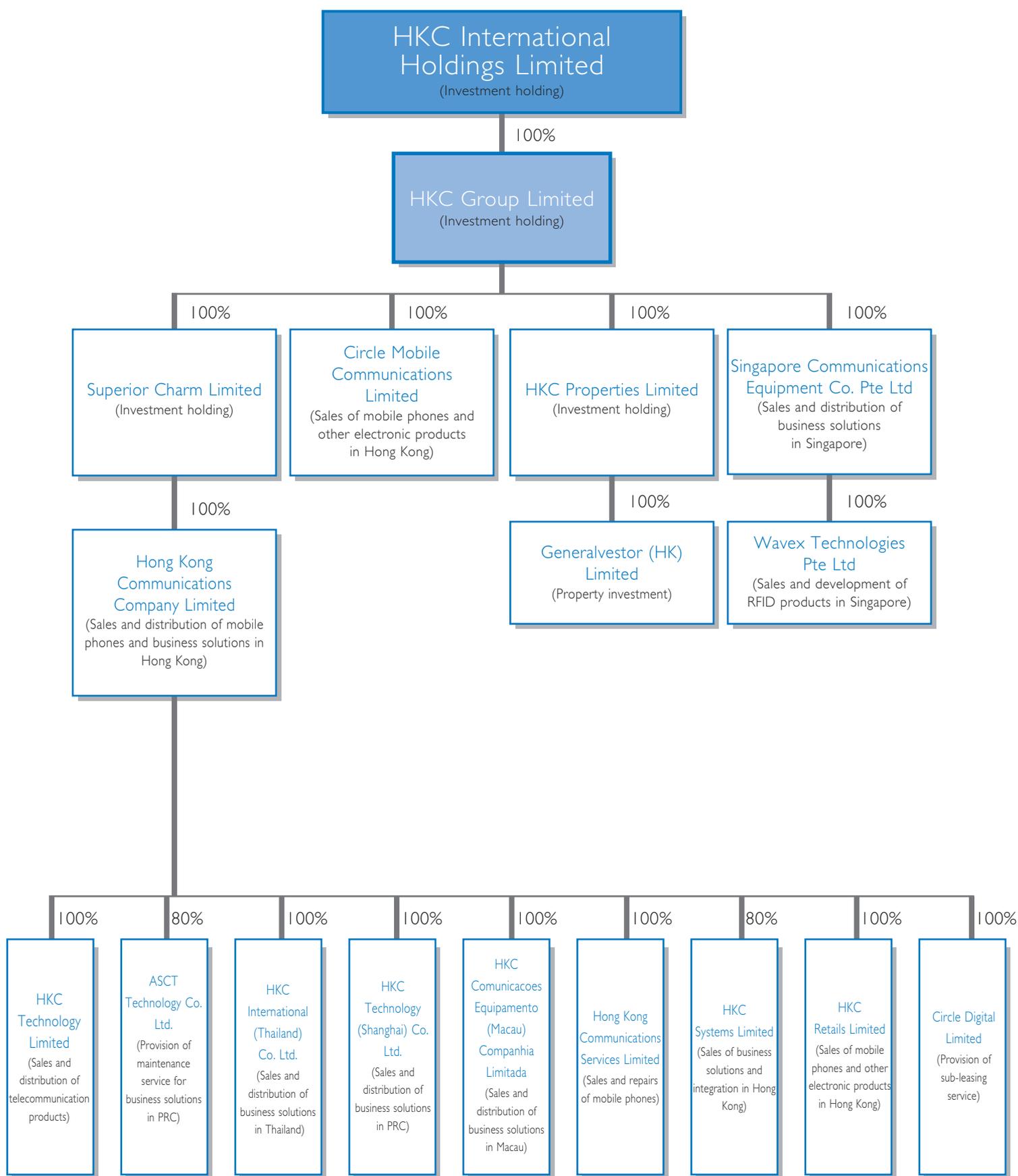
Wing Hang Bank, Limited  
 161 Queen's Road Central  
 Hong Kong

**STOCK CODE**

248

**WEBSITE ADDRESS**

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



For the year ended 31st March, 2011, the group's turnover increase by 8% to HK\$940 million (2010: HK\$871 million) and net profit attributable to equity holders of the company was HK\$3.6 million (2010: HK\$3 million).

### **SALES OF MOBILE PHONES**

The turnover increased from HK\$795 million to HK\$843 million and the profit increased from HK\$3.2 million to HK\$4.5 million when compared with last year respectively. The opening of two franchised shops and a shop under the trade name of "Circle Digital " in Yuen Long during the second half of the year helped to increase the turnover and the profit margin.

### **SALES OF BUSINESS SOLUTIONS**

During the year under review, the turnover increased by 31% to HK\$94.5 million (2010: HK\$72.2 million). The division recorded loss of HK\$3.6 million compared with the loss of HK\$19.9 million last year. The decrease in loss was due to the performance improvement of overseas' subsidiaries and there was impairment loss recognised in respect of goodwill of HK\$ 6 million in previous year.

### **PROPERTY INVESTMENT**

This division recorded loss of HK\$0.7 million (2010: HK\$0.7 million). The loss was due to the depreciation, amortisation and finance costs for the year under review.

### **PROSPECTS**

In view of booming of retail market stimulated by domestic demand and inbound tourism, we plan to open two or three shops in the coming year. As at the date of this announcement, all the group's investment properties have been fully let. We expect that there will be a substantial increase in the rental income. The concept of home automation has been gradually accepted by the property developers and residential owners in Hong Kong. Our self-developed home automation system was awarded a Best Green ICT (Innovation) Silver Award under Hong Kong ICT Award 2011. We will place more resources for research and development to enhance the features of home automation and radio frequency identification ("RFID") applications and open China market. We have awarded a tender for library RFID application at The Library of Central China Normal University at Wuhan.

### **LIQUIDITY AND FINANCIAL RESOURCES**

The group continues to maintain a strong financial position. As at 31st March, 2011, the group's bank balances and cash amounted to approximately HK\$39 million (2010: HK\$62 million) while the bank borrowing was HK\$34 million (2010: HK\$36 million). The gearing ratio was 15.4% (2010: 15.9%) which is expressed as a percentage of total borrowings to shareholders' funds. The decrease in cash of HK\$23 million during the year was due to the increase in stock of HK\$34 million in fear of short supply after the earthquake of Japan in March 2011. As at the date of this report, the stock has been resumed to normal level.

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\$8.8 million (2010: HK\$4.6 million) in property, plant and equipment during the year.

### **EMPLOYEES**

As at 31st March, 2011, the total number of employees of the group was approximately 290 (2010: 320) and the aggregate remuneration of employees (excluding directors' emoluments) amounted to HK\$54 million (2010: HK\$54 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, 2011, 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\$52,229,000 (2010: HK\$61,829,000), (2) bank deposits of HK\$3,122,000 (2010: HK\$8,581,000) and (3) financial assets at fair value through profit or loss of HK\$8,174,000 (2010: HK\$22,819,000).

### **CONTINGENT LIABILITIES**

As at 31st March, 2011, the company had provided corporate guarantees of HK\$102 million (2010: HK\$94 million) to secure general banking facilities granted to the subsidiaries.

### **DIVIDEND**

The directors recommend the payment of a final dividend of HK\$0.01 (2010: 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, 24th August, 2011. Subject to the approval of the shareholders of the company at the forthcoming annual general meeting, the dividend will be paid on or about Wednesday, 28th September, 2011. 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, 2nd September, 2011.

### **CLOSURE OF REGISTER OF MEMBERS**

The register of members of the company will be closed from Monday, 22nd August, 2011 to Wednesday, 24th August, 2011, 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 Registrar 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, 19th August, 2011.

### **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.

### CODE ON CORPORATE GOVERNANCE PRACTICES

The Board considers that good corporate governance is central to safeguarding the interests of the shareholders and enhancing the performance of the group. The company had complied throughout the year ended 31st March, 2011 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. Wu Kwok Lam and Mr. Ip Man Hon 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.

**BOARD OF DIRECTORS (Cont'd)**

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

<b>Executive directors:</b>	<b>Number of meetings attended</b>
Chan Chung Yee, Hubert	10/10
Chan Chung Yin, Roy	10/10
Chan Man Min	0/10
Chan Ming Him, Denny	7/10
Wu Kwok Lam	10/10
Tsui Hon Wing (retired on 30th September, 2010)	6/10
Ip Man Hon (appointed on 15th November, 2010)	10/10
<b>Non-executive director:</b>	
Ng Ching Wah (resigned on 31st October, 2010)	4/10
<b>Independent non-executive directors:</b>	
Chiu Ngar Wing	8/10
Chu Chor Lup	0/10
Leung Tai Wai, David	0/10

**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.

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:

<b>Name of members</b>	<b>Number of meeting attended</b>
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, 2010 and the audited financial statements for the year ended 31st March, 2011 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:

<b>Name of members</b>	<b>Number of meetings attended</b>
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 non-auditing services for the year ended 31st March, 2011 amounted to HK\$583,000 and HK\$20,500 respectively.

### 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, 2011, 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 pages 21 and 22 of the annual report of the company for the year ended 31st March, 2011.

## 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.

## COMPLIANCE WITH THE MODEL CODE SET OUT IN APPENDIX 10 TO THE LISTING RULES

The company has adopted the Model Code for Securities Transactions by Directors of Listed Issuers ("Model Code") set out in Appendix 10 to the Listing Rules as its own code of conduct regarding directors' securities transactions. Having made specific enquiry of all directors, each of the directors confirmed that he had complied with the required standard set out in the Model Code during the year ended 31st March, 2011.

## 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.

**EXECUTIVE DIRECTORS**

Mr. CHAN Chung Yee, Hubert, aged 51, 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 telecommunications industry. 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 49, 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 about 20 years of experience in the telecommunications industry.

Mr. WU Kwok Lam, aged 49, 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 78, 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 52, 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. IP Man Hon, Martin, aged 44, is the project director. He joined the group in 1991 with over 15 years of experience in product development and management. He obtained a Master Degree of Science from the University of Hong Kong and a Bachelor's Degree in Engineering from the Hong Kong Polytechnic University.

### INDEPENDENT NON-EXECUTIVE DIRECTORS

Mr. CHIU Ngar Wing, aged 57, 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 company for more than 20 years.

Dr. CHU Chor Lup, aged 58, 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 55, joined the group in 2004 and held a Degree in Business Administration and a Master's Degree in Marketing.

### SENIOR MANAGEMENT

Mr. CHOI Chun Yik, aged 50, 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. NG Chi Hoi, Samuel, aged 53, 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 39, 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 since 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. The latest awards come from GSI Singapore for the BEST RFID CHAMPION 2010 (Best RFID contributor in Singapore) and BEST RFID IMPLEMENTATION 2010 (With Tan Chong AutoClinic).

Mr. CHEUNG Ying Sum, Ray, aged 49, 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.

The directors have pleasure in presenting their annual report and the audited financial statements for the year ended 31st March, 2011.

### **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, 2011 are set out in the consolidated statement of comprehensive income on pages 23 and 24.

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 24th August, 2011.

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\$8,775,000 on property, plant and equipment. The group also disposed of certain of its property, plant and equipment with the aggregate carrying amount of HK\$22,000.

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, 2011 are set out on page 105.

### **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, 2011 are set out on page 106.

### **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.

### **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\$591,000.

### **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 (retired on 30th September, 2010)  
Ip Man Hon (appointed on 15th November, 2010)

### Non-executive director:

Ng Ching Wah (resigned on 31st October, 2010)

### 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. Chan Chung Yee, Hubert, Mr. Chan Chung Yin, Roy and Mr. Chiu Ngar Wing 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.

