



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



ANNUAL REPORT 2009

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## CORPORATE INFORMATION

### EXECUTIVE DIRECTORS

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

### NON-EXECUTIVE DIRECTOR

Ng Ching Wah

### INDEPENDENT NON-EXECUTIVE DIRECTORS

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

### COMPANY SECRETARY

Wu Kwok Lam CPA, FCCA

### REGISTERED OFFICE

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

### PRINCIPAL OFFICE

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

### PRINCIPAL REGISTRAR AND TRANSFER OFFICE

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

### AUDITORS

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

### HONG KONG BRANCH REGISTRAR

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

### PRINCIPAL BANKERS

The Hongkong and Shanghai Banking Corporation Limited  
1 Queen's Road Central  
Hong Kong  
  
Wing Hang Bank, Limited  
161 Queen's Road Central  
Hong Kong

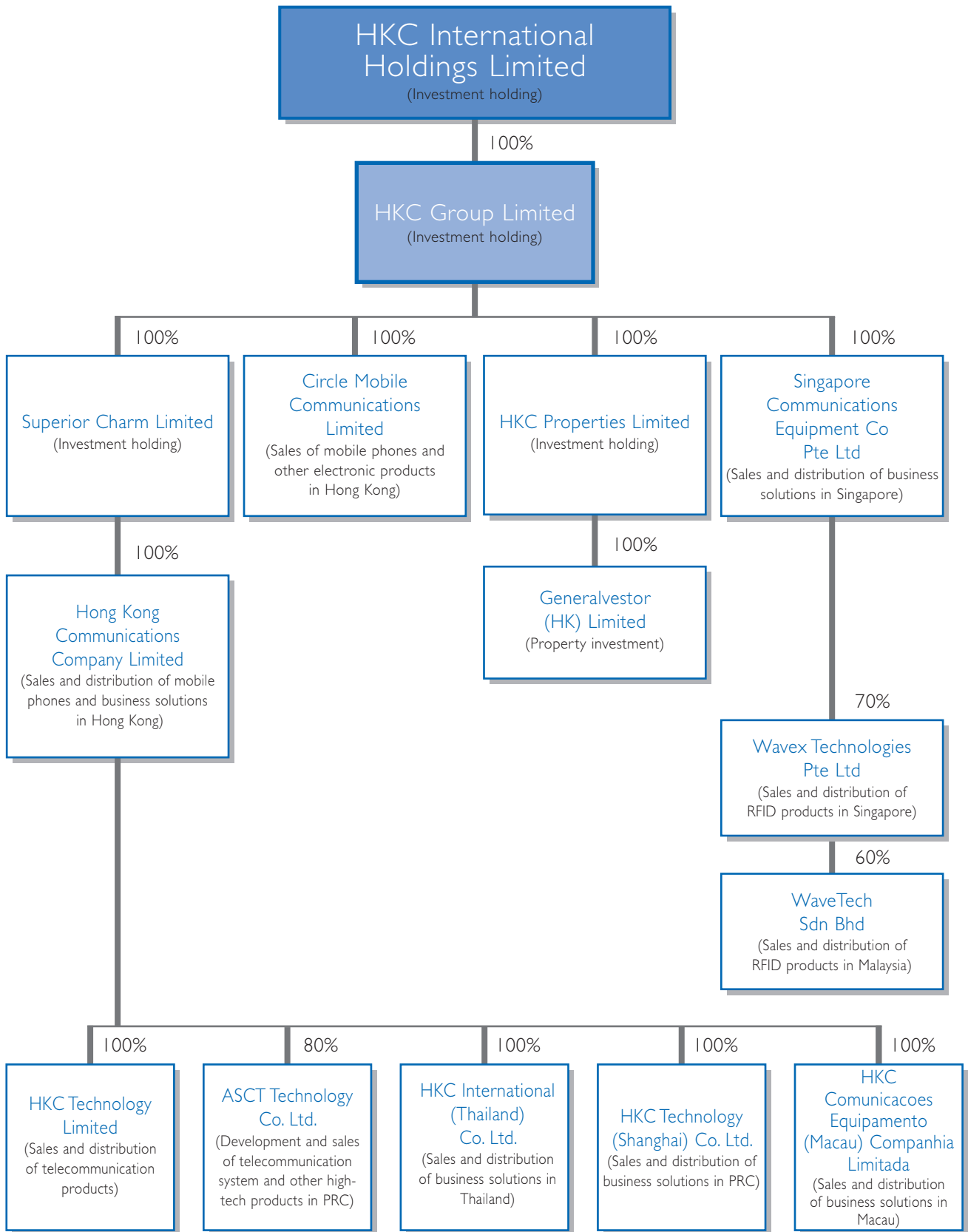
### STOCK CODE

248

### WEBSITE ADDRESS

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

# GROUP STRUCTURE



## NOTICE OF ANNUAL GENERAL MEETING

**NOTICE IS HEREBY GIVEN** that the annual general meeting (“Meeting”) of HKC International Holdings Limited (the “Company”) will be held at 4:30 p.m. on 8th September, 2009 at 25th Floor, Oxford House, TaiKoo Place, 979 King’s Road, Quarry Bay, Hong Kong, to transact the following ordinary businesses:

1. to receive and approve the audited consolidated financial statements and the report of the directors and independent auditor’s report of the Company for the year ended 31st March, 2009;
2. to declare a final dividend for the year ended 31st March, 2009 of HK\$0.01 per share (each a “Share”) of HK\$0.01 each in the capital of the Company;
3. (a) To re-elect the retiring Director Mr. Chan Chung Yee, Hubert as an executive Director of the Company (his brief biographical details are set out in the Appendix to this notice);
  - (b) To re-elect the retiring Director Mr. Chan Chung Yin, Roy as an executive Director of the Company (his brief biographical details are set out in the Appendix to this notice);
  - (c) To re-elect the retiring Director Mr. Chan Man Min as an executive Director of the Company (his brief biographical details are set out in the Appendix to this notice);
  - (d) To re-elect the retiring Director Mr. Ng Ching Wah as a non-executive Director of the Company (his brief biographical details are set out in the Appendix to this notice); and
  - (e) To authorize the board of Directors to fix the Directors’ remuneration.
4. to re-appoint the Li, Tang, Chen & Co. as the Company’s auditor and to authorise the board of Directors to fix their remuneration;

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

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

## NOTICE OF ANNUAL GENERAL MEETING

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

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

- (d) for the purposes of this resolution:

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

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

## NOTICE OF ANNUAL GENERAL MEETING

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

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

Hong Kong, 29th July, 2009

*Registered office:*

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

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

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



## NOTICE OF ANNUAL GENERAL MEETING

### Notes:

1. Any shareholder of the Company entitled to attend and vote at the Meeting shall be entitled to appoint another person as his proxy to attend and vote instead of him. A shareholder who is the holder of two or more shares may appoint more than one proxy to represent him and vote on his behalf at the Meeting. A proxy need not be a shareholder of the Company.
2. A form of proxy for use at the Meeting is being dispatched to the shareholders of the Company together with a copy of this notice. In order to be valid, the form of proxy must be duly completed and signed in accordance with the instructions printed thereon and deposited together with a power of attorney or other authority, if any, under which it is signed or a notarially certified copy of that power or authority, at the offices of the Company's Hong Kong branch registrars, Pilare Limited at 10th Floor, Sun Hung Kai Centre, 30 Harbour Road, Wanchai, Hong Kong no less than 48 hours before the time for holding the Meeting or any adjournment thereof. Completion and return of a form of proxy will not preclude a shareholder from attending in person and voting at the Meeting or any adjournment thereof, should he so wish.
3. The register of members of the Company will be closed from Friday, 4th September, 2009 to Tuesday, 8 September, 2009 (both days inclusive), for the purpose of, among other things, establishing entitlements to the proposed final dividend, during which period no transfers of shares will be effected. In order to qualify for the proposed final dividend, all transfers accompanied by the relevant share certificates must be lodged with the Company's branch registrars in Hong Kong, Pilare Limited, at 10th Floor, Sun Hung Kai Centre, 30 Harbour Road, Wanchai, Hong Kong for registration not later than 4:30 p.m. on Thursday, 3rd September, 2009.
4. In relation to the proposed resolution numbered 3 above, in accordance with Article 108 of the Company's articles of association, Mr. Chan Chung Yee, Hubert, Mr. Chan Chung Yin, Roy, Mr. Chan Man Min and Mr. Ng Ching Wah will retire as Directors by rotation at the Meeting. Such Directors, being eligible, would offer themselves for re-election as Directors at the Meeting. Personal particulars of each of the retiring Directors are set out in the Appendix to this notice.
5. In relation to the proposed resolutions numbered 5 above, approval is being sought from the shareholders of the Company for the grant to the Directors of a general mandate to authorize the allotment and issue of Shares under the Listing Rules. The Directors have no immediate plans to issue any new Shares.
6. As at the date of this notice, the board of Directors comprises the following members:

#### *Executive Directors:*

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

#### *Non-executive Director:*

Mr. Ng Ching Wah

#### *Independent Non-executive Directors:*

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



# NOTICE OF ANNUAL GENERAL MEETING

## APPENDIX TO NOTICE OF ANNUAL GENERAL MEETING

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

**Mr. CHAN Chung Yee, Hubert**, aged 49, 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 is interested in 250,772,575 shares of the Company, representing approximately 51.16% of the issued share capital of the Company as at the date of notice.

Mr. Chan has entered into a service contract with the Company for an initial term of three years commencing from 12th September, 2001 and is automatically renewable for successive terms of one year after the expiry of the then current term. Under the terms of the current service contract, Mr. Chan is entitled to a monthly salary of HK\$108,000 and a discretionary bonus to be determined by the board of Directors.

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

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

**Mr. CHAN Chung Yin, Roy**, aged 47, the younger brother of Mr. Chan Chung Yee, Hubert, has been an executive director of the Group since he joined in 1989. He graduated from the University of Toronto, Canada with a Bachelor's Degree in Computer Science and has over 16 years of experience in the telecommunications industry. He is the younger brother of Mr. Chan Chung Yee, Hubert.

Mr. Chan is interested in 67,517,400 shares of the Company, representing approximately 13.78% of the issued share capital of the Company as at the date of this notice.

Mr. Chan has entered into a service contract with the Company for an initial term of three years commencing from 12th September, 2001 and is automatically renewable for successive terms of one year after the expiry of the then current term. Under the terms of the current service contract, Mr. Chan is entitled to a monthly salary of HK\$55,125 and a discretionary bonus to be determined by the board of Directors.

## NOTICE OF ANNUAL GENERAL MEETING

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

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

**Mr. CHAN Man Min**, aged 76, 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 is interested in 25,709,650 shares of the Company, representing approximately 5.24% of the issued share capital of the Company as at the date of this notice.

Mr. Chan has entered into a service contract with the Company for an initial term of three years commencing from 12th September, 2001 and is automatically renewable for successive terms of one year after the expiry of the then current term. Under the terms of the current service contract, Mr. Chan is entitled to a monthly salary of HK\$3,000 and a discretionary bonus to be determined by the board of Directors.

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

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

**Mr. NG Ching Wah**, aged 59, joined the Company in 2007. He is the Honorary Adviser of the Communications Association of Hong Kong which promotes the further development of the local telecommunications industry. He graduated from the Chinese University of Hong Kong in 1975, with a Bachelor of Business and Administration degree. He is also the independent non-executive director of Pacific Textiles Holding Limited.

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

Mr. Ng has entered into a letter of appointment with the company for an initial term of one year from 11th October, 2007. The appointment will then be terminated by either party by not less than one month's notice in writing. Mr. Ng is entitled to a monthly director's fee of HK\$5,000.

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

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

## MANAGEMENT DISCUSSION AND ANALYSIS

During the year under review, the group's turnover decreased by 4% to HK\$1,110 million (2008: HK\$1,156 million) and net loss attributable to equity holders of the company amounted to HK\$40.4 million (2008: profit of HK\$6.5 million). The loss was mainly due to net loss on disposal and decrease in the fair value of investments amounting to HK\$27 million and a one-off inventories written off and impairment loss recognised due to close of business of subsidiaries amounting to HK\$11.4 million.

### SALES OF MOBILE PHONES

The turnover decreased from HK\$1,042 million to HK\$1,012 million and the profit decreased from HK\$10.4 million to HK\$8.9 million when compared with last year respectively. The profit margin was slightly decreased.

### SALE OF BUSINESS SOLUTIONS

During the year under review, the turnover decreased by 15% to HK\$96.4 million (2008: HK\$113 million). The division recorded loss of HK\$21.9 million compared with the profit of HK\$1.5 million last year. As explained above, the substantial loss was mainly due to a one-off inventories written off and impairment loss recognised due to close of business of subsidiaries.

### PROPERTY INVESTMENT

The profit of this division was HK\$0.8 million (2008: HK\$0.4 million). The Group has purchased several properties during the year to enhance the property portfolio. We expect that there will be stable growth in rental income next year.

### PROSPECTS

The sale of mobile phones continues to be the Group's major core business. We have enhanced our property portfolio for stable rental income and will enhance the business for more home automation and RFID projects.

### LIQUIDITY AND FINANCIAL RESOURCES

The Group continues to maintain a strong financial position. As at 31st March, 2009, the Group's bank balances and cash amounted to approximately HK\$84 million (2008: HK\$140 million) while the bank borrowing was HK\$37 million (2008: HK\$0.03 million). The gearing ratio was 16.39% (2008: 0.01%) which is expressed as a percentage of total borrowings to shareholders' funds. During the year under review, cash resources of HK\$48 million were spent and mortgage loans of HK\$38 million were obtained to finance the purchase of properties. Hence there was substantial decrease in the cash and bank balances and increase in the gearing ratio.

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\$91 million in investment properties, leasehold land and property, plant and equipment during the year. This was financed from internal resources and mortgage loans.