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 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.

**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:

<b>Name of Director</b>	<b>The company/ associated corporation</b>	<b>Capacity</b>	<b>Number and class of securities (Note 1)</b>	<b>Approximate percentage of interest</b>
Chan Chung Yee, Hubert	The company	Interest of controlled corporation	247,182,888 Shares (L) (Note 2)	49.92%
	The company	Beneficial owner	9,260,000 Shares (L) (Note 3)	1.87%
	Matrix World Group Limited	Beneficial owner	1 share of US\$1.00 (L)	100.00%
Chan Chung Yin, Roy	The company	Interest of controlled corporation	60,000,000 Shares (L) (Note 4)	12.12%
	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)	100.00%
Chan Man Min	The company	Interest of controlled corporation	24,709,650 Shares (L) (Note 6)	4.99%
	The company	Beneficial owner	1,000,000 Shares (L) (Note 7)	0.20%
Chan Ming Him, Denny	The company	Beneficial owner	1,000,000 Shares (L) (Note 8)	0.20%

**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, 9,107,224 Shares were held by Light Emotion Limited, a company wholly owned by Matrix World Group Limited and 238,075,664 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. Chan Ming Him, Denny.
- (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	238,075,664(L)	Beneficial owner	48.08%
	(Note 2)		
	9,107,224(L)	Interest of controlled corporation	1.84%
	(Note 2)		
Star Global International Limited (Note 3)	60,000,000(L)	Beneficial owner	12.12%
Ocean Hope Group Limited (Note 4)	24,709,650(L)	Beneficial owner	4.99%
Chan Low Wai Han, Edwina (Note 5)	60,100,000(L)	Interests of spouse	12.14%
Josephine Liu (Note 6)	256,442,888(L)	Interests of spouse	51.79%

Notes:

- (1) The Letter "L" represents the person's interests in Shares.
- (2) Among these Shares, 9,107,224 Shares were held by Light Emotion Limited, a company wholly owned by Matrix World Group Limited and 238,075,664 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.

**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: (Cont'd)

- (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.

**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, 2011 and no share option was outstanding at 31st March, 2011.

## SHARE OPTION SCHEME AND SHARE AWARD PLAN (Cont'd)

### 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.

## MAJOR CUSTOMERS AND SUPPLIERS

For the year ended 31st March, 2011, the aggregate turnover attributable to the group's five largest customers accounted for approximately 75% by value of the group's total turnover and the sales attributable to the group's largest customer was approximately 33% of the total sales. The aggregate purchases attributable to the group's five largest suppliers accounted for approximately 96% by value of the group's total purchases and the purchases attributable to the group's largest supplier was approximately 94% by value of the total purchases.

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

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

There was no purchase, sale or redemption of the company's listed shares by the company or any of its subsidiaries during the year except the shares of the company acquired by the trustee of the Share Award Plan as disclosed in the section headed "Share 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, 2011, 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, 2011
Matrix World Group Limited (Note 2)	238,075,664 (L)	Beneficial owner	48.08%
	(Note 1) 9,107,224 (L)	Interest of controlled corporation	1.84%
Star Global International Limited (Note 3)	60,000,000 (L)	Beneficial owner	12.12%
Ocean Hope Group Limited (Note 4)	24,709,650 (L)	Beneficial owner	4.99%
Chan Low Wai Han, Edwina (Note 5)	60,100,000 (L)	Interest of spouse	12.14%
Josephine Liu (Note 6)	256,442,888 (L)	Interest of spouse	51.79%

Notes:

- The letter "L" represents the person's interest in the Shares.
- Among these Shares, 9,107,224 Shares were held by Light Emotion Limited, a company wholly owned by Matrix World Group Limited and 238,075,664 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.
- Star Global International Limited is a company wholly owned by Mr. Chan Chung Yin, Roy.
- Ocean Hope Group Limited is a company wholly owned by Mr. Chan Man Min.
- 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.
- 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, 2011, 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 the annual report.

**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, 24th June, 2011



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

*(incorporated in Cayman Islands with limited liability)*

We have audited the consolidated financial statements of HKC International Holdings Limited (the “company”) and its subsidiaries (collectively “the group”) set out on pages 23 to 103, which comprise the consolidated and company balance sheets as at 31st March, 2011, the consolidated statement of comprehensive income, the consolidated statement of changes in equity and the consolidated statement of cash flows for the year then ended, and a summary of significant accounting policies and other explanatory information.

**DIRECTORS' RESPONSIBILITY FOR THE CONSOLIDATED FINANCIAL STATEMENTS**

The directors of the company are responsible for the preparation of consolidated financial statements that give a true and fair view in accordance with Hong Kong Financial Reporting Standards issued by the Hong Kong Institute of Certified Public Accountants and the disclosure requirements of the Hong Kong Companies Ordinance, and for such internal control as the directors determine is necessary to enable the preparation of consolidated financial statements that are free from material misstatement, whether due to fraud or error.

**AUDITOR'S RESPONSIBILITY**

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

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

**AUDITOR'S RESPONSIBILITY (Cont'd)**

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

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

**OPINION**

In our opinion, the consolidated financial statements give a true and fair view of the state of affairs of the company and of the group as at 31st March, 2011 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

24th June, 2011

# CONSOLIDATED STATEMENT OF COMPREHENSIVE INCOME

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For the year ended 31st March, 2011

	Note	2011 HK\$'000	2010 HK\$'000
<b>TURNOVER</b>	7	<b>940,006</b>	870,594
Cost of sales		<b>(838,800)</b>	(785,000)
<b>GROSS PROFIT</b>		<b>101,206</b>	85,594
(Loss)/gain on disposal of property, plant and equipment		<b>(20)</b>	82
Other income and gains	8	<b>8,745</b>	26,608
Other losses	8	<b>(204)</b>	(7,519)
Selling and distribution expenses		<b>(14,218)</b>	(14,842)
Administrative and other operating expenses		<b>(88,724)</b>	(82,731)
Finance costs	9	<b>(775)</b>	(829)
<b>PROFIT BEFORE TAXATION</b>	10	<b>6,010</b>	6,363
<b>TAX EXPENSE</b>	13(a)	<b>(2,416)</b>	(3,271)
<b>PROFIT FOR THE YEAR</b>		<b>3,594</b>	3,092
<b>OTHER COMPREHENSIVE INCOME/(EXPENSE) NET OF TAX</b>			
Exchange differences on translation of overseas operations		<b>(1,505)</b>	(2,166)
Fair value gain on available-for-sale financial assets		<b>117</b>	1,627
Reclassification adjustment of fair value loss to profit or loss on disposal of available-for-sale financial assets		<b>350</b>	–
<b>OTHER COMPREHENSIVE EXPENSE FOR THE YEAR</b>		<b>(1,038)</b>	(539)
<b>TOTAL COMPREHENSIVE INCOME FOR THE YEAR</b>		<b>2,556</b>	2,553

# CONSOLIDATED STATEMENT OF COMPREHENSIVE INCOME

For the year ended 31st March, 2011

	Note	2011 HK\$'000	2010 HK\$'000
<b>Profit/(loss) attributable to</b>			
Equity holders of the company		<b>3,990</b>	3,165
Non-controlling interests		<b>(396)</b>	(73)
<b>Profit for the year</b>		<b>3,594</b>	3,092
<b>Total comprehensive income/(expense) attributable to</b>			
Equity holders of the company		<b>2,952</b>	2,400
Non-controlling interests		<b>(396)</b>	153
<b>Total comprehensive income for the year</b>		<b>2,556</b>	2,553
<b>EARNINGS PER SHARE – (HK CENTS)</b>			
– basic	15	<b>0.81 cents</b>	0.65 cents
– diluted	15	<b>0.81 cents</b>	0.65 cents

As at 31st March, 2011

	Note	The group			The company	
		31.3.2011 HK\$'000	31.3.2010 HK\$'000 (restated)	1.4.2009 HK\$'000 (restated)	31.3.2011 HK\$'000	31.3.2010 HK\$'000
<b>NON-CURRENT ASSETS</b>						
Property, plant and equipment	17	20,110	37,284	37,768	-	-
Investment properties	18	60,108	40,800	41,839	-	-
Leasehold land	19	25,857	25,905	26,627	-	-
Goodwill	20	-	-	6,314	-	-
Interests in subsidiaries	21	-	-	-	216,137	216,050
Interest in an associate	22	-	-	-	-	-
Available-for-sale financial assets	23	5,828	4,908	3,150	-	-
Deferred tax assets	34	-	57	2,514	-	-
Deposit paid for acquisition of investment properties		2,688	-	-	-	-
		<b>114,591</b>	108,954	118,212	<b>216,137</b>	216,050
<b>CURRENT ASSETS</b>						
Inventories	25	72,223	37,817	23,362	-	-
Gross amount due from customers for contract work	26	5,706	1,841	1,993	-	-
Debtors, deposits and prepayments	27	45,818	33,593	39,005	5	-
Financial assets at fair value through profit or loss	24	15,410	41,432	29,648	-	-
Tax recoverable		120	84	1,593	-	-
Cash and bank balances	29	39,376	62,116	84,415	53	52
		<b>178,653</b>	176,883	180,016	<b>58</b>	52
<b>CURRENT LIABILITIES</b>						
Creditors and accrued charges	30	33,913	23,679	18,895	42	44
Gross amount due to customers for contract work	26	489	266	712	-	-
Derivative financial instruments	28	-	48	10,881	-	-
Amount due to a director	31	-	684	684	-	-
Tax payable		838	1,263	688	-	-
Obligations under finance leases	32	81	69	68	-	-
Bank borrowings	33	34,394	35,624	37,450	-	-
		<b>69,715</b>	61,633	69,378	<b>42</b>	44
<b>NET CURRENT ASSETS</b>						
		<b>108,938</b>	115,250	110,638	<b>16</b>	8
<b>TOTAL ASSETS LESS CURRENT LIABILITIES</b>						
		<b>223,529</b>	224,204	228,850	<b>216,153</b>	216,058

As at 31st March, 2011

	Note	The group			The company	
		31.3.2011 HK\$'000	31.3.2010 HK\$'000 (restated)	1.4.2009 HK\$'000 (restated)	31.3.2011 HK\$'000	31.3.2010 HK\$'000
<b>NON-CURRENT LIABILITIES</b>						
Obligations under finance leases	32	101	168	216	-	-
Deferred tax liabilities	34	168	117	106	-	-
		<u>269</u>	<u>285</u>	<u>322</u>	<u>-</u>	<u>-</u>
		<b>223,260</b>	<b>223,919</b>	<b>228,528</b>	<b>216,153</b>	<b>216,058</b>
<b>CAPITAL AND RESERVES</b>						
Share capital	35	4,951	4,901	4,901	4,951	4,901
Reserves	38	218,305	219,018	221,519	211,202	211,157
		<u>223,256</u>	<u>223,919</u>	<u>226,420</u>	<u>216,153</u>	<u>216,058</u>
Equity attributable to equity holders of the company		<b>223,256</b>	<b>223,919</b>	<b>226,420</b>	<b>216,153</b>	<b>216,058</b>
Non-controlling interests		4	-	2,108	-	-
		<u>223,260</u>	<u>223,919</u>	<u>228,528</u>	<u>216,153</u>	<u>216,058</u>
<b>TOTAL EQUITY</b>		<b>223,260</b>	<b>223,919</b>	<b>228,528</b>	<b>216,153</b>	<b>216,058</b>