## MANAGEMENT DISCUSSION AND ANALYSIS

### EMPLOYEES

As at 31st March, 2009, the total number of employees of the Group was approximately 330 (2008: 330) and the aggregate remuneration of employees (excluding directors' emoluments) amounted to HK\$62 million (2008: HK\$52 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, 2009, 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\$64,042,000 (2008: HK\$9,044,000), (2) bank deposits of HK\$12,670,000 (2008: HK\$11,840,000), (3) available-for-sale financial assets of HK\$Nil (2008: HK\$3,806,000) and (4) financial assets at fair value through profit or loss of HK\$Nil (2008: HK\$988,000).

### CONTINGENT LIABILITIES

As at 31st March, 2009, the Company had provided corporate guarantees of HK\$79 million (2008: HK\$49 million) to secure banking facilities granted to the subsidiaries.

### DIVIDEND

The Directors recommend the payment of a final dividend of HK\$0.01 (2008: HK\$0.01) per ordinary share payable to shareholders of the Company whose names appear on the register of members of the Company on Tuesday, 8th September, 2009. Subject to the approval of the shareholders of the Company at the forthcoming annual general meeting of the Company, the dividend will be paid on or before 15th September, 2009.

### CLOSURE OF REGISTER OF MEMBERS

The register of members of the Company will be closed from Friday, 4th September, 2009 to Tuesday, 8th September, 2009, both days inclusive, for the purpose of, among other things, establishing entitlements to the proposed final dividend, during which period no transfer of shares will be effected. In order to qualify for the final dividend, all transfers, accompanied by the relevant share certificates, should be lodged with the Company's Share Registrars in Hong Kong, Pilare Limited, at 10th Floor, Sun Hung Kai Centre, 30 Harbour Road, Wanchai, Hong Kong not later than 4:30 p.m. on Thursday, 3rd September, 2009.

### APPRECIATION

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

## CORPORATE GOVERNANCE REPORT

### CODE ON CORPORATE GOVERNANCE PRACTICES

The Board considers that good corporate governance is central to safeguard the interests of the shareholders and enhancing the performance of the Group. The Company had complied throughout the year ended 31st March, 2009 with the code provisions ("Code Provision") set out in the Code of Corporate Governance Practices ("Code") contained in Appendix 14 to the Rules Governing the Listing of Securities on The Stock Exchange of Hong Kong Limited ("Listing Rules"), except for Code Provision A.2.1 which stipulates that the roles of Chairman and Chief Executive Officer should be separate and should not be performed by the same individual. The Company does not segregate the roles of Chairman and Chief Executive Officer and Mr. Chan Chung Yee, Hubert currently holds both positions. The Board believes that vesting the roles of Chairman and Chief Executive Officer in the same person provides the Group with strong and consistent leadership in the development and execution of long-term business strategies. The Board will continuously review and improve the corporate governance practices and standards of the Company to ensure that business activities and decision making processes are regulated in a proper and prudent manner.

### BOARD OF DIRECTORS

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

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

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

## CORPORATE GOVERNANCE REPORT

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

### Number of meetings attended

#### Executive directors:

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

#### Non-executive director:

Ng Ching Wah	7/11
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#### Independent non-executive directors:

Chiu Ngar Wing	9/11
Chu Chor Lup	0/11
Leung Tai Wai, David	0/11

### TERMS OF APPOINTMENT OF INDEPENDENT NON-EXECUTIVE DIRECTORS

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

### REMUNERATION COMMITTEE

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

## CORPORATE GOVERNANCE REPORT

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

<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, 2008 and the audited financial statements for the year ended 31st March, 2009 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	2/2
Leung Tai Wai, David	0/2

The remuneration paid to the external auditors of the Group in respect of audit services and tax consulting services for the year ended 31st March, 2009 amounted to HK\$541,000.



## CORPORATE GOVERNANCE REPORT

### DIRECTORS' RESPONSIBILITY FOR THE FINANCIAL STATEMENTS

The directors of the Company acknowledge their responsibility for preparing all information and representation contained in the consolidated financial statements of the Company for the year under review. In preparing the financial statements, the generally accepted accounting standards in Hong Kong have been adopted and the financial statements complied with financial reporting 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, 2009, the directors are not aware of any material uncertainties relating to events or conditions which may cast significant doubt upon the ability of the Company to continue as a going concern basis.

The statement of the external auditors of the Company about their reporting responsibilities on the consolidated financial statements is set out in the Independent Auditor's Report on page 32 of the annual report of the Company for the year ended 31st March, 2009.

### INTERNAL CONTROL

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

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

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

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

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

## CORPORATE GOVERNANCE REPORT

### **DIRECTORS' SECURITIES TRANSACTION**

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

Each of the directors of the Company confirmed, following specific enquiry by the Company, that he complied with the required standard as set in Model Code throughout the year ended 31st March, 2009.

### **COMMUNICATION WITH SHAREHOLDERS**

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

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

## BIOGRAPHICAL DETAILS OF DIRECTORS AND SENIOR MANAGEMENT

### EXECUTIVE DIRECTORS

Mr. CHAN Chung Yee, Hubert, aged 49, 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 47, the younger brother of Mr. Chan Chung Yee, Hubert, has been an executive director of the Group since he joined in 1989. He graduated from the University of Toronto, Canada with a Bachelor's Degree in Computer Science and has over 16 years of experience in the telecommunications industry. He is the younger brother of Mr. Chan Chung Yee, Hubert.

Mr. WU Kwok Lam, aged 47, 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 76, 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 50, joined the Group in 1999 with over 15 years of experience in the telecommunications industry in China. He graduated from McMaster University, Canada with a Master's Degree in Engineering. He is the son of Mr. Chan Man Min.

Mr. TSUI Hon Wing, aged 62, joined the Group in 1987 and possesses over 30 years of extensive experience in the sales and management of intercom, keyphone and closed-circuit television systems.

### NON-EXECUTIVE DIRECTOR

Mr. NG Ching Wah, aged 59, joined the Company in 2007. He is the Honorary Adviser of the Communications Association of Hong Kong which promotes the further development of the local telecommunications industry. He graduated from the Chinese University of Hong Kong in 1975, with a Bachelor of Business and Administration degree. He is also the independent non-executive director of Pacific Textiles Holding Limited.

## BIOGRAPHICAL DETAILS OF DIRECTORS AND SENIOR MANAGEMENT

### INDEPENDENT NON-EXECUTIVE DIRECTORS

Mr. CHIU Ngar Wing, aged 55, is a practising accountant. He is an associate member of the Hong Kong Institute of Certified Public Accountants and the Institute of Chartered Accountants in England and Wales and a fellow member of the Association of Chartered Certified Accountants. He is a director of T.C. Ng & Co. CPA Ltd. and has been practicing in the firm for more than 20 years.

Dr. CHU Chor Lup, aged 56, 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 53, is the president of Zestra Asia Limited. Mr. Leung holds a Degree in Business Administration and a Master's Degree in Marketing.

### SENIOR MANAGEMENT

Mr. CHOI Chun Yik, aged 48, 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 a MBA Degree from Murdoch University, Australia.

Mr. HUI Koon Wai, Bernard, aged 43, joined the group in 1998, and is responsible for overseeing the Group's distribution and operation of sales in the mobile division. Prior to joining the Group, Mr. Hui has extensive sales experience through working for Gilman & Company Limited and Hutchison Telecommunications (Hong Kong) Limited (now known as HTIL). He also has over 15 years of experience in mobile phone business.

Mr. LAM Kwok, Hung, Charles, aged 42, is the general manager of the computer division. Mr. Lam joined the Group in 2005 with over 15 years of experience in the information technology industry mainly responsible for the infrastructure of computer networking system and applications development. He also has experience to develop the business as Internet Service Provider and is one of the pioneers in the e-Commerce market at the new generation. Mr. Lam obtained a MBA Degree from Columbia Southern University.

Mr. NG Chi Hoi, Samuel, aged 51, is the general manager of Singapore Communications Equipment Co., (Pte) Limited. Mr. Ng joined the Group in 1993 with over 25 years of experience in the telecommunications industry. He obtained a Bachelor's Degree in Computing and Information Systems from University of London.

## BIOGRAPHICAL DETAILS OF DIRECTORS AND SENIOR MANAGEMENT

Mr. LEE Sheng Weng, Nick, aged 37, joined the group in 2007. He has more than 12 years of experience in the Smart Card and RFID Industries. He is one of the key founders of Wavex Technologies Pte Ltd and being the CEO, he does not only oversee the whole company's operations but also head the Sales Division. Mr. Lee comes from the IT and computing background and started working for a Smartcard and RFID company in Singapore in 1996. In 2001, he founded Wavex Technologies which today has more than 60 RFID sites implementation in Singapore and the Asia Pacific. Not only did Mr. Lee obtain the Entrepreneur of the Year 2006 Award in Singapore organised by Rotary Club of Singapore and the Association of Small & Medium Enterprises, he has also led the company into the achievement of being awarded the Enterprise 50 and SME500 of Singapore. He is currently an active member in the Singapore IT Standard Committee for Smartcard and RFID Workgroup.

Mr. HO Lok Sun, Angus, aged 38, is the general manager (strategic marketing) of HKC Technology Limited. Mr. Ho joined the Group in 2007 with over 15 years of experience in business development, project management, business operations and management. Mr. Ho obtained a Doctor Degree of Business Administration from Hong Kong Polytechnic University, a Master Degree of Management from Macquarie University, a Master Degree in Commerce from Curtin University of Technology. He is also a fellow member of the Asian Institute of Intelligent Buildings Hong Kong Headquarter and Internet and Professional Association of Hong Kong.

Mr. IP Man Hon, Martin, aged 42, is the project director. He joined the Group in 1991 with over 15 years of experience in product development and management. He obtained a Master Degree of Science from the University of Hong Kong and a Bachelor's Degree in Engineering from the Hong Kong Polytechnic University.

## REPORT OF THE DIRECTORS

The directors have pleasure in presenting their annual report and the audited financial statements of the group and the company for the year ended 31st March, 2009.

### 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 results of the group for the year ended 31st March, 2009 are set out in the consolidated income statement on page 34.

The directors recommend the payment of a final dividend of HK\$0.01 per ordinary share to the shareholders of the company whose names appear on the register of members on 8th September, 2009.

### PROPERTY, PLANT AND EQUIPMENT

During the year, the group spent HK\$11,108,000 on property, plant and equipment. The group also disposed of certain of its property, plant and equipment with aggregate carrying amount of HK\$2,053,000.

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, 2009 are set out on page 111.

### INVESTMENT PROPERTIES

During the year, the group spent HK\$6,174,000 on 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, 2009 are set out on page 112.

### LEASEHOLD LAND

During the year, the group spent HK\$73,805,000 on leasehold land.

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

### SHARE CAPITAL

Details of the movements in share capital of the company during the year are set out in note 36 to the financial statements.

## REPORT OF THE DIRECTORS

### BORROWINGS

Particulars of the borrowings of the group at the balance sheet date are set out in note 34 to the financial statements.

### DONATIONS

Donations made by the group during the year amounted to HK\$1,121,000.

### 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  
Tsui Hon Wing  
Wu Kwok Lam

#### Non-executive director:

Ng Ching Wah

#### Independent non-executive directors:

Chiu Ngar Wing  
Chu Chor Lup  
Leung Tai Wai, David

In accordance with article 108 of the company's articles of association, Messrs. Chan Chung Yee, Hubert, Chan Chung Yin, Roy, Chan Man Min and Ng Ching Wah will retire by rotation and, being eligible, offer themselves for re-election at the forthcoming annual general meeting.

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



## REPORT OF THE DIRECTORS

### **DIRECTORS AND SERVICE CONTRACTS (Cont'd)**

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

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

### **DIRECTORS' INTERESTS IN CONTRACTS**

Other than the interests disclosed under the section headed "Connected transactions" below and disclosed in note 45 to the financial statements, no other contracts of significance to which the company or any of its subsidiaries was a party and in which a director of the company had a material interest, whether directly or indirectly, subsisted at the end of the year or at any time during the year.