The consolidated financial statements on pages 23 to 103 were approved and authorised for issue by the board of directors on 24th June, 2011 and are signed on its behalf by:

**Chan Chung Yee, Hubert**

*Director*

**Chan Chung Yin, Roy**

*Director*

# CONSOLIDATED STATEMENT OF CHANGES IN EQUITY

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For the year ended 31st March, 2011

	Attributable to equity holders of the company										
	Shares held			Share award reserve	Investment			Retained profits	Non-controlling interests		Total
	Share capital	Share premium	for share award plan		Capital reserve	revaluation reserve	Translation reserve		Total	interests	
	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/(loss) for the year	-	-	-	-	-	-	-	3,165	3,165	(73)	3,092
Other comprehensive income/(expense) 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)	-	-	-
Dissolution of a subsidiary	-	-	-	-	-	-	-	-	-	(1,218)	(1,218)
Decrease in non-controlling interests upon acquisition of additional interest in a subsidiary	-	-	-	-	-	-	-	-	-	(849)	(849)
Decrease in non-controlling interests upon disposal of a 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

	Attributable to equity holders of the company										
	Shares held			Share award reserve	Investment			Retained profits	Non-controlling interests		Total
	Share capital	Share premium	for share award plan		Capital reserve	revaluation reserve	Translation reserve		Total	interests	
	HK\$'000	HK\$'000	HK\$'000	HK\$'000	HK\$'000	HK\$'000	HK\$'000	HK\$'000	HK\$'000	HK\$'000	
At 1st April, 2010	4,901	41,404	(496)	660	28,325	1,492	421	147,212	223,919	-	223,919
Profit/(loss) for the year	-	-	-	-	-	-	-	3,990	3,990	(396)	3,594
Other comprehensive income/(expense) for the year	-	-	-	-	-	467	(1,505)	-	(1,038)	-	(1,038)
Total comprehensive income/(expense) for the year	-	-	-	-	-	467	(1,505)	3,990	2,952	(396)	2,556
Shares purchased for Share Award Plan	-	-	(106)	-	-	-	-	-	(106)	-	(106)
Capital contribution from a non-controlling interest of a subsidiary	-	-	-	-	-	-	-	-	-	400	400
Shares issued pursuant to scrip dividend scheme	50	1,230	-	-	-	-	-	-	1,280	-	1,280
Dividend paid	-	-	-	-	-	-	-	(4,789)	(4,789)	-	(4,789)
At 31st March, 2011	4,951	42,634	(602)	660	28,325	1,959	(1,084)	146,413	223,256	4	223,260

## CONSOLIDATED STATEMENT OF CASH FLOWS

For the year ended 31st March, 2011

	2011 HK\$'000	2010 HK\$'000 (restated)
<b>OPERATING ACTIVITIES</b>		
Profit before taxation	6,010	6,363
Adjustments for:		
Depreciation	7,265	6,256
Amortisation of prepaid operating lease payments	755	743
Loss/(gain) on disposal of property, plant and equipment	20	(82)
Loss on disposal of a subsidiary	–	61
Impairment losses on an associate	–	1,009
Impairment losses on goodwill	–	6,432
Loss on disposal of available-for-sale financial assets	204	–
Net realized and unrealized gains on financial assets through profit or loss	(932)	(19,420)
Net (gain)/loss on derivative financial instruments	(48)	16
Dividend income from listed investments	(842)	(548)
Write-down of inventories	1,051	2,333
Reversal of impairment losses on trade debtors	(188)	(566)
Impairment losses on trade debtors	11	677
Bad debts written off	481	337
Waive of amount due to a director	(684)	–
Interest income	(92)	(87)
Interest expenses	775	829
Exchange differences	(4,182)	(2,853)
<b>Operating cash inflows before movements in working capital</b>	<b>9,604</b>	1,500
Increase in inventories	(34,943)	(16,912)
Increase in gross amount due from customers for contract work	(889)	(501)
(Increase)/decrease in debtors, deposits and prepayments	(17,317)	3,848
Increase in creditors and accrued charges	9,582	6,581
Increase/(decrease) in gross amount due to customers for contract work	3,117	(446)
<b>Net cash used in operations</b>	<b>(30,846)</b>	(5,930)
Interest received	92	87
Interest paid on obligations under finance leases	(9)	(14)
Interest paid on bank borrowings	(766)	(815)
Tax (paid)/refunded:		
Hong Kong	(2,799)	1,367
Overseas	22	(86)
<b>NET CASH USED IN OPERATING ACTIVITIES</b>	<b>(34,306)</b>	(5,391)

# CONSOLIDATED STATEMENT OF CASH FLOWS

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For the year ended 31st March, 2011

	Note	2011 HK\$'000	2010 HK\$'000 (restated)
<b>INVESTING ACTIVITIES</b>			
Purchases of property, plant and equipment		<b>(8,775)</b>	(4,612)
Purchases of leasehold land and investment properties		–	(28)
Purchases of available-for-sale financial assets		<b>(1,599)</b>	(131)
Purchases of financial assets at fair value through profit or loss		<b>(7,538)</b>	(19,833)
Proceeds from disposal of property, plant and equipment		<b>2</b>	158
Payments for acquisition of additional equity interest in a subsidiary	40(a)	–	(967)
Disposal of a subsidiary (net of cash and cash equivalents disposed of)	40(b)	–	(116)
Advances to an associate		–	(1,009)
Dividend received from listed investments		<b>842</b>	548
Proceeds from disposal of available-for-sale financial assets		<b>942</b>	–
Proceeds from disposal of financial assets at fair value through profit or loss		<b>34,492</b>	16,588
Net settlement of derivative financial instruments		–	32
Decrease in pledged time deposits		<b>4,954</b>	4,089
Decrease/(increase) in short-term bank deposits with maturity over three months		<b>50</b>	(2,376)
Increase in deposit paid for acquisition of investment properties		<b>(2,688)</b>	–
		<hr/>	<hr/>
<b>NET CASH GENERATED FROM/(USED IN)</b>			
<b>INVESTING ACTIVITIES</b>		<b>20,682</b>	(7,657)
		<hr style="border-top: 1px dashed black;"/>	<hr style="border-top: 1px dashed black;"/>
<b>FINANCING ACTIVITIES</b>			
Proceeds from shares issued pursuant to scrip dividend scheme		<b>1,280</b>	–
Repayment of obligations under finance leases		<b>(55)</b>	(47)
Repayment of bank loans		<b>(1,930)</b>	(1,881)
Capital contribution from minority shareholders of a subsidiary		<b>400</b>	–
Distribution to minority shareholders of a subsidiary		–	(1,218)
Purchase of shares of the company under Share Award Plan		<b>(106)</b>	–
Dividend paid		<b>(4,789)</b>	(4,901)
		<hr/>	<hr/>
<b>NET CASH USED IN FINANCING ACTIVITIES</b>		<b>(5,200)</b>	(8,047)
		<hr style="border-top: 1px dashed black;"/>	<hr style="border-top: 1px dashed black;"/>

## CONSOLIDATED STATEMENT OF CASH FLOWS

For the year ended 31st March, 2011

	<b>2011</b> <b>HK\$'000</b>	2010 HK\$'000 (restated)
<b>NET DECREASE IN CASH AND CASH EQUIVALENTS</b>	<b>(18,824)</b>	(21,095)
<b>CASH AND CASH EQUIVALENTS AT BEGINNING OF YEAR</b>	<b>51,104</b>	71,745
Effect of foreign exchange rates changes	<b>333</b>	454
<b>CASH AND CASH EQUIVALENTS AT END OF YEAR</b>	<b>32,613</b>	51,104
<b>ANALYSIS OF BALANCES OF CASH AND CASH EQUIVALENTS</b>		
Time deposits with maturity within three months	<b>13,198</b>	15,914
Cash and bank balances	<b>20,170</b>	35,245
Bank overdraft	<b>(755)</b>	(55)
	<b>32,613</b>	51,104

## 1. GENERAL

The company is a public limited company incorporated in the Cayman Islands and its shares are listed on The Stock Exchange of Hong Kong Limited. (the "Stock Exchange").

The addresses of the registered office and principal place of business of the company are disclosed in the section headed "corporate information" to this annual report.

The principal activity of the company is that of investment holding. The principal activities of the subsidiaries are set out in note 47.

## 2. BASIS OF PREPARATION

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

## 3. ADOPTION OF NEW AND REVISED HONG KONG FINANCIAL REPORTING STANDARDS

The group had adopted the following new and revised Standards, Amendments and Interpretations ("new and revised HKFRSs") that are first effective for the current accounting period.

- HKAS 27 (Revised) Consolidated and Separate Financial Statements
- HKFRS 2 (Amendments) Group Cash-settled Share-based Payment Transactions
- HK Interpretation 5 Presentation of Financial Statements – Classification  
by the Borrower of a Term Loan that Contains a Repayment  
on Demand Clause
- Improvements to HKFRSs (2009)

Except as described below, the adoption of the new and revised HKFRSs has had no material effect on the consolidated financial statements of the group for the current or prior accounting periods. During the year, in addition to the above, the group adopted a number of standards, amendments and interpretations which had an insignificant effect on the consolidated financial statements of the group.

### 3. ADOPTION OF NEW AND REVISED HONG KONG FINANCIAL REPORTING STANDARDS (Cont'd)

#### **Amendment to HKAS 27 (Revised) – Consolidated and Separate Financial Statements**

As a result of the amendments to HKAS 27, as from 1st April, 2010 any losses incurred by a non-wholly owned subsidiary will be allocated between the controlling and non-controlling interests in proportion to their interests in that entity, even if this results in a deficit balance within consolidated equity being attributed to the non-controlling interests. Previously, if the allocation of losses to the non-controlling interests would have resulted in deficit balance, the losses were only allocated to the non-controlling interests if the non-controlling interests were under a binding obligation to make good the losses. In accordance with the transitional provisions in HKAS 27, this new accounting policy is being applied prospectively and therefore previous periods have not been restated.

The impact of the amendments to HKAS 27 (in respect of allocation of losses to non-controlling interests (previously known as minority interest) in excess of their equity interest) have had no material impact as there is no requirement to restate amounts recorded in previous periods.

#### **HKFRS 2 (Amendments) – Group Cash-settled Share-based Payment Transactions**

HKFRS 2 (Amendments) clarifies its scope and the accounting for group companies' cash-settled share-based payment transactions in the separate or individual financial statements of the entity receiving the goods or services when that entity has no obligation to settle the share-based payment transactions. The amendments have no material impact on the results and financial position of the group.

#### **Amendments to HKAS 17 Leases, as part of Improvements to HKFRSs issued in 2009**

The amendment introduced by the Improvements to HKFRSs (2009) omnibus standard in respect of HKAS 17, Leases, resulted in a change of classification of certain of the group's leasehold land interests located in Hong Kong Special Administrative Region, but this had no material impact on the amounts recognised in respect of these leases as the lease premiums in respect of all such leases are fully paid and are being amortised over the remaining length of the lease term.

In accordance with the transitional provisions set out in the amendments to HKAS 17, the group reassessed the classification of unexpired leasehold land as at 1st April, 2009 based on information that existed at the inception of the leases. Leasehold land that qualifies for finance lease classification has been reclassified from leasehold land to property, plant and equipment and investment properties retrospectively.

### 3. ADOPTION OF NEW AND REVISED HONG KONG FINANCIAL REPORTING STANDARDS (Cont'd)

The effect of the adoption of amendments to HKAS 17 is as follows:

	<b>As at 31.3.2010 HK\$'000</b>	As at 1.4.2009 HK\$'000
Increase in property, plant and equipment	<b>21,459</b>	22,715
Increase in investment properties	<b>28,784</b>	29,498
Decrease in leasehold land	<b>(50,243)</b>	(52,213)

The application of the amendments to HKAS 17 has had no impact on the reported profit or loss and earnings per share for the current and prior years.

#### **Hong Kong Interpretation 5, Presentation of Financial Statements – Classification by the Borrower of a Term Loan that Contains a Repayment on Demand Clause**

Hong Kong Interpretation 5 Presentation of Financial statements – Classification by the Borrower of a Term Loan that Contains a Repayment on Demand Clause (“HK (Int) 5”) clarifies that term loans that include a clause that gives the lender the unconditional right to call the loans at any time (“repayment on demand clause”) should be classified by the borrower as current liabilities. The group has applied HK (Int) 5 for the first time in the current year. Hong Kong Interpretation 5 requires retrospective application.

In order to comply with the requirements set out in HK (Int) 5, the group has changed its accounting policy on classification of term loans with a repayment on demand clause. In the past, the classification of such term loans were determined based on the agreed scheduled repayment dates set out in the loan agreements. Under HK (Int) 5, term loans with a repayment on demand clause are classified as current liabilities.

As a result, loans that contain a repayment on demand clause with the aggregate carrying amounts of HK\$33,636,000 and HK\$35,593,000 have been reclassified from non-current liabilities to current liabilities at 31st March, 2010 and 1st April, 2009 respectively. The application of HK (Int) 5 has had no impact on the reported profit or loss and earnings per share for the current and prior years.

### 3. ADOPTION OF NEW AND REVISED HONG KONG FINANCIAL REPORTING STANDARDS (Cont'd)

The effect of adoption of Hong Kong Interpretation 5 is as follows:

	<b>As at 31.3.2010 HK\$'000</b>	As at 1.4.2009 HK\$'000
<b>Current liabilities</b>		
Increase in bank borrowings	<b>33,636</b>	35,593
<b>Non-current liabilities</b>		
Decrease in bank borrowings	<b>(33,636)</b>	(35,593)

#### Summary of the effects of the above changes in accounting policies on the financial position

The effects of the above changes in accounting policies on the financial position of the group as at 1st April, 2009 and 31st March, 2010 are as follows:

	As at 1.4.2009 (originally stated) HK\$'000	Adjustments HK\$'000	As at 1.4.2009 (restated) HK\$'000
Property, plant and equipment	15,053	22,715	37,768
Investment properties	12,341	29,498	41,839
Leasehold land	79,584	(52,213)	27,371
Bank borrowings			
– current	1,857	35,593	37,450
– non-current	35,593	(35,593)	–
	<b>As at 31.3.2010 (originally stated) HK\$'000</b>	<b>Adjustments HK\$'000</b>	<b>As at 31.3.2010 (restated) HK\$'000</b>
Property, plant and equipment	15,825	21,459	37,284
Investment properties	12,016	28,784	40,800
Leasehold land	76,892	(50,243)	26,649
Bank borrowings			
– current	1,988	33,636	35,624
– non-current	33,636	(33,636)	–

#### 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.

Non-controlling 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. Non-controlling 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 non-controlling interests and the equity shareholders of the company.

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.

##### 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.

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

##### 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.

##### 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.

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

##### d) Property, plant and equipment (Cont'd)

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:

Leasehold land	Over the unexpired term of lease
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% – 33 $\frac{1}{3}$ % 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 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 estimated useful live as follows:

- Building situated on leasehold land are depreciated over the shorter of the unexpired term of lease or 40 years.
- Leasehold land classified as held under finance lease is depreciated over the unexpired term of lease.

#### 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 group 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.

#### 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.

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.

**4. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Cont'd)****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 can be estimated reliably, contract costs are recognized as an expense by reference to the stage of completion of the contract at the balance sheet date. When it is probable that total contract costs will exceed total contract revenue, its expected loss is recognized as an expense immediately. When the outcome of a construction contract cannot be estimated reliably, contract costs are recognised as an expense in the period in which they are incurred.

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

**j) Leases**

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

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

##### j) Leases (Cont'd)

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.

##### m) Revenue recognition

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

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

Contract revenue:

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

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

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.

**4. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Cont'd)****m) Revenue recognition (Cont'd)**

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.

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.

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

##### n) Employee benefits (Cont'd)

###### *Pension schemes and other retirement benefits (Cont'd)*

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 adjustments 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.

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.

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

##### p) Income tax expense (cont'd)

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).

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.

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

##### q) Impairment (cont'd)

###### 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.

#### 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 operating (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.

#### 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.

## 5. FINANCIAL RISK MANAGEMENT OBJECTIVES AND POLICIES

### 5A SUMMARY OF FINANCIAL ASSETS AND LIABILITIES BY CATEGORY

The categories of financial assets and financial liabilities included in the consolidated balance sheet and the headings in which they are included are as follows:

	2011 HK\$'000	The group	
		2010 HK\$'000 (restated)	2009 HK\$'000 (restated)
<b>Financial assets</b>			
Loan and receivables			
Debtors and deposits	37,929	31,672	37,791
Cash and bank balance	39,376	62,116	84,415
	<b>77,305</b>	93,788	122,206
Available-for-sale financial assets	<b>5,828</b>	4,908	3,150
Financial assets at fair value through profit or loss	<b>15,410</b>	41,432	29,648
<b>Financial liabilities</b>			
At amortised cost			
Creditors and accrued charges	31,103	23,428	17,210
Amounts due to a director	–	684	684
Bank borrowings	34,394	35,624	37,450
Obligation under finance lease			
– current liabilities	81	69	68
– non-current liabilities	101	168	216
	<b>65,679</b>	59,973	55,628
At fair value			
Derivative financial instruments	–	48	10,881

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

## 5A SUMMARY OF FINANCIAL ASSETS AND LIABILITIES BY CATEGORY (cont'd)

	The company	
	2011 HK\$'000	2010 HK\$'000
<b>Financial assets</b>		
Loan and receivables		
Amounts due from a subsidiary	<b>79,000</b>	74,000
Debtors and deposits	<b>5</b>	–
Cash and bank balances	<b>53</b>	52
	<b>79,058</b>	74,052
<b>Financial liabilities</b>		
At amortised cost		
Amount due to subsidiaries	<b>28,521</b>	23,608
Accrued charge	<b>42</b>	44
	<b>28,563</b>	23,652

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

### 5B FINANCIAL RISK MANAGEMENT

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 risk 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.

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

### 5B FINANCIAL RISK MANAGEMENT (cont'd)

#### 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.

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 and the company

	The group									
	2011					2010 (restated)				
	Total contractual amount		Within 1 year or on demand	More than 1 year but less than 2 years	More than 2 years but less than 5 years	Total contractual amount		Within 1 year or on demand	More than 1 year but less than 2 years	More than 2 years but less than 5 years
	HK\$'000	HK\$'000	HK\$'000	HK\$'000	HK\$'000	HK\$'000	HK\$'000	HK\$'000	HK\$'000	HK\$'000
Creditors and accrued charges	31,103	(31,103)	(31,103)	-	-	23,428	(23,428)	(23,428)	-	-
Gross amount due to customers from contact work	489	(489)	(489)	-	-	266	(266)	(266)	-	-
Derivative financial instruments	-	-	-	-	-	48	(48)	(48)	-	-
Amount due to a director	-	-	-	-	-	684	(684)	(684)	-	-
Obligations under finance leases	182	(193)	(89)	(100)	(4)	237	(257)	(80)	(81)	(96)
Bank borrowings	34,394	(35,133)	(35,133)	-	-	35,624	(36,380)	(36,380)	-	-
	<b>66,168</b>	<b>(66,918)</b>	<b>(66,814)</b>	<b>(100)</b>	<b>(4)</b>	<b>60,287</b>	<b>(61,063)</b>	<b>(60,886)</b>	<b>(81)</b>	<b>(96)</b>

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

### 5B FINANCIAL RISK MANAGEMENT (cont'd)

#### b) Liquidity risk (cont'd)

	The company							
	2011				2010			
	Total contractual		Within		Total contractual		Within	
	Carrying amount	undiscounted cash flow	1 year or on demand	More than 1 year	Carrying amount	undiscounted cash flow	1 year or on demand	More than 1 year
HK\$'000	HK\$'000	HK\$'000	HK\$'000	HK\$'000	HK\$'000	HK\$'000	HK\$'000	
Amount due to subsidiaries	28,521	28,521	-	28,521	23,608	23,608	-	23,608
Creditors and accrued charges	42	42	42	-	44	44	44	-
	<b>28,563</b>	<b>28,563</b>	<b>42</b>	<b>28,521</b>	<b>23,652</b>	<b>23,652</b>	<b>44</b>	<b>23,608</b>

#### 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.

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

### 5B FINANCIAL RISK MANAGEMENT (cont'd)

#### 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.

	The group					
	2011			2010		
	Increase/ (decrease) in foreign exchange rates	Effect on profit after tax and retained profits HK\$'000	Effect on other components of equity HK\$'000	Increase/ (decrease) in foreign exchange rates	Effect on profit after tax and retained profits HK\$'000	Effect on other components of equity HK\$'000
United States Dollars	0.5% (0.5%)	13 (13)	-	0.5% (0.5%)	88 (88)	4 (4)
Euros	-	-	-	5% (5%)	53 (53)	-
Japanese Yen	10% (10%)	22 (22)	-	10% (10%)	232 (232)	-
Renminbi	2% (2%)	373 (373)	-	2% (2%)	58 (58)	-
New Taiwan Dollars	-	-	-	5% (5%)	22 (22)	-
Swiss Franc	7% (7%)	9 (9)	-	7% (7%)	35 (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 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.

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

### 5B FINANCIAL RISK MANAGEMENT (cont'd)

d) *Foreign currency risk (cont'd)*

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 2010.

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 after tax and retained profits and other components of consolidated equity in response to reasonably possible changes of 15% (2010: 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.

	<b>The group</b>			
	<b>Increase/(decrease) in profit after tax and retained profits</b>		<b>Increase/(decrease) in investment revaluation reserve</b>	
	<b>15% increase</b>	<b>15% decrease</b>	<b>15% increase</b>	<b>15% decrease</b>
	HK\$'000	HK\$'000	HK\$'000	HK\$'000
At 31st March, 2011	1,930	(1,930)	596	(596)
At 31st March, 2010	5,189	(5,189)	566	(566)

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 2010.

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

### 5B FINANCIAL RISK MANAGEMENT (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.

31.3.2011	The group			Total HK\$'000
	Level 1 HK\$'000	Level 2 HK\$'000	Level 3 HK\$'000	
<b>Financial assets</b>				
Available-for-sale financial assets	3,972	163	–	4,135
Financial assets at fair value through profit or loss	15,410	–	–	15,410
	<u>          </u>	<u>          </u>	<u>          </u>	<u>          </u>
31.3.2010	The group			Total HK\$'000
	Level 1 HK\$'000	Level 2 HK\$'000	Level 3 HK\$'000	
<b>Financial assets/(liabilities)</b>				
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 years ended 31st March, 2011 and 31st March, 2010, there were no transfers between instruments in Level 1 and Level 2.

**5. FINANCIAL RISK MANAGEMENT OBJECTIVES AND POLICIES (Cont'd)****5B FINANCIAL RISK MANAGEMENT (cont'd)**f) *Fair values (cont'd)*

## 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, 2011 and 31st March, 2010.

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.