### **INDEPENDENCE OF INDEPENDENT NON-EXECUTIVE DIRECTORS**

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

## REPORT OF THE DIRECTORS

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

- (a) As at the Latest Practicable Date, the interests and short positions of each director and chief executive of the company in the shares, underlying shares and debentures of the company or any of its associated corporations (within the meaning of Part XV of the SFO) which were required to be notified to the company and the Stock Exchange pursuant to Divisions 7 and 8 of Part XV of the SFO (including the interests and short positions which he was taken or deemed to have under such provisions of the SFO), or which were required, pursuant to section 352 of the SFO, to be entered in the register maintained by the company referred to therein, or which were required, pursuant to the Model Code for Securities Transactions by directors of Listed Issuers contained in the Listing Rules, to be notified to the company and the Stock Exchange were as follows:

Name of Director	The company/ associated corporation	Capacity	Number and class of securities (Note 1)	Approximate percentage of interest
Chan Chung Yee, Hubert	The company	Interest of controlled corporation	241,512,575 Shares (L) (Note 2)	49.28%
	The company	Beneficial owner	9,260,000 Shares (L) (Note 3)	1.88%
	Matrix World Group Limited	Beneficial owner	1 share of US\$1.00 (L)	100%

## REPORT OF THE DIRECTORS

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

Name of Director	The Company/ associated corporation	Capacity	Number and class of securities (Note 1)	Approximate percentage of interest
Chan Chung Yin, Roy	The company	Interest of controlled corporation	67,417,400 Shares (L) (Note 4)	13.76%
	The company	Beneficial owner	100,000 Shares (L) (Note 5)	0.02%
	Star Global International Limited	Beneficial owner	1 share of US\$1.00 (L)	100%
Chan Man Min	The company	Interest of controlled corporation	24,709,650 Shares (L) (Note 6)	5.04%
	The company	Beneficial owner	1,000,000 Shares (L) (Note 7)	0.20%
Tsui Hon Wing	The company	Beneficial owner	3,495,200 Shares (L) (Note 8)	0.71%
Chan Ming Him, Denny	The company	Beneficial owner	1,000,000 Shares (L) (Note 9)	0.20%
Wu Kwok Lam	The company	Beneficial owner	100,000 Shares (L) (Note 10)	0.02%

## REPORT OF THE DIRECTORS

### **DIRECTORS' AND CHIEF EXECUTIVE'S INTERESTS AND SHORT POSITIONS IN SHARES, UNDERLYING SHARES AND DEBENTURES OF THE COMPANY AND ITS ASSOCIATED CORPORATIONS (Cont'd)**

*Notes:*

- (1) The Letter "L" represents the director's or chief executive's interests in the shares and underlying shares of the Company or its associated corporations.
- (2) Among these Shares, 8,764,848 Shares were held by Light Emotion Limited, a company wholly owned by Matrix World Group Limited and 232,747,727 Shares were held by Matrix World Group Limited, a company wholly owned by Mr. Chan Chung Yee, Hubert. By virtue of the provisions of Divisions 7 and 8 of Part XV of the SFO, Matrix World Group Limited is deemed to be interested in the Shares held by Light Emotion Limited and Mr. Chan Chung Yee, Hubert is deemed to be interested in the Shares in which Matrix World Group Limited is interested.
- (3) These Shares are registered in the name of Mr. Chan Chung Yee, Hubert.
- (4) These Shares were held by Star Global International Limited, a company wholly owned by Mr. Chan Chung Yin, Roy. By virtue of the provisions of Divisions 7 and 8 of Part XV of the SFO, Mr. Chan Chung Yin, Roy is deemed to be interested in the Shares held by Star Global International Limited.
- (5) These Shares are registered in the name of Mr. Chan Chung Yin, Roy.
- (6) These Shares were held by Ocean Hope Group Limited, a company wholly owned by Mr. Chan Man Min. By virtue of the provisions of Divisions 7 and 8 of Part XV of the SFO, Mr. Chan Man Min is deemed to be interested in the Shares held by Ocean Hope Group Limited.
- (7) These Shares are registered in the name of Mr. Chan Man Min.
- (8) These Shares are registered in the name of Mr. Tsui Hon Wing.
- (9) These Shares are registered in the name of Mr. Chan Ming Him, Denny.
- (10) These Shares are registered in the name of Mr. Wu Kwok Lam.

## REPORT OF THE DIRECTORS

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

- (b) Save as disclosed above, as at the Latest Practicable Date, none of the directors and chief executive of the company had any interest and short positions in the shares, underlying shares and debentures of the company or its associated corporations (within the meaning of Part XV of the SFO) which were required to be notified to the company and the Stock Exchange pursuant to Divisions 7 and 8 of Part XV of the SFO (including interests and short positions which he was taken or deemed to have under such provisions of the SFO), or which were required, pursuant to section 352 of the SFO, to be entered in the register maintained by the company referred to therein, or which were required, pursuant to the Model Code for Securities Transactions by directors of Listed Issuers contained in the Listing Rules, to be notified to the company and the Stock Exchange.

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

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

Name	Number of Shares (Note 1)	Capacity/ nature of interest	Approximate percentage of interest
Matrix World Group Limited	232,747,727 (L) (Note 2)	Beneficial owner	47.49%
	8,764,848 (L) (Note 2)	Interest of controlled corporation	1.79%
Star Global International Limited (Note 3)	67,417,400 (L)	Beneficial owner	13.76%
Ocean Hope Group Limited (Note 4)	24,709,650 (L)	Beneficial owner	5.04%
Chan Low Wai Han, Edwina (Note 5)	67,517,400 (L)	Interests of spouse	13.78%
Josephine Liu (Note 6)	250,772,575 (L)	Interests of spouse	51.16%

## REPORT OF THE DIRECTORS

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

Notes:

- (1) The Letter "L" represents the person's interests in Shares.
- (2) Among these Shares, 8,764,848 Shares were held by Light Emotion Limited, a company wholly owned by Matrix World Group Limited and 232,747,727 Shares were held by Matrix World Group Limited, a company wholly owned by Mr. Chan Chung Yee, Hubert. By virtue of the provisions of Divisions 7 and 8 of Part XV of the SFO, Matrix World Group Limited is deemed to be interested in the Shares held by Light Emotion Limited and Mr. Chan Chung Yee, Hubert is deemed to be interested in the Shares in which Matrix World Group Limited is interested. Mr. Chan Chung Yee, Hubert is a director of Light Emotion Limited and Matrix World Group Limited.
- (3) Star Global International Limited is a company wholly owned by Mr. Chan Chung Yin, Roy. Mr. Chan Chung Yin, Roy is a director of Star Global International Limited.
- (4) Ocean Hope Group Limited is a company wholly owned by Mr. Chan Man Min. Mr. Chan Man Min is a director of Ocean Hope Group Limited.
- (5) Mrs. Chan Low Wai Han, Edwina is the wife of Mr. Chan Chung Yin, Roy. By virtue of the provisions of Divisions 2 and 3 of Part XV of the SFO, Mrs. Chan Low Wai Han, Edwina is deemed to be interested in all the Shares in which Mr. Chan Chung Yin, Roy is interested.
- (6) Ms. Josephine Liu is the wife of Mr. Chan Chung Yee, Hubert. By virtue of the provisions of Divisions 2 and 3 of Part XV of the SFO, Ms. Josephine Liu is deemed to be interested in all the Shares in which Mr. Chan Chung Yee, Hubert is interested.

### DIRECTORS' RIGHTS TO ACQUIRE SHARES OR DEBENTURES

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

## REPORT OF THE DIRECTORS

### SHARE OPTION SCHEME AND SHARE AWARD PLAN

#### a) Share Option Scheme

Particulars of the company's Share Option Scheme are set out in note 37 to the financial statements.

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

#### 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 38 to the financial statements.

### CONNECTED TRANSACTIONS

During the year, the group had certain transactions with related parties, details of which are set out in note 45 to the financial statements.

### MANAGEMENT CONTRACTS

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



## REPORT OF THE DIRECTORS

### MAJOR CUSTOMERS AND SUPPLIERS

For the year ended 31st March, 2009, the aggregate turnover attributable to the group's five largest customers accounted for approximately 51% by value of the group's total turnover and the sales attributable to the group's largest customer was approximately 34% of the total sales. The aggregate purchases attributable to the group's five largest suppliers accounted for approximately 99% by value of the group's total purchases and the purchases attributable to the group's largest supplier was approximately 97% by value of the total purchases.

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

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

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

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

So far as the directors are aware, as at 31st March, 2009, 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, 2009
Matrix World Group Limited (Note 2)	232,747,727 (L) (Note 1)	Beneficial owner	47.49%
	8,764,848 (L)	Interest of controlled corporation	1.79%
Star Global International Limited (Note 3)	67,417,400 (L)	Beneficial owner	13.76%
Ocean Hope Group Limited (Note 4)	24,709,650 (L)	Beneficial owner	5.04%
Chan Low Wai, Edwina (Note 5)	68,273,400 (L)	Interest of spouse	13.93%
Josephine Liu (Note 6)	250,592,575 (L)	Interest of spouse	51.13%

## REPORT OF THE DIRECTORS

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

*Notes:*

1. The letter "L" represents the person's interest in the Shares.
2. Among these Shares, 8,764,848 Shares were held by Light Emotion Limited, a company wholly owned by Matrix World Group Limited and 232,747,727 Shares were held by Matrix World Group Limited, a company wholly owned by Mr. Chan Chung Yee, Hubert. By virtue of the provisions of Divisions 2 and 3 of Part XV of the SFO, Matrix World Group Limited is deemed to be interested in the Shares held by Light Emotion Limited and Mr. Chan Chung Yee, Hubert is deemed to be interested in all the Shares in which Matrix World Group Limited is interested.
3. Star Global International Limited is a company wholly owned by Mr. Chan Chung Yin, Roy.
4. Ocean Hope Group Limited is a company wholly owned by Mr. Chan Man Min.
5. Mrs. Chan Low Wai Han, Edwina is the wife of Mr. Chan Chung Yin Roy. By virtue of the provisions of Divisions 2 and 3 of Part XV of the SFO, Mrs. Chan Low Wai Han, Edwina is deemed to be interested in all the Shares in which Mr. Chan Chung Yin, Roy is interested.
6. Ms. Josephine Liu is the wife of Mr. Chan Chung Yee, Hubert. By virtue of the provisions of Divisions 2 and 3 of Part XV of the SFO, Ms. Josephine Liu is deemed to be interested in all the Shares in which Mr. Chan Chung Yee, Hubert is interested.

Save as disclosed above, as at 31st March, 2009, no person, other than a director or chief executive of the company as disclosed in the section headed "Directors' and chief executive's interests and short position in shares, underlying shares and debentures of the company and its associated corporations" above, had any interest or a short position in the shares and underlying shares in the company as recorded in the register required to be kept under section 336 of the SFO.

### CORPORATE GOVERNANCE

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

## REPORT OF THE DIRECTORS

### SUFFICIENCY OF PUBLIC FLOAT

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

### AUDITORS

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

On behalf of the Board of Directors

**Chan Chung Yee, Hubert**

*Chairman*

Hong Kong, 20th July, 2009

## INDEPENDENT AUDITOR'S REPORT



李湯陳會計師事務所

**LI, TANG, CHEN & CO.**

CERTIFIED PUBLIC ACCOUNTANTS (PRACTISING)

### TO THE SHAREHOLDERS OF HKC INTERNATIONAL HOLDINGS LIMITED

*(incorporated in the Cayman Islands with limited liability)*

We have audited the consolidated financial statements of HKC International Holdings Limited (the "company") set out on pages 34 to 109, which comprise the consolidated and company balance sheets as at 31st March, 2009, the consolidated income statement, the consolidated statement of changes in equity and the consolidated cash flow statement for the year then ended, and a summary of significant accounting policies and other explanatory notes.

### DIRECTORS' RESPONSIBILITY FOR THE FINANCIAL STATEMENTS

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

### AUDITOR'S RESPONSIBILITY

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

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

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

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

## INDEPENDENT AUDITOR'S REPORT

### OPINION

In our opinion, the consolidated financial statements give a true and fair view of the state of affairs of the company and of the group as at 31st March, 2009 and of the group's loss 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

20th July, 2009

**CONSOLIDATED INCOME STATEMENT**

For the year ended 31st March, 2009

	Note	2009 HK\$'000	2008 HK\$'000
<b>TURNOVER</b>	7	<b>1,109,970</b>	1,156,355
Cost of sales		<b>(1,011,491)</b>	(1,047,554)
<b>GROSS PROFIT</b>		<b>98,479</b>	108,801
Other income and gains	8	<b>3,936</b>	13,438
Gain on disposal of investment property and leasehold land		–	852
Loss on disposal of property, plant and equipment		<b>(694)</b>	(1,375)
Other losses	8	<b>(32,371)</b>	(12,654)
Selling and distribution expenses		<b>(15,673)</b>	(16,261)
Administrative and other operating expenses		<b>(96,221)</b>	(83,794)
Finance costs	9	<b>(321)</b>	(241)
<b>(LOSS)/PROFIT BEFORE TAXATION</b>	10	<b>(42,865)</b>	8,766
<b>TAX INCOME/(EXPENSE)</b>	13(a)	<b>2,299</b>	(2,178)
<b>(LOSS)/PROFIT FOR THE YEAR</b>		<b>(40,566)</b>	6,588
<b>Attributable to</b>			
Equity holders of the company	14	<b>(40,403)</b>	6,509
Minority interests		<b>(163)</b>	79
		<b>(40,566)</b>	6,588
<b>DIVIDEND</b>	15	<b>4,901</b>	4,761
<b>(LOSS)/EARNINGS PER SHARE – (HK CENTS)</b>			
– basic	16	<b>(8.27) cents</b>	1.35 cents
– diluted	16	<b>(8.24) cents</b>	1.35 cents

## BALANCE SHEETS

As at 31st March, 2009

	Note	The group		The company	
		2009 HK\$'000	2008 HK\$'000	2009 HK\$'000	2008 HK\$'000
<b>NON-CURRENT ASSETS</b>					
Property, plant and equipment	17	15,053	10,907	–	–
Investment properties	18	12,341	6,496	–	–
Leasehold land	19	76,873	6,253	–	–
Goodwill	20	6,314	8,689	–	–
Interests in subsidiaries	21	–	–	216,632	217,288
Interest in an associate	22	–	1,047	–	–
Available-for-sale financial assets	23	3,150	8,409	–	–
Financial assets at fair value through profit or loss	24	–	23,241	–	–
Long-term bank deposits	25	–	15,950	–	–
Deferred tax assets	35	2,514	279	–	–
		<b>116,245</b>	81,271	<b>216,632</b>	217,288
<b>CURRENT ASSETS</b>					
Inventories	26	23,362	38,738	–	–
Gross amount due from customers for contract work	27	1,993	7,021	–	–
Debtors, deposits and prepayments	28	40,972	49,174	–	–
Deposits paid for acquisition of properties		–	1,526	–	–
Financial assets at fair value through profit or loss	24	29,648	19,719	–	–
Derivative financial instruments	29	–	122	–	–
Tax recoverable		1,593	1,003	–	–
Cash and bank balances	30	84,415	140,408	59	709
		<b>181,983</b>	257,711	<b>59</b>	709
<b>CURRENT LIABILITIES</b>					
Creditors and accrued charges	31	18,895	52,688	29	29
Gross amount due to customers for contract work	27	712	–	–	–
Derivative financial instruments	29	10,881	9,986	–	–
Amount due to a director	32	684	667	–	–
Tax payable		688	992	–	–
Obligations under finance leases	33	68	34	–	–
Bank borrowings	34	1,857	27	–	–
		<b>33,785</b>	64,394	<b>29</b>	29