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.

## Unlisted debt securities, 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.

### Construction contracts

As explained in note 4(i), revenue and profit recognition on an uncompleted contract is dependent on estimating the total outcome of the construction contract, as well as the work done to date. Based on the group's recent experience and the nature of the construction activity undertaken by the group, the group makes estimates of the point at which it considers the work is sufficiently advanced such that the costs to complete and revenue can be reliably estimated. As a result, until this point is reached the gross amounts due from/(to) customers for contract work as disclosed in note 26 will not include profit which the group may eventually realize from the work done to date. In addition, actual outcomes in terms of total cost or revenue may be higher or lower than estimated at the balance sheet date, which would affect the revenue and profit recognised in future years as an adjustment to the amounts recorded to date.

## 7. TURNOVER/SEGMENTAL INFORMATION

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

### a) Segment results, assets and liabilities

The reportable segments for the year ended 31st March, 2011 are as follows:

	Sales of mobile phones 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
<b>REVENUES</b>					
Revenue from external					
customers	843,061	36,912	57,607	2,426	940,006
Inter-segment sales	485	1,861	7,079	–	9,425
	<u>          </u>	<u>          </u>	<u>          </u>	<u>          </u>	<u>          </u>
Reportable segment					
revenue	843,546	38,773	64,686	2,426	949,431
	<u>          </u>	<u>          </u>	<u>          </u>	<u>          </u>	<u>          </u>
Reportable segment					
profit/(loss)	4,522	654	(4,225)	(718)	233
	<u>          </u>	<u>          </u>	<u>          </u>	<u>          </u>	<u>          </u>
Interest income from bank					
deposits	71	–	21	–	92
Finance cost	–	–	(11)	(764)	(775)
Depreciation and					
amortisation for the year	(2,684)	(545)	(2,552)	(2,239)	(8,020)
Reportable segment assets	141,474	7,083	63,827	59,622	272,006
Additions to non-current					
assets during the year	8,095	462	218	–	8,775
Reportable segment					
liabilities	18,839	5,792	11,259	33,926	69,816
	<u>          </u>	<u>          </u>	<u>          </u>	<u>          </u>	<u>          </u>

**7. TURNOVER/SEGMENTAL INFORMATION (Cont'd)****a) Segment results, assets and liabilities (cont'd)**

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

	<b>Sales of mobile phones in Hong Kong HK\$'000</b>	<b>Sales of business solution in Hong Kong HK\$'000</b>	<b>Sales of business solution in mainland China and other countries in South East Asia HK\$'000</b>	<b>Property investment HK\$'000</b>	<b>Total HK\$'000</b>
<b>REVENUES</b>					
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>

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.

## 7. TURNOVER/SEGMENTAL INFORMATION (Cont'd)

## b) Geographic information

	Revenues from external customers		Non-current assets*	
	2011 HK\$'000	2010 HK\$'000	2011 HK\$'000	2010 HK\$'000 (restated)
Hong Kong (place of domicile)	882,399	836,464	75,932	70,181
Mainland China	18,398	12,600	30,132	30,702
Singapore	31,436	20,036	2,689	3,088
Other countries in South East Asia	7,773	1,494	10	18
	57,607	34,130	32,831	33,808
	940,006	870,594	108,763	103,989

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

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

	2011 HK\$'000	2010 HK\$'000
<b>REVENUES</b>		
Reportable segment revenue	949,431	872,504
Elimination of inter-segment revenue	(9,425)	(1,910)
Consolidated turnover	940,006	870,594
<b>PROFIT OR LOSS</b>		
Reportable segment profit/(loss)	233	(17,420)
Unallocated other income and gains	6,001	23,779
(Loss)/gain on disposal of property, plant and equipment	(20)	82
Other losses	(204)	(78)
Consolidated profit before taxation	6,010	6,363

**7. TURNOVER/SEGMENTAL INFORMATION (Cont'd)****c) Reconciliations of reportable segment revenues, profit or loss, assets and liabilities (cont'd)**

	<b>2011</b>	2010
	<b>HK\$'000</b>	HK\$'000
<b>ASSETS</b>		
Reportable segment assets	<b>272,006</b>	239,440
Non-current financial assets	<b>5,828</b>	4,908
Deferred tax assets	–	57
Unallocated corporate assets	<b>15,410</b>	41,432
	<hr/>	<hr/>
Consolidated total assets	<b>293,244</b>	285,837
	<hr/> <hr/>	<hr/> <hr/>
<b>LIABILITIES</b>		
Reportable segment liabilities	<b>69,816</b>	61,753
Deferred tax liabilities	<b>168</b>	117
Unallocated corporate liabilities	–	48
	<hr/>	<hr/>
Consolidated total liabilities	<b>69,984</b>	61,918
	<hr/> <hr/>	<hr/> <hr/>

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, 2011, revenue from a major customer contributed to the group's revenue of approximately HK\$308,638,000 (2010: HK\$181,702,000) was included in reportable segment "sales of mobile phones in Hong Kong" which individually accounted for more than 10% of the group's total revenue during the year.

**8. OTHER INCOME AND GAINS**

	<b>2011</b>	2010
	<b>HK\$'000</b>	HK\$'000
<b>OTHER INCOME</b>		
Bank interest income	92	87
Computer service fee income	154	126
Commission income	69	52
Rental income for application software provider	320	328
Bad debts recovered	957	425
Dividend income from listed equity securities	842	548
Waiver of amount due to a director	684	–
Others	280	1,245
	<b>3,398</b>	2,811
<b>OTHER GAINS</b>		
Reversal of impairment loss on trade debts	188	566
Net realized and unrealised gains and interest income on financial assets at fair value through profit or loss		
– listed equity and debt securities	932	19,420
Net gain on derivative financial instruments	48	–
Net exchange gains	4,179	3,811
	<b>5,347</b>	23,797
<b>TOTAL OTHER INCOME AND GAINS</b>		
	<b>8,745</b>	26,608
<b>OTHER LOSSES</b>		
Loss on disposal of available-for-sale financial assets – unlisted investment fund	204	–
Net losses on derivative financial instruments	–	16
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
	<b>204</b>	7,519

**9. FINANCE COSTS**

	<b>2011</b>	2010
	<b>HK\$'000</b>	HK\$'000
Interest on		
– Bank borrowings not wholly repayable within five years	<b>766</b>	815
– Interest on obligations under finance leases	<b>9</b>	14
	<b>775</b>	829

**10. PROFIT BEFORE TAXATION**

Profit before taxation has been arrived at after charging:

	<b>2011</b>	2010
	<b>HK\$'000</b>	HK\$'000 (restated)
Auditor's remuneration	<b>583</b>	495
Depreciation		
– Owned assets	<b>7,169</b>	6,176
– Leased assets	<b>96</b>	80
	<b>7,265</b>	6,256
Amortisation of prepaid operating lease payments	<b>755</b>	743
Operating lease rentals in respect of rented premises		
– Minimum lease payments	<b>10,831</b>	10,251
– Contingent rent	<b>632</b>	963
	<b>11,463</b>	11,214
Employee benefits expenses (including directors' remuneration)		
– Salaries, allowances and benefits in kind	<b>54,467</b>	54,285
– Retirement benefit scheme contributions	<b>4,460</b>	3,706
Total staff costs	<b>58,927</b>	57,991
Write-down of inventories – note 25	<b>1,051</b>	2,333
Impairment loss on trade debtors	<b>11</b>	677
Bad debts written off	<b>481</b>	337
Donations	<b>591</b>	295

**10. PROFIT BEFORE TAXATION (Cont'd)**

and after crediting:

	2011 HK\$'000	2010 HK\$'000
Gross rental income from investment properties under operating leases less outgoings	<u>2,426</u>	<u>3,469</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:

	2011				Total remuneration HK\$'000
	Fees HK\$'000	Salaries, allowances and benefits in kind HK\$'000	Discretionary bonuses HK\$'000	Retirement benefit scheme contributions HK\$'000	
<b>Executive directors:</b>					
Chan Chung Yee, Hubert	-	1,356	-	12	1,368
Chan Chung Yin, Roy	-	1,262	-	12	1,274
Chan Man Min	-	36	-	-	36
Chan Ming Him, Denny	-	151	-	8	159
Wu Kwok Lam	-	803	-	24	827
Tsui Hon Wing	-	366	142	6	514
Ip Man Hon	-	187	-	4	191
	<u>-</u>	<u>4,161</u>	<u>142</u>	<u>66</u>	<u>4,369</u>
<b>Non-executive director:</b>					
Ng Ching Wah	<u>35</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>35</u>
<b>Independent non-executive directors:</b>					
Chiu Ngar Wing	85	-	-	-	85
Chu Chor Lup	30	-	-	-	30
Leung Tai Wai, David	20	-	-	-	20
	<u>135</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>135</u>

**11. DIRECTORS' REMUNERATION (Cont'd)**

	2010				
	Fees HK\$'000	Salaries, allowances and benefits in kind HK\$'000	Discretionary bonuses HK\$'000	Retirement benefit scheme contributions HK\$'000	Total remuneration HK\$'000
<b>Executive directors:</b>					
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
	–	3,585	385	79	4,049
<b>Non-executive director:</b>					
Ng Ching Wah	60	–	–	–	60
<b>Independent non-executive directors:</b>					
Chiu Ngar Wing	85	–	–	–	85
Chu Chor Lup	25	–	–	–	25
Leung Tai Wai, David	20	–	–	–	20
	130	–	–	–	130

Notes:

There was no arrangement under which a director waived or agreed to waive any remuneration during the years ended 31st March, 2011 and 31st March, 2010.

## 12. EMPLOYEES' EMOLUMENTS

The five highest paid individuals of the group include three directors (2010: 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:

	2011 HK\$'000	2010 HK\$'000
Salaries and allowances	1,295	720
Retirement benefit schemes contributions	48	12
	<b>1,343</b>	<b>732</b>

His emoluments were within the following band:

	2011 Number of employees	2010 Number of employees
Nil to HK\$1,000,000	2	1

## 13. TAX EXPENSE

- a) Hong Kong profits tax has been provided at the rate of 16.5% (2010: 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.

	2011 HK\$'000	2010 HK\$'000
Hong Kong		
Charge for the year	2,305	800
Underprovision in respect of prior years	3	11
Deferred tax		
Charge for the year	108	2,460
Tax expense for the year	<b>2,416</b>	<b>3,271</b>

**13. TAX EXPENSE (Cont'd)**

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

	<b>2011</b>	2010
	<b>HK\$'000</b>	HK\$'000
Profit before taxation	<b>6,010</b>	6,363
Tax at the income tax rate of 16.5% (2010: 16.5%)	<b>992</b>	1,050
Tax effect of income not taxable	<b>(776)</b>	(698)
Tax effect of expenses that are not deductible in determining taxable income	<b>680</b>	1,827
Tax effect of unrecognised tax losses	<b>2,493</b>	1,613
Tax effect of different tax rates in other jurisdiction	<b>(319)</b>	(411)
Tax effect of utilisation of tax losses previously unrecognised	<b>(671)</b>	(172)
Underprovision of profits tax in respect of prior year	<b>3</b>	11
Others	<b>14</b>	51
Tax expense for the year	<b>2,416</b>	3,271

**14. PROFIT ATTRIBUTABLE TO EQUITY HOLDERS OF THE COMPANY**

The consolidated profit attributable to equity holders of the company includes a profit of HK\$3,710,000 (2010: HK\$4,297,700) which has been dealt with in the financial statements of the company.