## BALANCE SHEETS

As at 31st March, 2009

	Note	The group		The company	
		2009 HK\$'000	2008 HK\$'000	2009 HK\$'000	2008 HK\$'000
<b>NET CURRENT ASSETS</b>		<b>148,198</b>	193,317	<b>30</b>	680
<b>TOTAL ASSETS LESS CURRENT LIABILITIES</b>		<b>264,443</b>	274,588	<b>216,662</b>	217,968
<b>NON-CURRENT LIABILITIES</b>					
Obligations under finance leases	33	<b>216</b>	31	–	–
Bank borrowings	34	<b>35,593</b>	–	–	–
Deferred tax liabilities	35	<b>106</b>	409	–	–
		<b>35,915</b>	440	–	–
		<b>228,528</b>	274,148	<b>216,662</b>	217,968
<b>CAPITAL AND RESERVES</b>					
Share capital	36	<b>4,901</b>	4,901	<b>4,901</b>	4,901
Reserves	39	<b>221,519</b>	266,939	<b>211,761</b>	213,067
Equity attributable to equity holders of the company		<b>226,420</b>	271,840	<b>216,662</b>	217,968
Minority interests		<b>2,108</b>	2,308	–	–
Total equity		<b>228,528</b>	274,148	<b>216,662</b>	217,968

The financial statements on pages 34 to 109 were approved and authorised for issue by the board of directors on 20th July, 2009 and are signed on its behalf by:

**Chan Chung Yee, Hubert**  
Director

**Chan Chung Yin, Roy**  
Director



# CONSOLIDATED STATEMENT OF CHANGES IN EQUITY

For the year ended 31st March, 2009

	Attributable to equity holders of the company											
	Shares held			Share option reserve	Share award reserve	Investment			Retained profits	Total	Minority interests	Total
	Share capital	Share premium	for share award plan			Capital reserve	revaluation reserve	Translation reserve				
	HK\$'000	HK\$'000	HK\$'000	HK\$'000	HK\$'000	HK\$'000	HK\$'000	HK\$'000	HK\$'000	HK\$'000	HK\$'000	HK\$'000
At 1st April, 2007	4,621	31,580	–	939	–	28,325	9,778	720	193,185	269,148	–	269,148
Arising on acquisition of subsidiaries	–	–	–	–	–	–	–	–	–	–	2,142	2,142
Shares purchased for Share Award Plan	–	–	(947)	–	–	–	–	–	–	(947)	–	(947)
Exercise of share option	140	3,835	–	–	–	–	–	–	–	3,975	–	3,975
Issue and allotment of consideration shares	140	5,267	–	–	–	–	–	–	–	5,407	–	5,407
Transfer upon share options exercised	–	722	–	(722)	–	–	–	–	–	–	–	–
Release to income statement upon disposal	–	–	–	–	–	–	(4,772)	–	–	(4,772)	–	(4,772)
Release to retained profits upon share options expired	–	–	–	(217)	–	–	–	–	217	–	–	–
Recognition of equity-settled share-based payment	–	–	–	–	373	–	–	–	–	373	–	373
Decrease in fair value of available-for-sale financial assets	–	–	–	–	–	–	(3,752)	–	–	(3,752)	–	(3,752)
Exchange differences on translation of overseas operations	–	–	–	–	–	–	–	660	–	660	87	747
Net profit for the year	–	–	–	–	–	–	–	–	6,509	6,509	79	6,588
Dividend paid	–	–	–	–	–	–	–	–	(4,761)	(4,761)	–	(4,761)
At 31st March, 2008	4,901	41,404	(947)	–	373	28,325	1,254	1,380	195,150	271,840	2,308	274,148

# CONSOLIDATED STATEMENT OF CHANGES IN EQUITY

For the year ended 31st March, 2009

	Attributable to equity holders of the company											
	Shares held			Share option reserve	Share award reserve	Investment			Retained profits	Minority		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	HK\$'000	
At 1st April, 2008	4,901	41,404	(947)	–	373	28,325	1,254	1,380	195,150	271,840	2,308	274,148
Shares purchased for Share Award Plan	–	–	(1,791)	–	–	–	–	–	–	(1,791)	–	(1,791)
Dissolution of a subsidiary	–	–	–	–	–	–	–	–	–	–	(119)	(119)
Capital contribution from a minority shareholder of a subsidiary	–	–	–	–	–	–	–	–	–	–	105	105
Release to income statement upon disposal	–	–	–	–	–	–	63	–	–	63	–	63
Decrease in fair value of available-for-sale financial assets	–	–	–	–	–	–	(1,452)	–	–	(1,452)	–	(1,452)
Recognition of equity-settled share-based payment	–	–	–	–	1,631	–	–	–	–	1,631	–	1,631
Share awarded to staff under the Share Award Plan	–	–	451	–	(403)	–	–	–	(48)	–	–	–
Exchange differences on translation of overseas operations	–	–	–	–	–	–	–	1,433	–	1,433	(23)	1,410
Net loss for the year	–	–	–	–	–	–	–	–	(40,403)	(40,403)	(163)	(40,566)
Dividend paid	–	–	–	–	–	–	–	–	(4,901)	(4,901)	–	(4,901)
At 31st March, 2009	4,901	41,404	(2,287)	–	1,601	28,325	(135)	2,813	149,798	226,420	2,108	228,528

**CONSOLIDATED CASH FLOW STATEMENT**

For the year ended 31st March, 2009

Note	2009 HK\$'000	2008 HK\$'000
<b>OPERATING ACTIVITIES</b>		
(Loss)/profit before taxation	<b>(42,865)</b>	8,766
Adjustments for:		
Depreciation	<b>4,848</b>	4,830
Amortisation of prepaid operating lease payments	<b>601</b>	123
Loss on disposal of property, plant and equipment	<b>694</b>	1,375
Loss on dissolution of a subsidiary	<b>1,613</b>	–
Impairment loss on an associate	<b>1,759</b>	–
Gain on disposal of leasehold land and investment properties	–	(852)
Gain on disposal of available-for-sale financial assets	<b>(47)</b>	(5,341)
Net realized and unrealized losses on financial assets through profit or loss	<b>21,885</b>	2,551
Net loss on derivative financial instruments	<b>4,323</b>	9,786
Dividend income from listed investments	<b>(445)</b>	(124)
Write-down of inventories	<b>5,489</b>	2,793
Impairment loss on trade debtors	<b>374</b>	1,419
Bad debts written off	<b>3,440</b>	1,876
Deposits paid written off	<b>193</b>	–
Interest income	<b>(1,450)</b>	(4,351)
Interest expenses	<b>321</b>	241
Employee share-based compensation benefits	<b>1,631</b>	373
Operating cash inflows before movements in working capital	<b>2,364</b>	23,465
Decrease in inventories	<b>9,887</b>	14,289
Decrease/(increase) in gross amount due from customers for contract work	<b>5,028</b>	(7,021)
Decrease in debtors, deposits and prepayments	<b>6,783</b>	7,868
Increase in deposits paid for acquisition of properties	–	(1,526)
Decrease in amount due from related companies	–	1,516
Decrease in deposit received	–	(6,850)
(Decrease)/increase in creditors and accrued charges	<b>(33,793)</b>	217
Increase in gross amount due to customers for contract work	<b>712</b>	–
Increase in amount due to a director	<b>17</b>	667
Exchange adjustments	<b>2,680</b>	(122)
Net cash (used in)/generated from operations	<b>(6,322)</b>	32,503
Interest received	<b>1,450</b>	4,351
Interest paid on bank loans	<b>(308)</b>	(236)
Interest paid on obligations under finance leases	<b>(13)</b>	(5)
Tax paid:		
Hong Kong	<b>(935)</b>	(1,772)
Overseas	<b>(198)</b>	(119)
<b>NET CASH (USED IN)/GENERATED FROM OPERATING ACTIVITIES</b>	<b>(6,326)</b>	34,722

# CONSOLIDATED CASH FLOW STATEMENT

For the year ended 31st March, 2009

	Note	2009 HK\$'000	2008 HK\$'000
<b>INVESTING ACTIVITIES</b>			
Purchases of property, plant and equipment	41(c)	(10,732)	(5,102)
Purchases of leasehold land and investment properties		(78,453)	–
Purchases of available-for-sale financial assets		–	(1,193)
Purchases of financial assets at fair value through profit or loss		(36,267)	(51,443)
Proceeds from disposal of property, plant and equipment		1,359	610
Proceeds from disposal of investment properties and leasehold land		–	67,625
Dividend received from listed investments		445	124
Proceeds from disposal of available-for-sale financial assets		3,917	19,495
Proceeds from disposal of financial assets at fair value through profit or loss		27,694	14,629
Net settlement of derivative financial instruments		(3,306)	78
Increase in pledged time deposits		(830)	(4,042)
Other long-term bank deposits withdraw		8,152	7,798
Increase in long-term bank deposits		–	(8,152)
Decrease/(increase) in short-term bank deposits with maturity over three months		1,157	(1,157)
Acquisition of subsidiaries	41(a)	–	(1,821)
Advances to an associate		(712)	(698)
Cash outflow in respect of dissolution of a subsidiary	41(b)	(119)	–
<b>NET CASH (USED IN)/GENERATED FROM INVESTING ACTIVITIES</b>		<b>(87,695)</b>	36,751
<b>FINANCING ACTIVITIES</b>			
Repayment of obligations under finance leases		(157)	(25)
Bank loans obtained		37,996	–
Repayment of bank loans		(573)	(25,901)
Capital contribution from minority shareholder of a subsidiary		105	–
Issue of share capital		–	3,975
Purchase of shares of the company under Share Award Plan		(1,791)	(947)
Dividend paid		(4,901)	(4,761)
<b>NET CASH GENERATED FROM/(USED IN) FINANCING ACTIVITIES</b>		<b>30,679</b>	(27,659)
<b>NET (DECREASE)/INCREASE IN CASH AND CASH EQUIVALENTS</b>		<b>(63,342)</b>	43,814
<b>CASH AND CASH EQUIVALENTS AT BEGINNING OF YEAR</b>		<b>135,209</b>	91,469
Effect of foreign exchange rates changes		(122)	(74)
<b>CASH AND CASH EQUIVALENTS AT END OF YEAR</b>		<b>71,745</b>	135,209
<b>ANALYSIS OF BALANCES OF CASH AND CASH EQUIVALENTS</b>			
Time deposits with maturity within three months		47,367	93,005
Cash and bank balances		24,378	42,204
		<b>71,745</b>	135,209

## NOTES TO THE FINANCIAL STATEMENTS

### 1. GENERAL

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

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

The principal activity of the company is that of investment holding. The principal activities of the subsidiaries are set out in note 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. APPLICATION OF NEW AND REVISED HONG KONG FINANCIAL REPORTING STANDARDS ("HKFRSs")

In the current year, the group has applied the following amendments and interpretations ("new HKFRSs") issued by HKICPA which are or have become effective:

- Amendments to HKAS 39 and HKFRS 7, Reclassification of Financial Assets
- HK(IFRIC)-Int 11, HKFRS 2 – Group and Treasury Share Transactions
- HK(IFRIC)-Int 12, Service Concession Arrangements
- HK(IFRIC)-Int 14, HKAS 19 The Limit on a Defined Benefit Asset, Minimum Funding Requirements and their Interaction

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

The group has not applied any amendment, new standard or new interpretation that is not yet effective for the current year (see note 46).

## NOTES TO THE FINANCIAL STATEMENTS

### 4. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

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

#### a) Subsidiaries

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

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

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

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

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

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

## NOTES TO THE FINANCIAL STATEMENTS

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

#### b) Associate

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

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

#### c) Goodwill

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

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

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

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

- represents the lowest level within the group at which the goodwill is monitored for internal management purposes; and

## NOTES TO THE FINANCIAL STATEMENTS

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

#### c) Goodwill (Cont'd)

- is not larger than a segment based on either the group's primary or the group's secondary reporting format determined in accordance with HKAS 14 "Segment Reporting".

Impairment is determined by assessing the recoverable amount of the cash-generating unit, or group of cash-generating units to which the goodwill relates. Where the recoverable amount of the cash-generating unit, or group of cash-generating units are 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 the consolidated income statement in the period in which it is incurred. In situations where it can be clearly demonstrated that the expenditure has resulted in an increase in the future economic benefits expected to be obtained from the use of the property, plant and equipment, the expenditure is capitalised as an additional cost of that asset.

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

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



## NOTES TO THE FINANCIAL STATEMENTS

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

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

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

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

#### e) Investment properties

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

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

#### 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.

## NOTES TO THE FINANCIAL STATEMENTS

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

#### f) Financial instruments (Cont'd)

##### ii) *Recognition and initial measurement*

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

##### iii) *Derecognition*

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

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

###### Available-for-sale financial assets

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

###### Financial assets at fair value through profit or loss

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

## NOTES TO THE FINANCIAL STATEMENTS

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

#### f) Financial instruments (Cont'd)

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

###### 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 the profits or loss – is removed from investment revaluation reserve and recognised in the consolidated income statement.

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

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

## NOTES TO THE FINANCIAL STATEMENTS

### 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 net profit or loss for the year.

#### h) Inventories

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

#### i) Construction contract

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

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

## NOTES TO THE FINANCIAL STATEMENTS

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

#### j) Leases

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

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

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

#### k) Cash and cash equivalents

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

#### l) Payables

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

## NOTES TO THE FINANCIAL STATEMENTS

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

#### m) Revenue recognition

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

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

Contract revenue:

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

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

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

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

Interest income is recognised using the effective interest method.

#### n) Employee benefits

*Equity-settled share-based payment transactions*

The fair value of services received, determined by reference to the fair value of share options granted at the grant date, is expensed on a straight-line basis over the vesting period, with a corresponding increase in share option reserve. At the time when the share options are exercised, the amount previously recognised in share option reserve will be transferred to share premium. When the share options are forfeited after the vesting date or are still not exercised at the expiry date, the amount previously recognised in share option reserve will be transferred to retained profits.