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

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

	<b>2011</b>	2010
	<b>HK\$'000</b>	HK\$'000
Profit attributable to equity holders of the company	<b>3,990</b>	3,165

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

	Number of shares	Number of shares
<b>Basic</b>		
Weighted average number of ordinary shares in issue less shares held for Share Award Plan for the purposes of calculating basic earnings per share	<b>490,621,831</b>	488,377,057
<b>Diluted</b>		
Weighted average number of ordinary shares in issue less shares held for Share Award Plan	<b>490,621,831</b>	488,377,057
Effect of dilutive potential ordinary shares:		
Awarded shares	<b>2,136,000</b>	1,736,000
Weighted average number of ordinary shares for the purpose of calculating diluted earnings per share	<b>492,757,831</b>	490,113,057

### 16. DIVIDEND

	2011 HK\$'000	2010 HK\$'000
Final dividend for the year 2010 of HK\$0.01 per ordinary share (2010: final dividend for the year 2009 of HK\$0.01 per ordinary share)	<b>4,901</b>	4,901
Less: Dividends for shares held by Share Award Plan	<b>(112)</b>	–
	<b>4,789</b>	4,901

Final dividend of HK\$0.01 (2010: HK\$0.01) per ordinary share for the year ended 31st March, 2011 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.

## 17. PROPERTY, PLANT AND EQUIPMENT

	Leasehold land and buildings HK\$'000 (restated)	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, 2009	7,049	1,505	10,391	14,026	2,384	1,270	36,625
Effect of adoption of HKAS 17	22,730	-	-	-	-	-	22,730
As restated	29,779	1,505	10,391	14,026	2,384	1,270	59,355
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 (as restated)	30,954	1,451	12,079	15,427	2,800	1,270	63,981
Accumulated depreciation							
At 1st April, 2009	(871)	(891)	(8,696)	(7,520)	(2,378)	(1,216)	(21,572)
Effect of adoption of HKAS 27	(15)	-	-	-	-	-	(15)
As restated	(886)	(891)	(8,696)	(7,520)	(2,378)	(1,216)	(21,587)
Currency realignment	(72)	(6)	52	(71)	(1)	-	(98)
Charge for the year	(1,445)	(197)	(1,167)	(2,287)	(44)	(49)	(5,189)
Written back on disposal	-	128	10	-	-	-	138
Disposal of subsidiary	-	-	19	20	-	-	39
At 31st March, 2010 (as restated)	(2,403)	(966)	(9,782)	(9,858)	(2,423)	(1,265)	(26,697)
Net book value:							
At 31st March, 2010 (as restated)	28,551	485	2,297	5,569	377	5	37,284
Net book value: At 1st April, 2009 (as restated)	28,893	614	1,695	6,506	6	54	37,768

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

	Leasehold land and buildings HK\$'000 (restated)	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, 2010 (as restated)	30,954	1,451	12,079	15,427	2,800	1,270	63,981
Currency realignment	479	50	292	302	-	-	1,123
Additions	-	532	1,076	7,124	43	-	8,775
Disposals	-	-	(446)	(911)	-	-	(1,357)
Transfer to investment properties	(22,918)	-	-	-	-	-	(22,918)
At 31st March, 2011	8,515	2,033	13,001	21,942	2,843	1,270	49,604
Accumulated depreciation							
At 1st April, 2010 (as restated)	(2,403)	(966)	(9,782)	(9,858)	(2,423)	(1,265)	(26,697)
Currency realignment	(86)	(22)	(199)	(170)	-	-	(477)
Charge for the year	(1,055)	(232)	(1,307)	(3,088)	(88)	(4)	(5,774)
Written back on disposal	-	-	445	890	-	-	1,335
Transfer to investment properties	2,119	-	-	-	-	-	2,119
At 31st March, 2011	(1,425)	(1,220)	(10,843)	(12,226)	(2,511)	(1,269)	(29,494)
Net book value At 31st March, 2011	7,090	813	2,158	9,716	332	1	20,110

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

Note:

- i) The group's leasehold land and buildings comprise:

	<b>31.3.2011</b>	31.3.2010	1.4.2009
	<b>HK\$'000</b>	HK\$'000	HK\$'000
		(restated)	(restated)
Land and buildings held under long lease			
– Hong Kong	<b>632</b>	22,295	23,506
– Overseas	<b>968</b>	790	689
	<b>1,600</b>	23,085	24,195
Property held under medium-term lease			
– Mainland China	<b>5,490</b>	5,466	4,698
	<b>7,090</b>	28,551	28,893

- ii) At 31st March, 2011, the group had pledged its leasehold land and buildings with aggregate net book value of HK\$ Nil (at 31.3.2010: HK\$22,296,000; at 1.4.2009: HK\$23,506,000) to secure the group's general banking facilities.
- iii) At 31st March, 2011, the aggregate net book value of motor vehicles held under finance lease was HK\$189,000 (at 31.3.2010: HK\$255,000; at 1.4.2009: HK\$312,000).

**18. INVESTMENT PROPERTIES**

	<b>The group</b> HK\$'000
<hr/>	
<b>Cost</b>	
At 1st April, 2009	13,952
Effect of adoption of HKAS 17	29,917
	<hr/>
As restated	43,869
Additions	28
	<hr/>
At 31st March, 2010 (as restated)	43,897
Transfer from property, plant and equipment	22,918
	<hr/>
At 31st March, 2011	66,815
	<hr style="border-top: 1px dashed black;"/>
<b>Accumulated depreciation</b>	
At 1st April, 2009	1,611
Effect of adoption of HKAS 17	419
	<hr/>
As restated	2,030
Charge for the year	1,067
	<hr/>
At 31st March, 2010 (as restated)	3,097
Transfer from property, plant and equipment	2,119
Charge for the year	1,491
	<hr/>
At 31st March, 2011	6,707
	<hr style="border-top: 1px dashed black;"/>
<b>Net book value</b>	
At 31st March, 2011	60,108
	<hr style="border-top: 3px double black;"/>
At 31st March, 2010 (as restated)	40,800
	<hr style="border-top: 3px double black;"/>
At 1st April, 2009 (as restated)	41,839
	<hr style="border-top: 3px double black;"/>
<b>Fair value</b>	
At 31st March, 2011	141,020
	<hr style="border-top: 3px double black;"/>
At 31st March, 2010 (as restated)	64,240
	<hr style="border-top: 3px double black;"/>
At 1st April, 2009 (as restated)	49,734
	<hr style="border-top: 3px double black;"/>

**18. INVESTMENT PROPERTIES (Cont'd)**

The fair values of the group's investment properties at 31st March, 2011 and 31st March, 2010 have been arrived at by reference to the market value and the basis of 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:

	<b>31.3.2011</b>	<b>The group</b>	
		31.3.2010	1.4.2009
	<b>HK\$'000</b>	HK\$'000	HK\$'000
		(restated)	(restated)
Properties in Hong Kong			
– Long lease	<b>18,252</b>	18,501	18,748
– Medium-term lease	<b>41,182</b>	21,605	22,377
	<b>59,434</b>	40,106	41,125
Property in mainland China			
– Medium-term lease	<b>674</b>	694	714
	<b>60,108</b>	40,800	41,839

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\$52,229,000 (at 31.3.2010: HK\$39,533,000; at 1.4.2009: HK\$40,355,000) to secure the group's general banking facilities.

**19. LEASEHOLD LAND**

	<b>The group</b> HK\$'000
<hr/>	
<b>Cost</b>	
At 1st April, 2009	80,781
Effect of adoption of HKAS 17	(52,648)
	<hr/>
As restated	28,133
Currency realignment	30
	<hr/>
At 31st March, 2010 (as restated)	28,163
Currency realignment	881
	<hr/>
At 31st March, 2011	29,044
	<hr style="border-top: 1px dashed black;"/>
<b>Amortiation</b>	
At 1st April, 2009	1,197
Effect of adoption of HKAS 17	(435)
	<hr/>
As restated	762
Currency realignment	9
Charge for the year	743
	<hr/>
At 31st March, 2010 (as restated)	1,514
Currency realignment	151
Charge for the year	755
	<hr/>
At 31st March, 2011	2,420
	<hr style="border-top: 1px dashed black;"/>
<b>Net book value</b>	
At 31st March, 2011	26,624
	<hr style="border-top: 3px double black;"/>
At 31st March, 2010 (as restated)	26,649
	<hr style="border-top: 3px double black;"/>
At 1st April, 2009 (as restated)	27,371
	<hr style="border-top: 3px double black;"/>

**19. LEASEHOLD LAND (Cont'd)**

	<b>31.3.2011</b>	<b>The group</b>	
	<b>HK\$'000</b>	31.3.2010	1.4.2009
		HK\$'000	HK\$'000
		(restated)	(restated)
Leasehold land in mainland China			
Long lease	<b>2,023</b>	1,986	2,018
Medium-term lease	<b>24,228</b>	24,326	25,030
Leasehold land in overseas			
Long lease	<b>373</b>	337	323
	<u><b>26,624</b></u>	<u>26,649</u>	<u>27,371</u>

The interests in leasehold land represent prepaid operating lease payments.

	<b>31.3.2011</b>	<b>The group</b>	
	<b>HK\$'000</b>	31.3.2010	1.4.2009
		HK\$'000	HK\$'000
		(restated)	(restated)
Analysed for reporting purposes as			
Non-current portion	<b>25,857</b>	25,905	26,627
Current portion included in debtors, deposits and prepayments	<b>767</b>	744	744
	<u><b>26,624</b></u>	<u>26,649</u>	<u>27,371</u>

**20. GOODWILL**

	<b>The group</b>	
	<b>2011</b>	2010
	<b>HK\$'000</b>	HK\$'000
<hr/>		
Cost and carrying amount		
At 1st April	-	6,314
Arising on acquisition of subsidiaries	-	118
	<hr/>	<hr/>
At 31st March	-	6,432
	-----	-----
Accumulated impairment losses		
At 1st April	-	-
Impairment loss recognised during the year	-	(6,432)
	<hr/>	<hr/>
At 31st March	-	(6,432)
	-----	-----
Carrying amount at 31st March	-	-
	<hr/> <hr/>	<hr/> <hr/>

**21. INTERESTS IN SUBSIDIARIES**

	<b>The company</b>	
	<b>2011</b>	2010
	<b>HK\$'000</b>	HK\$'000
Unlisted shares, at cost	<b>163,654</b>	163,654
Capital contribution in respect of employee share-based compensation	<b>2,004</b>	2,004
Amount due from a subsidiary	<b>79,000</b>	74,000
	<b>244,658</b>	239,658
Amounts due to subsidiaries	<b>(28,521)</b>	(23,608)
	<b>216,137</b>	216,050

The amounts due from/(to) subsidiaries are non-interest bearing, unsecured and classified as non-current as they are not expected to be recovered/settled within the next twelve months.

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, 2011 are set out in note 47.

**22. INTEREST IN AN ASSOCIATE**

	<b>The group</b>	
	<b>2011</b>	2010
	<b>HK\$'000</b>	HK\$'000
Share of net assets	-	-
Amount due from an associate	-	2,963
	-	2,963
Impairment losses	-	(2,963)
	-	-

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.

**22. INTEREST IN AN ASSOCIATE (Cont'd)**

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

<b>Name of associate</b>	<b>Place of incorporation and operation</b>	<b>Issued and fully paid ordinary share capital</b>	<b>Percentage of effective interest attributable to the group</b>	<b>Principal activity</b>
Singcomm Technology Pte. Ltd.	Singapore	S\$2	50%	Deregistered on 6th April, 2011

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

	<b>The group</b>	
	<b>2011</b>	2010
	<b>HK\$'000</b>	HK\$'000
Assets	-	618
Liabilities	-	(2,977)
Revenue	-	493
Loss for the year	-	(500)
	<b>=====</b>	<b>=====</b>

**23. AVAILABLE-FOR-SALE FINANCIAL ASSETS**

	<b>The group</b>	
	<b>2011</b>	2010
	<b>HK\$'000</b>	HK\$'000
Financial assets stated at fair value		
Equity securities listed in Hong Kong	<b>3,972</b>	3,777
Unlisted investment fund	–	796
Unlisted debt securities	<b>163</b>	–
	<b>4,135</b>	4,573
Financial assets stated at cost		
Unlisted debt securities	<b>335</b>	335
Unlisted equity securities	<b>1,358</b>	–
	<b>5,828</b>	4,908
Representing:		
Equity securities		
Corporate entities	<b>5,330</b>	3,777
Unlisted investment fund		
Bank	–	796
Unlisted debt securities		
Club debenture	<b>335</b>	335
Unlisted debt securities		
Bank	<b>163</b>	–

**23. AVAILABLE-FOR-SALE FINANCIAL ASSETS (Cont'd)**

The club debenture and unlisted equities securities are accounted for at cost less accumulated impairment losses as such investments do 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:

	<b>The group</b>	
	<b>2011</b>	2010
	<b>'000</b>	<b>'000</b>
United States Dollars	<b>USD –</b>	USD 103
Chinese Renminbi	<b>RMB 140</b>	RMB –

**24. FINANCIAL ASSETS AT FAIR VALUE THROUGH PROFIT OR LOSS**

	<b>The group</b>	
	<b>2011</b>	2010
	<b>HK\$'000</b>	<b>HK\$'000</b>
Analysis of financial assets at fair value through profit or loss:		
Held for trading		
– Equity securities listed in Hong Kong	<b>11,899</b>	32,102
– Equity securities listed elsewhere	<b>–</b>	5,871
– Debt securities listed in Hong Kong	<b>3,511</b>	3,459
	<b>15,410</b>	41,432

**24. FINANCIAL ASSETS AT FAIR VALUE THROUGH PROFIT OR LOSS (Cont'd)**

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:

	<b>The group</b>	
	<b>2011</b>	2010
	<b>'000</b>	'000
United States Dollars	<b>USD –</b>	USD 329
Japanese Yen	<b>JPY –</b>	JPY 16,454
Euro	<b>EUR –</b>	EUR 129
Chinese Renminbi	<b>RMB 2,951</b>	RMB 3,043
Swiss Franc	<b>CHF –</b>	CHF 83
	<b>—————</b>	<b>—————</b>

**25. INVENTORIES**

	<b>The group</b>	
	<b>2011</b>	2010
	<b>HK\$'000</b>	HK\$'000
Raw materials	<b>2,818</b>	1,145
Work in progress	<b>1,044</b>	–
Office telephone system, mobile phones and other electronic products and accessories	<b>68,361</b>	36,672
	<b>—————</b>	<b>—————</b>
	<b>72,223</b>	37,817
	<b>—————</b>	<b>—————</b>

The inventories stated at net realisable value amounted to HK\$3,710,000 (2010: HK\$5,762,000).

The cost of inventories recognised in profit or loss during the year amounted to HK\$832,161,000 (2010: HK\$781,302,000).

**25. INVENTORIES (Cont'd)**

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

	The group	
	2011 HK\$'000	2010 HK\$'000
Carrying amount of inventories sold	831,110	778,969
Write-down of inventories	1,051	2,333
	<b>832,161</b>	781,302

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

	The group	
	2011 HK\$'000	2010 HK\$'000
Contract costs incurred	15,633	19,331
Recognised profits	3,450	2,653
	<b>19,083</b>	21,984
Progress billings	<b>(13,866)</b>	(20,409)
Due from customers	<b>5,217</b>	1,575
Classified as:		
Gross amount due from customers	<b>5,706</b>	1,841
Gross amount due to customers	<b>(489)</b>	(266)

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

In respect of construction contracts in progress at the balance sheet date, the amount of retentions receivable from customers, recorded within "Trade debtors" as at 31st March, 2011 was HK\$2,931,000 (2010: HK\$ Nil).

**27. DEBTORS, DEPOSITS AND PREPAYMENTS**

	The group		The company	
	2011 HK\$'000	2010 HK\$'000 (restated)	2011 HK\$'000	2010 HK\$'000
Trade debtors	<b>34,882</b>	23,838	–	–
Less: allowance for doubtful debts	<b>(2,937)</b>	(2,970)	–	–
	<b>31,945</b>	20,868	–	–
Deposits, other debtors and prepayments	<b>13,873</b>	12,725	<b>5</b>	–
	<b>45,818</b>	33,593	<b>5</b>	–

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

	The group	
	2011 '000	2010 '000
New Taiwan Dollars	<b>NTD –</b>	NTD 2,544

**a) Ageing analysis**

The ageing analysis of trade debtors of HK\$31,945,000 (2010: HK\$20,868,000) which are included in the debtors, deposits and prepayments are as follows:

	The group	
	2011 HK\$'000	2010 HK\$'000
0-30 days	<b>20,095</b>	8,241
31-60 days	<b>3,765</b>	2,533
61-90 days	<b>853</b>	2,314
91-120 days	<b>1,122</b>	429
121-360 days	<b>2,906</b>	4,238
Over 360 days	<b>3,204</b>	3,113
	<b>31,945</b>	20,868

**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:

	<b>The group</b>	
	<b>2011</b>	2010
	<b>HK\$'000</b>	HK\$'000
Neither overdue nor impaired	<b>22,193</b>	8,183
Less than 1 month overdue	<b>3,950</b>	2,590
1 to 3 months overdue	<b>1,560</b>	2,863
More than 3 months overdue	<b>4,242</b>	7,232
	<b>9,752</b>	12,685
	<b>31,945</b>	20,868

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.

**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:

	<b>The group</b>	
	<b>2011</b>	2010
	<b>HK\$'000</b>	HK\$'000
At 1st April	<b>2,970</b>	2,670
Reversal of impairment losses	<b>(188)</b>	(566)
Impairment losses recognised	<b>11</b>	677
Currency realignment	<b>144</b>	189
At 31st March	<b>2,937</b>	2,970

At 31st March, 2011, the group's trade debtors of HK\$2,937,000 (2010: HK\$2,970,000) 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\$2,937,000 (2010: HK\$2,970,000) 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\$5,704,000 (2010: HK\$3,823,000). 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.

**28. DERIVATIVE FINANCIAL INSTRUMENTS**

	<b>The group</b>	
	<b>2011</b>	2010
	<b>HK\$'000</b>	HK\$'000
Equity-linked contracts	–	48

The carrying amounts of equity-linked contracts are the same as their fair values as at 31st March, 2010.

**29. CASH AND BANK BALANCES**

	<b>The group</b>		<b>The company</b>	
	<b>2011</b>	2010	<b>2011</b>	2010
	<b>HK\$'000</b>	HK\$'000	<b>HK\$'000</b>	HK\$'000
Pledged time deposits	<b>3,682</b>	8,581	–	–
Time deposits with a bank				
with maturity over 3 months	<b>2,326</b>	2,376	–	–
Time deposits with banks				
with maturity within 3 months	<b>13,198</b>	15,914	–	–
Cash and bank balances	<b>20,170</b>	35,245	<b>53</b>	52
	<b>39,376</b>	62,116	<b>53</b>	52

The effective interest rates on all of the time deposits with banks ranged from 0.01% to 2.08% (2010: 0.01% to 0.75%) per annum at 31st March, 2011.

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

Included in the amount of HK\$39,376,000 (2010: HK\$62,116,000) are the following amounts denominated in a currency other than the functional currency of the entity to which they relate:

	<b>The group</b>	
	<b>2011</b>	2010
	<b>\$'000</b>	\$'000
United States Dollars	<b>USD 488</b>	USD 2,379
Japanese Yen	<b>JPY 2,794</b>	JPY 15,388
Chinese Renminbi	<b>RMB 15,881</b>	RMB –

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\$25,551,000 (2010: HK\$15,319,000) which is included in the group's creditors and accrued charges is as follows:

	<b>The group</b>	
	<b>2011</b>	2010
	<b>HK\$'000</b>	HK\$'000
0 – 30 days	<b>19,515</b>	13,819
31 – 60 days	<b>2,946</b>	185
61 – 90 days	<b>461</b>	262
Over 90 days	<b>2,629</b>	1,053
	<b>25,551</b>	15,319

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

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

	<b>The group</b>	
	<b>2011</b>	2010
	<b>\$'000</b>	\$'000
United States Dollars	<b>USD 61</b>	USD 1
Euro	<b>EUR –</b>	EUR 8
New Taiwan Dollars	<b>NTD –</b>	NTD 384
Chinese Renminbi	<b>RMB 14</b>	RMB –

**31. AMOUNT DUE TO A DIRECTOR**

The balance had been waived by the director during the year ended 31st March, 2011.

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 as at 31st March, 2010.

**32. OBLIGATIONS UNDER FINANCE LEASES**

	The group			
	Minimum lease payments		Present value of minimum lease payments	
	2011 HK\$'000	2010 HK\$'000	2011 HK\$'000	2010 HK\$'000
Amounts payable under finance leases				
Within one year	<b>89</b>	80	<b>81</b>	69
In the second year	<b>100</b>	156	<b>97</b>	147
In the third to fifth years	<b>4</b>	21	<b>4</b>	21
	<b>193</b>	257	<b>182</b>	237
Less: future finance charges	<b>(11)</b>	(20)		
Present value of finance leases	<b>182</b>	237		
Less: amount due for settlement within one year shown under current liabilities			<b>(81)</b>	(69)
Amount due for settlement after one year			<b>101</b>	168

The effective interest rate on obligations under finance leases was 7.5% (2010: 7.5%) per annum at 31st March, 2011.

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

**33. BANK BORROWINGS**

	<b>31.3.2011</b>	<b>The group</b>	
		31.3.2010	1.4.2009
	<b>HK\$'000</b>	HK\$'000	HK\$'000
		(restated)	(restated)
Bank borrowings comprise:			
Bank overdraft (unsecured)	<b>755</b>	55	–
Bank loans (secured)	<b>33,639</b>	35,569	37,450
	<b>34,394</b>	35,624	37,450

The effective interest rates of bank borrowings were 1.95% – 2.35% (2010: 1.95% – 2.35%) per annum at 31st March, 2011.