## NOTES TO THE FINANCIAL STATEMENTS

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

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

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

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

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

##### *Pension schemes and other retirement benefits*

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

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

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

## NOTES TO THE FINANCIAL STATEMENTS

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

#### o) **Borrowing costs**

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

#### p) **Income tax expense**

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

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

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

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

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

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



## NOTES TO THE FINANCIAL STATEMENTS

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

#### q) Impairment

##### i) *Impairment of receivables*

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

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

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

##### ii) *Impairment of other assets*

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

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

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

## NOTES TO THE FINANCIAL STATEMENTS

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

#### q) Impairment (Cont'd)

##### ii) *Impairment of other assets (Cont'd)*

- Calculation of recoverable amount

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

- Recognition of impairment losses

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

- Reversals of impairment losses

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

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

#### r) Foreign currency transaction

##### i) *Functional and presentation currency*

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

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

## NOTES TO THE FINANCIAL STATEMENTS

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

#### r) Foreign currency transaction (Cont'd)

- iii) Translation differences on non-monetary items, such as equity instruments held at fair value through profit or loss, are reported as part of the fair value gain or loss. Translation differences on non-monetary items, such as equities classified as available-for-sale financial assets are included in the investment revaluation reserve in equity.
- iv) The results and financial position of all the group entities (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 for each income statement 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 resulting exchange differences are recognised as a separate component of equity.

On consolidation, exchange differences arising from the transaction of the net investment in foreign entities, and of borrowings and other currency instruments designated as hedges of such investments, are taken to shareholders' equity. When a foreign operation is sold, such exchange differences are recognised in the consolidated income statement as part of the gain or loss on sale.

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.

#### 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.

## NOTES TO THE FINANCIAL STATEMENTS

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

#### t) Contingent liabilities

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

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

#### u) Segment reporting

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

In accordance with the group's internal financial reporting the group has determined that business segments be presented as the primary reporting format and geographical as the secondary reporting format.

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

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

## NOTES TO THE FINANCIAL STATEMENTS

### 5. FINANCIAL RISK MANAGEMENT OBJECTIVES AND POLICIES

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

#### a) Credit risk

The group's credit risk is primarily attributable to cash at banks, bank deposits, trade 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 28.

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

#### b) Liquidity risk

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

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

Prudent liquidity risk management implies maintaining sufficient bank balances.

## NOTES TO THE FINANCIAL STATEMENTS

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

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

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

	The group											
	2009						2008					
	Total contractual		Within	More than 1	More than 2	More than	Total contractual		Within	More than 1	More than 2	More than
	Carrying amount	undiscounted cash flow	1 year or on demand	year but less than 2 years	year but less than 5 years		5 years	Carrying amount	undiscounted cash flow	1 year or on demand	year but less than 2 years	
HK\$'000	HK\$'000	HK\$'000	HK\$'000	HK\$'000	HK\$'000	HK\$'000	HK\$'000	HK\$'000	HK\$'000	HK\$'000	HK\$'000	HK\$'000
Creditors and accrued charges	18,895	(18,895)	(18,895)	-	-	-	52,688	(52,688)	(52,688)	-	-	-
Gross amount due to customers from contact work	712	(712)	(712)	-	-	-	-	-	-	-	-	-
Derivative financial instruments	10,881	(10,881)	(10,881)	-	-	-	9,986	(9,986)	(9,986)	-	-	-
Amount due to a director	684	(684)	(684)	-	-	-	667	(667)	(667)	-	-	-
Obligations under finance leases	284	(316)	(76)	(76)	(164)	-	65	(75)	(39)	(36)	-	-
Bank borrowings	37,450	(45,558)	(2,792)	(2,792)	(8,408)	(31,566)	27	(27)	(27)	-	-	-
	<b>68,906</b>	<b>(77,046)</b>	<b>(34,040)</b>	<b>(2,868)</b>	<b>(8,572)</b>	<b>(31,566)</b>	<b>63,433</b>	<b>(63,443)</b>	<b>(63,407)</b>	<b>(36)</b>	<b>-</b>	<b>-</b>

	The company					
	2009			2008		
	Total contractual		Within 1 year or on demand	Total contractual		Within 1 year or on demand
	Carrying amount	undiscounted cash flow		Carrying amount	undiscounted cash flow	
HK\$'000	HK\$'000	HK\$'000	HK\$'000	HK\$'000	HK\$'000	
Creditors and accrued charges	<b>29</b>	<b>29</b>	<b>29</b>	<b>29</b>	<b>29</b>	<b>29</b>

## NOTES TO THE FINANCIAL STATEMENTS

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

#### 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 loans and obligations under finance leases have exposure to risk arising from changing interest rates. Bank loans 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.

#### *Sensitivity analysis*

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

#### d) Foreign currency risk

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

#### e) Price risk

The group is exposed to price changes arising from available-for-sale financial assets, financial assets at fair value through profit or loss and derivative financial instruments (see notes 23, 24 and 29). 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 (loss)/profit after tax and retained profits and other components of consolidated equity in response to reasonably possible changes of 15% in price in respect of listed equity and debt securities.

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

## NOTES TO THE FINANCIAL STATEMENTS

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

#### e) Price risk (Cont'd)

	The group	
	Increase/decrease in (loss)/profit after tax and retained profits	Increase/decrease in other components of equity
	15% increase/decrease	15% increase/decrease
	HK\$'000	HK\$'000
At 31st March, 2009	1,842	311
At 31st March, 2008	1,145	468

The sensitivity analysis has been determined assuming that the reasonably possible changes in price had occurred as at the balance sheet date and had been applied to the exposure to price risk for the financial instruments in existence at that date and that all other variables remain constant. The stated changes represent management's assessment of reasonably possible changes in price over the period until the next annual balance sheet date. The analysis has been performed on the same basis for 2008.

#### f) Fair value

All of the financial instruments are carried at amounts not materially different from their fair values as at 31st March, 2009 and 31st March, 2008 except as follows:

	Note	The group			
		2009		2008	
		Carrying amount HK\$'000	Fair value HK\$'000	Carrying amount HK\$'000	Fair value HK\$'000
Available-for-sale financial assets					
– Unlisted debt securities	1	335	–	335	–



## NOTES TO THE FINANCIAL STATEMENTS

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

#### f) Fair value (Cont'd)

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

#### g) Estimation of fair values

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

##### *Listed equity securities*

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

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

Fair value is based on the valuation provided by banks.

### 6. CRITICAL ACCOUNTING ESTIMATES AND JUDGEMENTS

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

#### **Useful lives of property, plant and equipment**

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

#### **Allowances for inventories**

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

## NOTES TO THE FINANCIAL STATEMENTS

### 6. CRITICAL ACCOUNTING ESTIMATES AND JUDGEMENTS (Cont'd)

#### 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.

### 7. TURNOVER/SEGMENTAL INFORMATION

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

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

#### i) Primary reporting format – business segments

For the year ended 31st March, 2009:

	Sales of mobile phones HK\$'000	Sales of business solutions HK\$'000	Property investment HK\$'000	Eliminations HK\$'000	Consolidated HK\$'000
<b>TURNOVER</b>					
External sales	1,011,652	96,440	1,878	–	1,109,970
Inter-segment sales	132	–	–	(132)	–
Total turnover	<u>1,011,784</u>	<u>96,440</u>	<u>1,878</u>	<u>(132)</u>	<u>1,109,970</u>

Inter-segment sales were charged at prevailing market prices.

#### RESULTS

Segment results	<u>8,921</u>	<u>(21,865)</u>	<u>778</u>	<u>–</u>	(12,166)
Interest income from bank deposits	–	–	–	–	1,450
Unallocated other income and gains	–	–	–	–	1,237
Loss on disposal of property, plant and equipment	–	(694)	–	–	(694)
Other losses					(32,371)
Finance costs					<u>(321)</u>
Loss before taxation					(42,865)
Tax income					<u>2,299</u>
Loss for the year					<u>(40,566)</u>

## NOTES TO THE FINANCIAL STATEMENTS

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

#### i) Primary reporting format – business segments (Cont'd)

At 31st March, 2009:

#### Balance sheet

	Sales of mobile phones HK\$'000	Sales of business solutions HK\$'000	Property investment HK\$'000	Consolidated HK\$'000
<b>ASSETS</b>				
Segment assets	101,988	132,737	60,888	295,613
Unallocated corporate assets				2,615
Consolidated total assets				298,228
<b>LIABILITIES</b>				
Segment liabilities	21,292	9,719	37,742	68,753
Unallocated corporate liabilities				947
Consolidated total liabilities				69,700
<b>OTHER INFORMATION</b>				
Capital expenditures	556	84,357	6,174	91,087
Depreciation and amortisation	1,217	3,903	329	5,449

## NOTES TO THE FINANCIAL STATEMENTS

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

#### i) Primary reporting format – business segments (Cont'd)

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

For the year ended 31st March, 2008:

	Sales of mobile phones HK\$'000	Sales of business solutions HK\$'000	Property investment HK\$'000	Eliminations HK\$'000	Consolidated HK\$'000
<b>TURNOVER</b>					
External sales	1,042,113	112,881	1,361	–	1,156,355
Inter-segment sales	84	–	–	(84)	–
Total turnover	<u>1,042,197</u>	<u>112,881</u>	<u>1,361</u>	<u>(84)</u>	<u>1,156,355</u>

Inter-segment sales were charged at prevailing market prices.

#### RESULTS

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

## NOTES TO THE FINANCIAL STATEMENTS

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

#### i) Primary reporting format – business segments (Cont'd)

At 31st March, 2008:

#### Balance sheet

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

#### ii) Secondary reporting format – geographical segments

During the years ended 31st March, 2009 and 31st March, 2008, more than 90% of the group's turnover, (loss)/profit before taxation, assets and liabilities were derived from and located in Hong Kong and, therefore, no geographical segments for the relevant years are presented in the financial statements.

## NOTES TO THE FINANCIAL STATEMENTS

### 8. OTHER INCOME AND GAINS

	2009 HK\$'000	2008 HK\$'000
Bank interest income	1,450	4,351
Computer service fee income	–	115
Commission income	80	128
Rental income for application software provider	355	383
Bad debts recovered	199	26
Reversal of impairment loss on trade debts	–	32
Gain on dissolution of a subsidiary	–	19
Gain on disposal of available-for-sale listed equity securities	47	5,341
Net realized and unrealised gains and interest income on financial assets at fair value through profit or loss – listed equity and debt securities	745	317
Dividend income from listed equity securities	445	124
Net exchange gains	–	1,555
Others	615	1,047
	<b>3,936</b>	13,438
<b>OTHER LOSSES</b>		
Net realized and unrealized losses on financial assets at fair value through profit or loss – equity-linked deposits and equity-linked notes	22,630	2,868
Net losses on derivative financial instruments	4,323	9,786
Net exchange losses	2,046	–
Loss on dissolution of a subsidiary	1,613	–
Impairment loss recognised in respect of the amount due from an associate	1,759	–
	<b>32,371</b>	12,654

## NOTES TO THE FINANCIAL STATEMENTS

### 9. FINANCE COSTS

	2009 HK\$'000	2008 HK\$'000
Interest on		
– Bank borrowings wholly repayable within five years	1	236
– Bank borrowings with instalments repayable after five years	307	–
– Interest on obligations under finance leases	13	5
	<u>321</u>	<u>241</u>

### 10. (LOSS)/PROFIT BEFORE TAXATION

(Loss)/profit before taxation has been arrived at after charging:

	2009 HK\$'000	2008 HK\$'000
Auditors' remuneration	541	529
Depreciation		
– Owned assets	4,774	4,795
– Leased assets	74	35
	4,848	4,830
Amortisation of prepaid operating lease payments	601	123
Operating lease rentals in respect of rented premises		
– Minimum lease payments	11,740	8,944
– Contingent rent	763	1,507
	12,503	10,451
Employee benefits expenses (including directors' remuneration)		
– Salaries, allowances and benefits in kind	61,009	53,774
– Retirement benefit scheme contributions	3,675	3,053
– Equity-settled share-based payment expenses	1,631	373
Total staff costs	66,315	57,200
Write-down of inventories – note (26)	5,489	2,793
Impairment loss on trade debtors	374	1,419
Bad debts written off	3,440	1,876
Deposits paid written off	193	–
Donations	1,121	500
	<u>1,121</u>	<u>500</u>

## NOTES TO THE FINANCIAL STATEMENTS

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

and after crediting:

	2009 HK\$'000	2008 HK\$'000
Gross rental income from investment properties under operating leases less outgoings	<u>1,878</u>	<u>1,361</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:

	2009					Total remuneration HK\$'000
	Fees HK\$'000	Salaries, allowances and benefits in kind HK\$'000	Discretionary bonuses HK\$'000	Employee share-based compensation benefits (note a) HK\$'000	Retirement benefit scheme contributions HK\$'000	
<b>Executive directors:</b>						
Chan Chung Yee, Hubert	-	1,296	60	47	12	1,415
Chan Chung Yin, Roy	-	720	-	26	12	758
Chan Man Min	-	36	-	-	-	36
Chan Ming Him, Denny	-	151	-	-	8	159
Tsui Hon Wing	-	662	80	160	24	926
Wu Kwok Lam	-	707	161	26	24	918
	<u>-</u>	<u>3,572</u>	<u>301</u>	<u>259</u>	<u>80</u>	<u>4,212</u>
<b>Non-executive director:</b>						
Ng Ching Wah	60	-	-	-	-	60
	<u>60</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>60</u>
<b>Independent non-executive directors:</b>						
Chiu Ngar Wing	85	-	-	-	-	85
Chu Chor Lup	25	-	-	-	-	25
Leung Tai Wai, David	20	-	-	-	-	20
	<u>130</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>130</u>



## NOTES TO THE FINANCIAL STATEMENTS

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

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

**Notes:**

- Employee share-based compensation benefits represent fair value of shares of the company awarded under Share Award Plan during the year.
- There was no arrangement under which a director waived or agreed to waive any remuneration during the years ended 31st March, 2009 and 31st March, 2008.

## NOTES TO THE FINANCIAL STATEMENTS

### 12. EMPLOYEES' EMOLUMENTS

The five highest paid individuals of the group include four directors (2008: 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:

	<b>2009</b>	2008
	<b>HK\$'000</b>	HK\$'000
Salaries and allowances	<b>611</b>	733
Employee share-based compensation benefits	<b>125</b>	26
Retirement benefit schemes contributions	<b>12</b>	12
	<b>748</b>	771

His emoluments were within the following band:

	<b>2009</b>	2008
	<b>Number of</b>	Number of
	<b>employee</b>	employee
Nil to HK\$1,000,000	<b>1</b>	1

## NOTES TO THE FINANCIAL STATEMENTS

### 13. TAX INCOME/(EXPENSE)

- a) Hong Kong profits tax has been provided at the rate of 16.5% (2008: 17.5%) on the estimated assessable profits arising in Hong Kong during the year. Taxes on profits assessable in elsewhere have been calculated at the rates of tax prevailing in those places in which the group operates, based on existing legislation, interpretations and practices in respect thereof.

	<b>2009</b>	2008
	<b>HK\$'000</b>	HK\$'000
Hong Kong		
Charge for the year	<b>(201)</b>	(1,929)
Overprovision in respect of prior years	<b>68</b>	66
Elsewhere		
Charge for the year	<b>(96)</b>	(652)
Overprovision in respect of prior years	<b>9</b>	–
Deferred tax		
Credit for the year	<b>2,505</b>	320
Attributable to change in tax rate	<b>14</b>	17
	<hr/>	<hr/>
Tax income/(expense) for the year	<b>2,299</b>	(2,178)
	<hr/> <hr/>	<hr/> <hr/>

## NOTES TO THE FINANCIAL STATEMENTS

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

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

	2009 HK\$'000	2008 HK\$'000
Loss/(profit) before taxation	<b>42,865</b>	(8,766)
Tax at the domestic income tax rate of 16.5% (2008: 17.5%)	<b>7,073</b>	(1,533)
Tax effect of income not taxable	<b>433</b>	1,772
Tax effect of expenses that are not deductible in determining taxable income	<b>(2,451)</b>	(348)
Tax effect of unrecognised tax losses	<b>(2,830)</b>	(2,916)
Tax effect of different tax rates in other jurisdiction	<b>508</b>	545
Tax effect of utilisation of tax losses previously unrecognized	–	350
Overprovision of profits tax in respect of current and prior years	<b>68</b>	24
Decrease in opening deferred tax assets/liabilities resulting in decrease in tax rate	<b>14</b>	17
Others	<b>(516)</b>	(89)
Tax income/(expense) for the year	<b>2,299</b>	(2,178)

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

The consolidated (loss)/profit attributable to equity holders of the company includes a profit of HK\$3,755,000 (2008: HK\$8,378,000) which has been dealt with in the financial statements of the company.

### 15. DIVIDEND

	2009 HK\$'000	2008 HK\$'000
Final dividend for the year 2008 of HK\$0.01 per ordinary share (2008: final dividend for the year 2007 of HK\$0.01 per ordinary share)	<b>4,901</b>	4,761

Final dividend of HK\$0.01 (2008: HK\$0.01) per ordinary share for the year ended 31st March, 2009 has been proposed by the directors and is subject to the approval by the shareholders in general meeting.

## NOTES TO THE FINANCIAL STATEMENTS

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

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

	The group	
	2009 HK\$'000	2008 HK\$'000
(Loss)/profit attributable to equity holders of the company	<b>(40,403)</b>	6,509
	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 (loss)/earnings per share	<b>488,672,312</b>	480,603,120
<b>Diluted</b>		
Weighted average number of ordinary shares in issue less shares held for Share Award Plan	<b>488,672,312</b>	480,603,120
Effect of dilutive potential ordinary shares:		
Awarded shares	<b>1,440,745</b>	146,301
Weighted average number of ordinary shares for the purpose of calculating diluted (loss)/earnings per share	<b>490,113,057</b>	480,749,421

## NOTES TO THE FINANCIAL STATEMENTS

## 17. PROPERTY, PLANT AND EQUIPMENT

	Leasehold buildings HK\$'000	Motor vehicles HK\$'000	Computer equipment HK\$'000	Office equipment, leasehold improvements and furniture and fixtures HK\$'000	Moulds HK\$'000	Plant and machinery HK\$'000	Total HK\$'000
The group							
Net book value at 1st April, 2007	1,260	646	2,534	5,405	708	368	10,921
Currency realignment	122	38	(4)	153	–	–	309
Acquisition of subsidiaries	–	–	526	669	–	–	1,195
Additions	–	303	1,147	2,448	–	1,204	5,102
Disposals	–	(211)	(26)	(1,748)	–	–	(1,985)
Depreciation	(34)	(166)	(1,803)	(1,745)	(477)	(410)	(4,635)
Net book value at 31st March, 2008	<u>1,348</u>	<u>610</u>	<u>2,374</u>	<u>5,182</u>	<u>231</u>	<u>1,162</u>	<u>10,907</u>
At 31st March, 2008							
Cost	2,121	1,503	9,825	14,046	2,384	2,480	32,359
Accumulated depreciation	(773)	(893)	(7,451)	(8,864)	(2,153)	(1,318)	(21,452)
Net book value	<u>1,348</u>	<u>610</u>	<u>2,374</u>	<u>5,182</u>	<u>231</u>	<u>1,162</u>	<u>10,907</u>
Net book value at 1st April, 2008	1,348	610	2,374	5,182	231	1,162	10,907
Currency realignment	(161)	(2)	(37)	(190)	–	–	(390)
Additions	5,083	352	992	4,678	–	3	11,108
Disposals	–	(144)	(46)	(1,046)	–	(817)	(2,053)
Depreciation	(92)	(202)	(1,588)	(2,118)	(225)	(294)	(4,519)
Net book value at 31st March, 2009	<u>6,178</u>	<u>614</u>	<u>1,695</u>	<u>6,506</u>	<u>6</u>	<u>54</u>	<u>15,053</u>
At 31st March, 2009							
Cost	7,049	1,505	10,391	14,026	2,384	1,270	36,625
Accumulated depreciation	(871)	(891)	(8,696)	(7,520)	(2,378)	(1,216)	(21,572)
Net book value	<u>6,178</u>	<u>614</u>	<u>1,695</u>	<u>6,506</u>	<u>6</u>	<u>54</u>	<u>15,053</u>
Net book value of property, plant and equipment held under finance leases At 31st March, 2009	<u>–</u>	<u>244</u>	<u>–</u>	<u>68</u>	<u>–</u>	<u>–</u>	<u>312</u>
At 31st March, 2008	<u>–</u>	<u>72</u>	<u>–</u>	<u>–</u>	<u>–</u>	<u>–</u>	<u>72</u>

## NOTES TO THE FINANCIAL STATEMENTS

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

Note:

- i) The group's leasehold buildings comprise:

	2009 HK\$'000	2008 HK\$'000
Properties held under long lease		
– in Hong Kong	791	508
– Mainland China	30	–
– Overseas	659	840
	<b>1,480</b>	1,348
Property held under medium-term lease		
– Mainland China	4,698	–
	<b>6,178</b>	1,348

- ii) At 31st March, 2009, the group had pledged its leasehold buildings with aggregate net book value of HK\$791,000 (2008: HK\$1,348,000) to secure the group's general banking facilities.
- iii) The analysis of net book value as at 1st April, 2007 was as follows:

	Leasehold buildings HK\$'000	Motor vehicles HK\$'000	Computer equipment HK\$'000	Office equipment, leasehold improvements and furniture and fixtures HK\$'000	Moulds HK\$'000	Plant and machinery HK\$'000	Total HK\$'000
At 31st March, 2007							
Cost	1,979	1,811	8,703	14,727	2,384	1,571	31,175
Accumulated depreciation	(719)	(1,165)	(6,169)	(9,322)	(1,676)	(1,203)	(20,254)
Net book value	<b>1,260</b>	<b>646</b>	<b>2,534</b>	<b>5,405</b>	<b>708</b>	<b>368</b>	<b>10,921</b>

- iv) The total cost of property, plant and equipment disposed of or written off during the year ended 31st March, 2009 was HK\$3,536,000 (2008: HK\$3,969,000).

## NOTES TO THE FINANCIAL STATEMENTS

### 18. INVESTMENT PROPERTIES

	<b>The group</b>
	HK\$'000
Cost	
At 1st April, 2007	17,035
Disposals	(9,257)
	<hr/>
At 31st March, 2008	7,778
	<hr style="border-top: 1px dashed black;"/>
Accumulated depreciation	
At 1st April, 2007	1,550
Charge for the year	195
Written back on disposals	(463)
	<hr/>
At 31st March, 2008	1,282
	<hr style="border-top: 1px dashed black;"/>
Net book value at 31st March, 2008	6,496
	<hr style="border-top: 3px double black;"/>
Fair value at 31st March, 2008	6,750
	<hr style="border-top: 3px double black;"/>
Cost	
At 1st April, 2008	7,778
Additions	6,174
	<hr/>
At 31st March, 2009	13,952
	<hr style="border-top: 1px dashed black;"/>
Accumulated depreciation	
At 1st April, 2008	1,282
Charge for the year	329
	<hr/>
At 31st March, 2009	1,611
	<hr style="border-top: 1px dashed black;"/>
Net book value at 31st March, 2009	12,341
	<hr style="border-top: 3px double black;"/>
Fair value at 31st March, 2009	13,333
	<hr style="border-top: 3px double black;"/>



## NOTES TO THE FINANCIAL STATEMENTS

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

The fair values of the group's investment properties at 31st March, 2009 and 31st March, 2008 have been arrived based on the valuations carried out by LCH (Asia-Pacific) Surveyors Limited, an independent firm of professional property valuer. Valuations were made on the basis of investment approach by capitalising the net rental income receivable from the existing tenancies and the reversionary rental income potentials.

The group's investment properties comprise:

	The group	
	2009 HK\$'000	2008 HK\$'000
Properties in Hong Kong		
– Long lease	7,005	5,342
– Medium-term lease	4,622	421
	11,627	5,763
Property in Mainland China		
– Medium-term lease	714	733
	12,341	6,496

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\$11,219,000 (2008: HK\$5,342,000) to secure the group's general banking facilities.

## NOTES TO THE FINANCIAL STATEMENTS

### 19. LEASEHOLD LAND

	<b>The group</b>
	HK\$'000
At 1st April, 2007	64,487
Currency realignment	(9)
Disposals	(57,979)
Amortisation of prepaid operating lease payments	(123)
	<hr/>
At 31st March, 2008	6,376
	<hr/> <hr/>
At 1st April, 2008	6,376
Currency realignment	4
Additions	73,805
Amortisation of prepaid operating lease payments	(601)
	<hr/>
At 31st March, 2009	79,584
	<hr/> <hr/>

	<b>The group</b>	
	<b>2009</b>	2008
	<b>HK\$'000</b>	HK\$'000
Leasehold land in Hong Kong		
Long lease	<b>11,617</b>	2,032
Medium-term lease	<b>40,595</b>	187
Leasehold land in Mainland China		
Long lease	<b>2,019</b>	–
Medium-term lease	<b>25,041</b>	3,835
Leasehold land in Overseas		
Long lease	<b>312</b>	322
	<hr/>	<hr/>
	<b>79,584</b>	6,376
	<hr/> <hr/>	<hr/> <hr/>

The interests in leasehold land represent prepaid operating lease payments. Leasehold land with aggregate carrying value of HK\$52,031,000 (2008: HK\$2,354,000) are pledged to secure the group's general banking facilities.

## NOTES TO THE FINANCIAL STATEMENTS

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

	The group	
	2009 HK\$'000	2008 HK\$'000
Analysed for reporting purposes as		
Non-current portion	<b>76,873</b>	6,253
Current portion included in debtors, deposits and prepayments	<b>2,711</b>	123
	<b>79,584</b>	6,376

### 20. GOODWILL

	The group	
	2009 HK\$'000	2008 HK\$'000
Cost and carrying amount		
At 1st April	<b>8,689</b>	–
Arising on acquisition of subsidiaries	–	8,289
Release on dissolution of a subsidiary	<b>(1,613)</b>	–
Currency realignment	<b>(762)</b>	400
	<b>6,314</b>	8,689

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

## NOTES TO THE FINANCIAL STATEMENTS

### 21. INTERESTS IN SUBSIDIARIES

	The company	
	2009 HK\$'000	2008 HK\$'000
Unlisted shares, at cost	163,654	163,654
Capital contribution in respect of employee share-based compensation	2,004	373
Amount due from a subsidiary	69,000	64,000
	<b>234,658</b>	228,027
Amounts due to subsidiaries	<b>(18,026)</b>	(10,739)
	<b>216,632</b>	217,288

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

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

Particulars of the subsidiaries as at 31st March, 2009 are set out in note 47.

### 22. INTEREST IN AN ASSOCIATE

	The group	
	2009 HK\$'000	2008 HK\$'000
Share of net assets	–	–
Amount due from an associate	1,759	1,047
	<b>1,759</b>	1,047
Impairment losses	<b>(1,759)</b>	–
	–	1,047

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

## NOTES TO THE FINANCIAL STATEMENTS

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

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

Name of associate	Place of incorporation and operation	Issued and fully paid ordinary share capital	Percentage of effective interest attributable to the group	Principal activity
Singcomm Technology Pte. Ltd.	Singapore	S\$2	50%	Development of software and software maintenance

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

	The group	
	2009 HK\$'000	2008 HK\$'000
Assets	90	29
Liabilities	(1,772)	(1,070)
Revenue	170	96
Loss	(824)	(654)

## NOTES TO THE FINANCIAL STATEMENTS

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

	The group	
	2009 HK\$'000	2008 HK\$'000
Financial assets stated at fair value		
Equity securities listed in Hong Kong	2,072	3,121
Unlisted investment fund	743	4,953
	<b>2,815</b>	8,074
Financial assets stated at cost		
Unlisted debt securities	335	335
	<b>3,150</b>	8,409
Equity securities		
Corporate entities	2,072	3,121
Unlisted investment fund		
Bank	743	4,953
Unlisted debt securities		
Club debenture	335	335

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

At 31st March, 2008, unlisted investment fund with a carrying value of HK\$3,806,000 had been pledged to secure the group's general banking facilities. At 31st March, 2009, the group had not pledged any of its available-for-sale financial assets to secure the group's general banking facilities.