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

All of the term loans from banks contain a repayment on demand clause. The maturity of these loans at stipulated in the respect loan agreements is as follows:

	<b>31.3.2011</b>	<b>The group</b>	
		31.3.2010	1.4.2009
	<b>HK\$'000</b>	HK\$'000	HK\$'000
		(restated)	(restated)
Due within one year	<b>1,971</b>	1,933	1,857
Due more than one year, but not exceeding two years	<b>2,014</b>	1,975	1,857
Due more than two years, but not exceeding five years	<b>6,317</b>	6,190	6,042
Due more than five years	<b>23,337</b>	25,471	27,694
	<b>33,639</b>	35,569	37,450

**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:

	<b>The group</b>		
	<b>Deductible temporary differences</b>	<b>Tax losses</b>	<b>Total</b>
	HK\$'000	HK\$'000	HK\$'000
At 1st April, 2009	31	2,483	2,514
Credited/(charged) to profit or loss	26	(2,483)	(2,457)
At 31st March, 2010 and 1st April, 2010	57	–	57
Charged to profit or loss	(57)	–	(57)
At 31st March, 2011	–	–	–

Deferred tax liabilities:

	<b>The group Accelerated tax depreciation</b>
	HK\$'000
At 1st April, 2009	106
Charged to profit or loss	3
Currency realignment	8
At 31st March, 2010 and 1st April, 2010	117
Charged to profit or loss	51
At 31st March, 2011	168

**34. DEFERRED TAX (Cont'd)**

At the balance sheet date, the group has unused tax losses of HK\$74,715,000 (2010: HK\$56,640,000) available to offset against future profits. No deferred tax asset has been recognised in respect of such tax losses (2010: HK\$ Nil) 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\$18,390,000 (2010: HK\$14,050,000) 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\$7,858,000 (2010: HK\$7,073,000) 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	
	2011	2010	2011 HK\$'000	2010 HK\$'000
Ordinary shares of HK\$0.01 each				
Authorised:				
At beginning of the year and at end of the year	<b>2,000,000,000</b>	2,000,000,000	<b>20,000</b>	20,000
Issued and fully paid:				
At beginning of the year	<b>490,113,057</b>	490,113,057	<b>4,901</b>	4,901
Issued pursuant to scrip dividend scheme for 2010 final dividend	<b>5,001,774</b>	–	<b>50</b>	–
At end of the year	<b>495,114,831</b>	490,113,057	<b>4,951</b>	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.

### 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.

**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, 2011 and 31st March, 2010 and no share option was outstanding at 31st March, 2011 and 31st March, 2010.

### 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.

No year end bonus for the directors of the company and employees of the group for the year ended 31st March, 2011 and 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 page 27.

#### The company

	Share premium HK\$'000	Shares held for share award plan HK\$'000	Shares award reserve HK\$'000	Special reserve HK\$'000	Retained profits HK\$'000	Total HK\$'000
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
At 1st April, 2010	41,404	(496)	660	163,453	6,136	211,157
Shares purchased for Share Award Plan	–	(106)	–	–	–	(106)
Shares issued pursuant to scrip dividend scheme	1,230	–	–	–	–	1,230
Profit and total comprehensive income for the year	–	–	–	–	3,710	3,710
Dividend paid	–	–	–	–	(4,789)	(4,789)
At 31st March, 2011	42,634	(602)	660	163,453	5,057	211,202

### 38. RESERVES (Cont'd)

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, 2011 amounted to HK\$211,804,000 (2010: HK\$211,653,000).

### 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, 2011 was HK\$223,256,000 (2010: HK\$223,919,000).

**40. NOTE TO THE CONSOLIDATED STATEMENT OF CASH FLOWS****a) 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% non-controlling interests in Wavex, the non-controlling interests decreased by HK\$849,000.

**b) Disposal of a subsidiary**

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:

	<b>2011</b>	2010
	<b>HK\$'000</b>	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)
Non-controlling 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/>	<hr/> <hr/>
Net outflow of cash and cash equivalents in respect of the disposal of a subsidiary	-	(116)
	<hr/> <hr/>	<hr/> <hr/>

#### 41. PLEDGE OF ASSETS

As at 31st March, 2011, 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\$52,229,000 (2010: HK\$61,829,000), (2) bank deposits of HK\$3,122,000 (2010: HK\$8,581,000) and (3) financial assets at fair value through profit or loss of HK\$8,174,000 (2010: HK\$22,819,000).

#### 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	
	2011 HK\$'000	2010 HK\$'000
Within one year	9,938	5,477
In the second to fifth years, inclusive	10,872	4,961
	<b>20,810</b>	10,438

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 (2010: one to four 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.

**42. OPERATING LEASE ARRANGEMENTS (Cont'd)****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:

	<b>The group</b>	
	<b>2011</b>	2010
	<b>HK\$'000</b>	HK\$'000
Within one year	<b>832</b>	1,177
In the second to fifth years, inclusive	<b>97</b>	396
	<b>929</b>	1,573

The properties held have committed tenants in terms of two years (2010: two years).

c) The company had no operating lease commitments as at 31st March, 2011 and 31st March, 2010.

**43. CAPITAL COMMITMENTS**

Contracted but not provided for at the balance sheet date:

	<b>The group</b>	
	<b>2011</b>	2010
	<b>HK\$'000</b>	HK\$'000
Acquisition of property, plant and equipment	–	1,301
Acquisition of investment properties	<b>10,751</b>	–
	<b>10,751</b>	1,301

**44. CONTINGENT LIABILITIES**

	The group		The company	
	2011 HK\$'000	2010 HK\$'000	2011 HK\$'000	2010 HK\$'000
Guarantees for general banking facilities granted to subsidiaries	–	–	101,595	93,866
Counter-indemnity given to a bank in respect of guarantee given to a supplier of the subsidiary	1,500	1,400	–	–
	<b>1,500</b>	1,400	<b>101,595</b>	93,866

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 (2010: HK\$Nil).

**45. RELATED PARTY TRANSACTIONS**

- a) Key management personnel compensation

	2011 HK\$'000	2010 HK\$'000
Salaries and other short-term employee benefits	6,244	6,835
Post-employment benefits	166	194
	<b>6,410</b>	7,029

- b) An amount of HK\$684,000 due to a director had been waived by the director Mr. Chan Chung Yee, Hubert during the year ended 31st March, 2011. Details are mentioned in note 31 to the financial statements.
- c) Included in bad debts recovered is an amount of HK\$450,000 (2010: HK\$ Nil) recovered from a related company, namely Hong Kong Communication Holdings Limited in which, Mr. Chan Chung Yee, Hubert has equity interest.

#### 46. POSSIBLE IMPACT OF AMENDMENTS, NEW STANDARDS AND INTERPRETATIONS ISSUED BUT NOT YET EFFECTIVE FOR THE YEAR ENDED 31ST MARCH, 2011

Up to the date of issue of these financial statements, the HKICPA has issued a number of amendments and interpretations and one new standard which are not yet effective for the year ended 31st March, 2011 and which have not been adopted in these financial statements. These include the following which may be relevant to the group:

	<b>Effective for accounting periods beginning on or after</b>
Revised HKAS 24, <i>Related party disclosures</i>	1st January, 2011
HKFRS 9, <i>Financial Instruments</i>	1st January, 2013
Improvements to HKFRSs 2010	1st July, 2010 or 1st January, 2011
Amendments to HKAS 12, <i>Income taxes</i>	1st January, 2012

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

#### 47. SUBSIDIARIES

Particulars of the principal subsidiaries at 31st March, 2011 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
				2011	2010	
HKC Group Limited	British Virgin Islands	Hong Kong	Ordinary shares US\$100,000	100%	100%	Investment holding
HKC Properties Limited	British Virgin Islands	Hong Kong	Ordinary shares US\$30	100%	100%	Investment holding
Superior Charm Limited	British Virgin Islands	Hong Kong	Ordinary shares US\$1,200	100%	100%	Investment holding

## 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
				2011	2010	
Hong Kong Communications Company Limited	Hong Kong	Hong Kong	Ordinary shares HK\$10,560	100%	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%	100%	Sales of mobile phones and other electronic products
Generalvestor (H.K.) Limited	Hong Kong	Hong Kong	Ordinary shares HK\$10,000,000	100%	100%	Property investment
HKC Technology Limited	Hong Kong	Hong Kong	Ordinary shares HK\$6,000,100	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%	100%	Sales and distribution of business solutions
Singapore Communications Equipment Co. Pte Ltd.	Singapore	Singapore	Ordinary shares S\$160,000	100%	100%	Sales and distribution of business solutions
HKC International (M) Sdn Bhd	Malaysia	Malaysia	Ordinary shares RM250,000	100%	100%	Dormant
Circle Mobile Communications (M) Sdn Bhd	Malaysia	Malaysia	Ordinary shares RM500,000	100%	100%	Dormant

## 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
				2011	2010	
HKC Technology (Shanghai) Co. Ltd. (note 1)	PRC	PRC	Contributed capital US\$5,850,000	100%	100%	Sales and distribution of business solutions
ASCT Technology Co. Ltd. (note 2)	PRC	PRC	Contributed capital US\$610,000	80%	80%	Provision of maintenance service for business solutions
HKC Mobile Technology Limited	Hong Kong	Hong Kong	Ordinary shares HK\$20,000,000	100%	100%	Dormant
HKC Comunicacoes Equipamento (Macau) Compahia Limitada	Macau	Macau	Contributed capital MOP 100,000	100%	100%	Sales and distribution of business solutions
Wavex Technologies Pte. Ltd.	Singapore	Singapore	Ordinary shares S\$1,026,000	100%	100%	Sales and development of RFID products
Hong Kong Communications Services Limited	Hong Kong	Hong Kong	Ordinary shares HK\$1	100%	100%	Sales and repairs of mobile phone
HKC Systems Limited	Hong Kong	Hong Kong	Ordinary shares HK\$2,000,000	80%	–	Sales of business solutions and integration

**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
				2011	2010	
HKC Retails Limited	Hong Kong	Hong Kong	Ordinary shares HK\$1	100%	–	Sales of mobile phones and other electronic products
Circle Digital Limited	Hong Kong	Hong Kong	Ordinary shares HK\$ 1	100%	–	Provision of sub-leasing service

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, 2011 and 31st March, 2010 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.

	2007 HK\$'000	2008 HK\$'000	2009 HK\$'000	2010 HK\$'000	2011 HK\$'000
<b>RESULTS</b>					
Turnover	869,232	1,156,355	1,109,970	870,594	<b>940,006</b>
Profit/(loss) before taxation	6,860	8,766	(42,865)	6,363	<b>6,010</b>
Tax (expense)/income	(2,322)	(2,178)	2,299	(3,271)	<b>(2,416)</b>
Profit/(loss) for the year	4,538	6,588	(40,566)	3,092	<b>3,594</b>
Attributable to:					
Equity holders of the company	5,071	6,509	(40,403)	3,165	<b>3,990</b>
Non-controlling interests	(533)	79	(163)	(73)	<b>(396)</b>
	4,538	6,588	(40,566)	3,092	<b>3,594</b>
<b>ASSETS/(LIABILITIES) AND NON-CONTROLLING INTERESTS</b>					
Total assets	351,680	338,982	298,228	285,837	<b>293,244</b>
Total liabilities	(82,532)	(64,834)	(69,700)	(61,918)	<b>(69,984)</b>
Non-controlling interests	–	(2,308)	(2,108)	–	<b>(4)</b>
	269,148	271,840	226,420	223,919	<b>223,256</b>

**(I) PROPERTIES HELD FOR OWNER OCCUPATION**

	<b>Use</b>	<b>Lease term</b>	<b>Group's interest</b>
<b>Location in Hong Kong</b>			
Block A on 14th Floor Vita Tower No. 29 Wong Chuk Hang Road Wong Chuk Hang Hong Kong	Commercial	Long lease	100%
<b>Location in Singapore</b>			
The whole of the strata unit #02-09 Kewalram House No. 8, Jalan Kilang Timor Singapore	Commercial	Long lease	100%
<b>Location in the Mainland China</b>			
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%

**(2) INVESTMENT PROPERTIES**

	<b>Use</b>	<b>Lease term</b>	<b>Group's interest</b>
<b>Location in Hong Kong</b>			
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, 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%
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%
<b>Location in the Mainland China</b>			
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%