## NOTES TO THE FINANCIAL STATEMENTS

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

	The group	
	2009 HK\$'000	2008 HK\$'000
Analysis of financial assets at fair value through profit or loss:		
Held for trading		
– Equity securities listed in Hong Kong	8,368	6,061
– Equity securities listed elsewhere	3,235	3,195
– Debt securities listed in Hong Kong	3,102	–
	<b>14,705</b>	9,256
Designated as financial assets at fair value through profit or loss		
– Equity-linked deposits	6,639	10,485
– Equity-linked notes	8,304	23,219
	<b>14,943</b>	33,704
	<b>29,648</b>	42,960
Analysis for reporting purpose		
Current assets	<b>29,648</b>	19,719
Non-current assets	–	23,241

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

At 31st March, 2008, the listed equity securities in Hong Kong with a total carrying value of HK\$988,000 had been pledged to secure the group's general banking facilities. No such listed equity securities in Hong Kong were pledged at 31st March, 2009.

## NOTES TO THE FINANCIAL STATEMENTS

### 25. LONG-TERM BANK DEPOSITS

	The group	
	2009 HK\$'000	2008 HK\$'000
Pledged bank deposit	–	7,798
Other bank deposit	–	8,152
	–	15,950

At 31st March, 2008, the pledged bank deposit was placed for 10 years and earned interest at 6.125% per annum. The other bank deposit was also placed for 10 years and earned interest at 7.5% per annum. All of the long-term bank deposits had been withdrawn during the year ended 31st March, 2009.

### 26. INVENTORIES

	The group	
	2009 HK\$'000	2008 HK\$'000
Office telephone system, mobile phones and other electronic products and accessories	23,362	38,738

The inventories stated at net realisable value amounted to HK\$3,878,000 (2008: HK\$5,354,000).

The cost of inventories recognised in the consolidated income statement during the year amounted to HK\$1,011,491,000 (2008: HK\$1,044,062,000).

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

	The group	
	2009 HK\$'000	2008 HK\$'000
Carrying amount of inventories sold	1,006,002	1,041,269
Write-down of inventories	5,489	2,793
	1,011,491	1,044,062



## NOTES TO THE FINANCIAL STATEMENTS

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

	The group	
	2009 HK\$'000	2008 HK\$'000
Contract costs incurred	20,235	5,944
Recognised profits	3,131	1,465
	<b>23,366</b>	7,409
Progress billings	(22,085)	(388)
Due from customers	<b>1,281</b>	7,021
Classified as:		
Gross amount due from customers	<b>1,993</b>	7,021
Gross amount due (to) customers	<b>(712)</b>	–

The gross amount due from customers for contract work at 31st March, 2009 that is expected to be recovered after more than one year is HK\$Nil (2008: HK\$6,631,000).

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

### 28. DEBTORS, DEPOSITS AND PREPAYMENTS

	The group	
	2009 HK\$'000	2008 HK\$'000
Trade debtors	31,811	37,295
Less: allowance for doubtful debts	(2,670)	(2,575)
	<b>29,141</b>	34,720
Deposits, other debtors and prepayments	<b>11,831</b>	14,454
	<b>40,972</b>	49,174

## NOTES TO THE FINANCIAL STATEMENTS

### 28. DEBTORS, DEPOSITS AND PREPAYMENTS (Cont'd)

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

	The group	
	2009 HK\$'000	2008 HK\$'000
Neither overdue nor impaired	11,587	17,403
Less than 1 month overdue	5,377	3,367
1 to 3 months overdue	6,986	5,207
More than 3 months but less than 12 months overdue	5,191	8,743
	17,554	17,317
	29,141	34,720

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.

#### Impairment of trade debtors

At 31st March, 2009, the group's trade debtors of HK\$2,670,000 (2008: HK\$2,806,000) 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\$2,670,000 (2008: HK\$2,575,000) were recognised. The group does not hold any collateral over these balances.

## NOTES TO THE FINANCIAL STATEMENTS

### 28. DEBTORS, DEPOSITS AND PREPAYMENTS (Cont'd)

#### Impairment of trade debtors (Cont'd)

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

	The group	
	2009 HK\$'000	2008 HK\$'000
At 1st April	2,575	1,069
Impairment losses recognised	374	1,419
Currency realignment	(279)	87
At 31st March	2,670	2,575

The amount of the company's deposits and prepayments expected to be recovered or recognised as expense after more than one year is HK\$3,205,000 (2008: HK\$3,554,000). All of the remaining deposits and prepayments and other debtors are expected to be recovered or recognised as expense within one year.

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

### 29. DERIVATIVE FINANCIAL INSTRUMENTS

	The group			
	As at 31st March, 2009		As at 31st March, 2008	
	Assets HK\$'000	Liabilities HK\$'000	Assets HK\$'000	Liabilities HK\$'000
Equity contracts	–	1	122	3,428
Equity-linked contracts	–	10,880	–	6,558
	–	10,881	122	9,986

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

## NOTES TO THE FINANCIAL STATEMENTS

### 29. DERIVATIVE FINANCIAL INSTRUMENTS (Cont'd)

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

	2009	2008
United States dollars	<b>USD 1,700,000</b>	USD 2,365,000
Japanese Yen	<b>JPY30,000,000</b>	JPY91,867,000

### 30. CASH AND BANK BALANCES

	The group		The company	
	2009 HK\$'000	2008 HK\$'000	2009 HK\$'000	2008 HK\$'000
Pledged time deposits	<b>12,670</b>	4,042	–	–
Time deposits with bank with maturity over 3 months	–	17,107	–	–
Time deposits with banks with maturity within 3 months	<b>47,367</b>	93,005	–	–
Cash and bank balances	<b>24,378</b>	42,204	<b>59</b>	709
	<b>84,415</b>	156,358	<b>59</b>	709
Less: long-term bank deposits (see note 25)	–	(15,950)	–	–
	<b>84,415</b>	140,408	<b>59</b>	709

The effective interest rates on all of the time deposits with banks ranged from 0.01% to 3.7% (2008: 0.8% to 7.5%) per annum at 31st March, 2009.

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

## NOTES TO THE FINANCIAL STATEMENTS

### 30. CASH AND BANK BALANCES (Cont'd)

Included in the amount of HK\$84,415,000 (2008: HK\$156,358,000) are the following amounts denominated in a currency other than the functional currency of the entity to which they relate:

	The group	
	2009	2008
United States Dollars	<b>US\$ 1,762,366</b>	US\$ 5,702,903
Japanese Yen	<b>JPY 703,714</b>	JPY 4,242,809
Ringgit Malaysia	<b>RM –</b>	RM 29,221

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

### 31. CREDITORS AND ACCRUED CHARGES

The ageing analysis of trade creditors of HK\$11,578,000 (2008: HK\$43,800,000) which is included in the group's creditors and accrued charges is as follows:

	The group	
	2009 HK\$'000	2008 HK\$'000
0 – 30 days	<b>7,651</b>	41,611
31 – 60 days	<b>1,060</b>	427
61 – 90 days	<b>102</b>	244
Over 90 days	<b>2,765</b>	1,518
	<b>11,578</b>	43,800

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

### 32. AMOUNT DUE TO A DIRECTOR

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

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

## NOTES TO THE FINANCIAL STATEMENTS

### 33. OBLIGATIONS UNDER FINANCE LEASES

	The group			
	Minimum lease payments		Present value of minimum lease payments	
	2009 HK\$'000	2008 HK\$'000	2009 HK\$'000	2008 HK\$'000
Amounts payable under finance leases				
Within one year	76	39	68	34
In the second year	203	36	179	31
In the third to fifth years	37	–	37	–
	<u>316</u>	<u>75</u>	<u>284</u>	<u>65</u>
Less: future finance charges	<u>(32)</u>	<u>(10)</u>		
Present value of finance leases	<u><u>284</u></u>	<u><u>65</u></u>		
Less: amount due for settlement within one year shown under current liabilities			<u>(68)</u>	<u>(34)</u>
Amount due for settlement after one year			<u><u>216</u></u>	<u><u>31</u></u>

The effective interest rate on obligations under finance leases was 7.5% (2008: 7.5%) per annum at 31st March, 2009.

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

## NOTES TO THE FINANCIAL STATEMENTS

### 34. BANK BORROWINGS

	The group	
	2009	2008
	HK\$'000	HK\$'000
Bank borrowings comprise:		
Bank loans (secured)	<b>37,450</b>	27

The effective interest rates on secured bank loans were 1.95% – 2.9% (2008: 5.75%) per annum at 31st March, 2009.

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

The maturity of bank loans is as follows:

	The group	
	2009	2008
	HK\$'000	HK\$'000
Due within one year	<b>1,857</b>	27
Due more than one year; but not exceeding two years	<b>1,857</b>	–
Due more than two years, but not exceeding five years	<b>6,042</b>	–
Due more than five years	<b>27,694</b>	–
	<b>37,450</b>	27
Less: amount due within one year shown under current liabilities	<b>(1,857)</b>	(27)
Amount due after one year	<b>35,593</b>	–

## NOTES TO THE FINANCIAL STATEMENTS

### 35. DEFERRED TAX

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

Deferred tax assets:

	The group		
	Deductible temporary differences	Tax losses	Total
	HK\$'000	HK\$'000	HK\$'000
At 1st April, 2007	36	–	36
Credited to consolidated income statement	227	–	227
Currency realignment	16	–	16
	<hr/>	<hr/>	<hr/>
At 31st March, 2008 and 1st April, 2008	279	–	279
(Charged)/credited to consolidated income statement	(253)	2,483	2,230
Currency realignment	5	–	5
	<hr/>	<hr/>	<hr/>
At 31st March, 2009	31	2,483	2,514
	<hr/> <hr/>	<hr/> <hr/>	<hr/> <hr/>



## NOTES TO THE FINANCIAL STATEMENTS

### 35. DEFERRED TAX (Cont'd)

Deferred tax liabilities:

	The group		
	Accelerated	Tax losses	Total
	tax depreciation HK\$'000	HK\$'000	HK\$'000
At 1st April, 2007	531	(168)	363
Acquisition of subsidiaries	157	–	157
Credited to consolidated income statement	(110)	–	(110)
Currency realignment	(1)	–	(1)
	<hr/>	<hr/>	<hr/>
At 31st March, 2008 and 1st April, 2008	577	(168)	409
(Credited)/charged to consolidated			
income statement	(457)	168	(289)
Currency realignment	(14)	–	(14)
	<hr/>	<hr/>	<hr/>
At 31st March, 2009	106	–	106
	<hr/> <hr/>	<hr/> <hr/>	<hr/> <hr/>

At the balance sheet date, the group has unused tax losses of HK\$73,703,000 (2008: HK\$54,470,000) available to offset against future profits. A deferred tax asset has been recognised in respect of HK\$15,047,000 (2008: HK\$1,297,000) of such losses. No deferred tax asset has been recognised in respect of the remaining HK\$58,656,000 (2008: HK\$53,173,000) due to the unpredictability of future profit streams.

At the balance sheet date, the company had unused tax losses of HK\$4,753,000 (2008: HK\$4,753,000) available to offset against future profits. No deferred tax asset has been recognised due to the unpredictability of future profit streams.

The tax losses can be carried forward to offset against the taxable profits of subsequent years. There is no restriction on their expiry except the unused tax losses of PRC subsidiaries of HK\$12,179,000 (2008: HK\$8,297,000) can only be carried forward for five years from the year of the incurrence.

## NOTES TO THE FINANCIAL STATEMENTS

### 36. SHARE CAPITAL

	Number of shares		Amount	
	2009	2008	2009 HK\$'000	2008 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>	462,069,603	<b>4,901</b>	4,621
Exercise of share options	-	13,998,000	-	140
Issue and allotment of consideration shares ( <i>note 41</i> )	-	14,045,454	-	140
At end of the year	<b>490,113,057</b>	490,113,057	<b>4,901</b>	4,901

Details of the company's Share Option Scheme and Share Award Plan are set out in notes 37 and 38 to the financial statements.

### 37. 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;

## NOTES TO THE FINANCIAL STATEMENTS

### 37. SHARE OPTION SCHEME (Cont'd)

- 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.

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.

## NOTES TO THE FINANCIAL STATEMENTS

### 37. SHARE OPTION SCHEME (Cont'd)

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 were offered under the Share Option Scheme during the year ended 31st March, 2009 and no share option outstanding at 31st March, 2009.

Details of the share options outstanding as at 31st March, 2008 under the Share Option Scheme are as follows:

	Date of grant	Exercisable period	Exercise price per share HK\$	Outstanding at 1st April, 2007	Exercised during the year	Lapsed during the year	Outstanding at 31st March, 2008	Price of company's shares		
								At date of grant HK\$	Immediate before exercise HK\$	At date of exercise HK\$
<b>Directors</b>										
Chan Chung Yee, Hubert	17.6.2005	17.12.2005–16.6.2007	0.284	4,300,000	(4,300,000)	–	–	0.280	0.48	0.55
Chan Chung Yin, Roy	17.6.2005	17.12.2005–16.6.2007	0.284	2,000,000	(1,000,000)	(1,000,000)	–	0.280	0.53	0.52
Chan Man Min	17.6.2005	17.12.2005–16.6.2007	0.284	1,000,000	(1,000,000)	–	–	0.280	0.52	0.53
Chan Ming Him, Denny	17.6.2005	17.12.2005–16.6.2007	0.284	1,000,000	(1,000,000)	–	–	0.280	0.52	0.53
Tsui Hon Wing	17.6.2005	17.12.2005–16.6.2007	0.284	1,000,000	(200,000)	(800,000)	–	0.280	0.46	0.47
Wu Kwok Lam	17.6.2005	17.12.2005–16.6.2007	0.284	1,000,000	–	(1,000,000)	–	0.280	–	–
Yeh Yui Fong	17.6.2005	17.12.2005–16.6.2007	0.284	1,000,000	(1,000,000)	–	–	0.280	0.465	0.48
				11,300,000	(8,500,000)	(2,800,000)	–			
<b>Employees</b>										
	17.6.2005	17.12.2005–16.6.2008	0.284	6,900,000	(5,498,000)	(1,402,000)	–	0.280	0.415	0.406
				18,200,000	(13,998,000)	(4,202,000)	–			

## NOTES TO THE FINANCIAL STATEMENTS

### 38. 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 administrating the Share Award Plan and holding the shares of the company before they vested. Unless early terminated by the Board, the Share Award Plan shall be valid and effective for a term of 10 years commencing on the Adoption Date. Vested shares will be transferred at no cost to the relevant awardees. Under the Share Award Plan, the directors will, in their absolute discretion, determine whether the award is to be satisfied by way of allotment and issue the new shares of the company or purchase of the relevant number of shares of the company on the Stock Exchange of Hong Kong Limited by the Share Award Plan Trustee.

On 24th April, 2008, the directors informed the employees that the year end bonus for the directors and certain employees for the year ended 31st March, 2009 is to be satisfied by cash or award the shares of the company to those directors and employees of the group. During the year ended 31st March, 2009, 6,832,000 (2008: 2,668,000) shares of the company were acquired from the market at the total cost of HK\$1,790,060 (2008: HK\$947,000) by the trustee. On 22nd April, 2008, the directors approved 2,680,000 (2008: 1,492,000) shares of the company to be awarded to eligible directors and employees in lieu of cash bonus. The fair value of these shares was HK\$1,630,720 (2008: HK\$373,000). Those shares of the company were subsequently transferred to those eligible directors and employees at nil consideration on 8th May, 2009. The remaining 8,008,000 (2008: 1,176,000) shares of the company will be held by the trustee for the purpose of 2009/10 year end bonus.

The fair value of the awarded shares for the year ended 31st March, 2009 was based on the market value of the shares of the company at the date of grant.

## NOTES TO THE FINANCIAL STATEMENTS

### 39. 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 37.

#### The company

	Share premium HK\$'000	Shares held for award plan HK\$'000	Shares award reserve HK\$'000	Share option reserve HK\$'000	Special reserve HK\$'000	Retained profits HK\$'000	Total HK\$'000
At 1st April, 2007	31,580	–	–	939	163,453	4,950	200,922
Shares purchased for Share Award Plan	–	(947)	–	–	–	–	(947)
Exercise of share options	3,835	–	–	–	–	–	3,835
Issue and allotment of consideration shares	5,267	–	–	–	–	–	5,267
Transfer upon share options exercised	722	–	–	(722)	–	–	–
Release to retained profits upon shares options expired	–	–	–	(217)	–	217	–
Recognition of equity-settled share-based payment	–	–	373	–	–	–	373
Profit for the year	–	–	–	–	–	8,378	8,378
Dividend paid	–	–	–	–	–	(4,761)	(4,761)
At 31st March, 2008	<u>41,404</u>	<u>(947)</u>	<u>373</u>	<u>–</u>	<u>163,453</u>	<u>8,784</u>	<u>213,067</u>
At 1st April, 2008	41,404	(947)	373	–	163,453	8,784	213,067
Shares purchased for Share Award Plan	–	(1,791)	–	–	–	–	(1,791)
Recognition of equity-settled share-based payment	–	–	1,631	–	–	–	1,631
Shares awarded to directors and other employees under the Share Award Plan	–	451	(403)	–	–	(48)	–
Profit for the year	–	–	–	–	–	3,755	3,755
Dividend paid	–	–	–	–	–	(4,901)	(4,901)
At 31st March, 2009	<u>41,404</u>	<u>(2,287)</u>	<u>1,601</u>	<u>–</u>	<u>163,453</u>	<u>7,590</u>	<u>211,761</u>

## NOTES TO THE FINANCIAL STATEMENTS

### 39. 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, 2009 amounted to HK\$211,761,000 (2008: HK\$213,067,000).

### 40. 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, 2009 was HK\$228,528,000 (2008: HK\$274,148,000). The decrease of capital was due to the group made operating loss of HK\$40,566,000 (2008: profit of HK\$6,588,000) during the year.

## NOTES TO THE FINANCIAL STATEMENTS

### 41. NOTE TO THE CONSOLIDATED CASH FLOW STATEMENT

#### a) Business combination

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

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

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

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



## NOTES TO THE FINANCIAL STATEMENTS

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

#### a) Business combination (Cont'd)

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

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

## NOTES TO THE FINANCIAL STATEMENTS

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

#### a) Business combination (Cont'd)

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

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

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

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

Had the combination taken place at 1st April, 2007, the group's consolidated turnover and profit for the year ended 31st March, 2008 would have been HK\$1,170,000,000 and HK\$7,480,000 respectively.

The group did not acquire a new subsidiary during the year ended 31st March, 2009.

## NOTES TO THE FINANCIAL STATEMENTS

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

#### b) Dissolution of a subsidiary

One of the group's subsidiary, Wavex Innovations Pte Ltd was dissolved during the year.

	2009 HK\$'000	2008 HK\$'000
Settlement of liabilities:		
Minority interest	(119)	–
Goodwill released on disposal	1,613	–
	<u>1,494</u>	–
Loss on dissolution	1,613	–
	<u>(119)</u>	–
Cash outflow in respect of dissolution of a subsidiary	<u>(119)</u>	–

#### c) Non-cash transactions

During the year, the company acquired property, plant and equipment with an aggregate cost of HK\$11,108,000 (2008: HK\$5,102,000) of which HK\$376,000 (2008: HK\$Nil) was acquired by means of finance leases. Cash payments of HK\$10,732,000 (2008: HK\$5,102,000) were made to purchase property, plant and equipment.

### 42. PLEDGE OF ASSETS

As at 31st March, 2009, 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\$64,042,000 (2008: HK\$9,044,000), (2) bank deposits of HK\$12,670,000 (2008: HK\$11,840,000), (3) available-for-sale financial assets of HK\$Nil (2008: HK\$3,806,000) and (4) financial assets at fair value through profit or loss of HK\$Nil (2008: HK\$988,000).

## NOTES TO THE FINANCIAL STATEMENTS

### 43. 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	
	2009 HK\$'000	2008 HK\$'000
Within one year	7,871	4,593
In the second to fifth years, inclusive	7,588	11,064
	<b>15,459</b>	<b>15,657</b>

Operating lease payments represent rentals payable by the group for its office premises and shops. Leases are negotiated for terms ranging from two to three years (2008: two to three years). In addition to the minimum rental payments disclosed above, the group has commitments to pay additional rent of a proportion of turnover for certain leased shops if the turnover generated from these leased shops exceeds the predetermined levels. Contingent rentals are not included in the above commitments as it is not possible to estimate the amounts which may be payable.

#### b) The group as lessor

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

	The group	
	2009 HK\$'000	2008 HK\$'000
Within one year	1,418	504
In the second to fifth years, inclusive	328	–
	<b>1,746</b>	<b>504</b>

The properties held have committed tenants in terms of two years (2008: one year).

#### c) The company had no operating lease commitments as at 31st March, 2009 and 31st March, 2008.

## NOTES TO THE FINANCIAL STATEMENTS

### 44. CONTINGENT LIABILITIES

	The group		The company	
	2009 HK\$'000	2008 HK\$'000	2009 HK\$'000	2008 HK\$'000
Guarantees for general banking facilities granted to subsidiaries	–	–	<b>78,866</b>	49,000
Counter-indemnity given to a bank in respect of guarantee given to a supplier of the subsidiary	<b>1,300</b>	–	–	–
	<b>1,300</b>	–	<b>78,866</b>	49,000

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 (2008: HK\$Nil).

### 45. RELATED PARTY TRANSACTIONS

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

Name of related company	Note	Nature of transactions	2009 HK\$'000	2008 HK\$'000
HKC Intown Limited	(i)	Internet access fee paid	–	179
Hong Kong Communications Holdings Limited	(ii)	Sales of unlisted equity securities	–	250

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

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

Note:

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

## NOTES TO THE FINANCIAL STATEMENTS

### 45. RELATED PARTY TRANSACTIONS (Cont'd)

#### b) Key management personnel compensation

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

	2009 HK\$'000	2008 HK\$'000
– Salaries and other short-term employee benefits	7,346	7,014
– Employee share-based compensation benefits	497	313
– Post-employment benefits	224	97
	<b>8,067</b>	<b>7,424</b>

c) Details of the balance with a director is mentioned in note 32 to the financial statements.

### 46. POSSIBLE IMPACT OF AMENDMENTS, NEW STANDARDS AND INTERPRETATIONS ISSUED BUT NOT YET EFFECT FOR THE YEAR ENDED 31ST MARCH, 2009

Up to the date of issue of these financial statements, the HKICPA has issued a number of amendments, new standards and interpretations which are not yet effective for the year ended 31st March, 2009 and which have not been adopted in these financial statements.

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

In addition, the following developments are expected to result in amended disclosures in the financial statements, including restatement of comparative amounts in the first period of adoption:

	<b>Effect for accounting periods beginning on or after</b>
HKFRS 8	Operating segments 1st January, 2009
Revised HKAS 1	Presentation of financial statements 1st January, 2009

## NOTES TO THE FINANCIAL STATEMENTS

### 47. SUBSIDIARIES

Particulars of the principal subsidiaries at 31st March, 2009 are as follows:

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

## NOTES TO THE FINANCIAL STATEMENTS

### 47. SUBSIDIARIES (Cont'd)

Name	Place of incorporation/ registration	Principal place of Operation	Issued and fully paid share capital/ registered capital	Percentage of effective interest attributable to the group	Principal activities
HKC International (Thailand) Co. Ltd.	Thailand	Thailand	Preference shares THB9,999,990 Ordinary shares THB10,000,010	100%	Sales and distribution of business solutions
Singapore Communications Equipment Co. Pte Ltd.	The Republic of Singapore	Singapore	Ordinary shares S\$160,000	100%	Sales and distribution of business solutions
HKC International (M)Sdn Bhd	Malaysia	Malaysia	Ordinary shares RM250,000	100%	Dormant
Circle Mobile Communications (M) Sdn Bhd	Malaysia	Malaysia	Ordinary shares RM500,000	100%	Dormant
上海希華通訊科技 有限公司(note 1) HKC Technology (Shanghai) Co. Ltd.	PRC	PRC	Contributed capital US\$5,850,000	100%	Sales and distribution of business solutions
亞衛通智能系統(上海) 有限公司(note 2) (ASCT Technology Co. Ltd.)	PRC	PRC	Contributed capital US\$610,000	80%	Development and sales of telecommunication system and other high-tech products
HKC Mobile Technology Limited	Hong Kong	Hong Kong	Ordinary shares HK\$20,000,000	100%	Dormant



## NOTES TO THE FINANCIAL STATEMENTS

### 47. SUBSIDIARIES (Cont'd)

Name	Place of incorporation/ registration	Principal place of Operation	Issued and fully paid share capital/ registered capital	Percentage of effective interest attributable to the group	Principal activities
HKC Comunicacoes Equipamento (Macau) Companhia Limitada	Macau	Macau	Contributed capital MOP 100,000	100%	Sales and distribution of business solutions
Wavex Technologies Pte. Ltd.	Singapore	Singapore	Ordinary shares S\$270,000	70%	Sales and distribution of RFID products
Wavetech Sdn Bhd	Malaysia	Malaysia	Ordinary shares RM\$300,000	42%	Sales and distribution of RFID products

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

None of the subsidiaries had any debt securities subsisting at 31st March, 2009 and 31st March, 2008 or at any time during the year.

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

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

## FIVE YEARS FINANCIAL SUMMARY

	2005 HK\$'000	2006 HK\$'000	2007 HK\$'000	2008 HK\$'000	2009 HK\$'000
<b>RESULTS</b>					
Turnover	974,056	1,002,490	869,232	1,156,355	<b>1,109,970</b>
(Loss)/profit before taxation	18,157	78,075	6,860	8,766	<b>(42,865)</b>
Tax income/(expense)	(7,003)	(5,775)	(2,322)	(2,178)	<b>2,299</b>
(Loss)/profit for the year	11,154	72,300	4,538	6,588	<b>(40,566)</b>
Attributable to:					
Equity holders of the company	11,304	72,174	5,071	6,509	<b>(40,403)</b>
Minority interests	(150)	126	(533)	79	<b>(163)</b>
	11,154	72,300	4,538	6,588	<b>(40,566)</b>
<b>ASSETS/(LIABILITIES) AND MINORITY INTERESTS</b>					
Total assets	290,874	326,864	351,680	338,982	<b>298,228</b>
Total liabilities	(82,301)	(65,901)	(82,532)	(64,834)	<b>(69,700)</b>
Minority interests	(407)	(533)	–	(2,308)	<b>(2,108)</b>
	208,166	260,430	269,148	271,840	<b>226,420</b>

## PARTICULARS OF PROPERTIES

### (I) PROPERTIES HELD FOR OWNER OCCUPATION

	Use	Lease term	Group's interest
<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%
Shop Nos. 9 and 23B on Ground Floor National Court Nos. 240-252 Nathan Road Nos. 16A-16F Jordan Road Nos. 19-24 Tak Hing Street, Mongkok Kowloon, Hong Kong	Commercial	Long lease	100%
<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%
Unit 1101 No. 12, 568 Lane Pu Xing Highway Min Xing District, Shanghai The People's Republic of China	Residential	Long lease	100%

## PARTICULARS OF PROPERTIES

### (2) INVESTMENT PROPERTIES

	Use	Lease term	Group's interest
<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 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%