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If you have sold or transferred all your shares in HKC International Holdings Limited, you should at once hand this circular to the purchaser or the transferee or to the bank, stockbroker or other agent through whom the sale or transfer was effected for transmission to the purchaser or the transferee.

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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)

MAJOR TRANSACTION:
ACQUISITION OF LANDED PROPERTY

* For identification purposes only

CONTENTS

	<i>Pages</i>
Definitions	1
 Letter from the Board	
1. Introduction	4
2. The Formal Agreement	5
3. Reasons for the Acquisition	7
4. Financial effect of the Acquisition	7
5. Commentary on pro forma financial information	8
6. General	9
7. Procedures to demand a poll at general meeting	10
8. Additional Information	10
 Appendix I – Profit and loss statement of the Property	 11
Appendix II – Pro forma financial information	12
Appendix III – Additional financial information of the Group	17
Appendix IV – Property valuation	67
Appendix V – General information	72

DEFINITIONS

In this circular, unless the context otherwise requires, the following expressions have the following meanings:

“Acquisition”	the acquisition of the Property by Generalvestor from the Vendor on and subject to the terms and conditions of the Formal Agreement
“associates”	has the meaning ascribed to it under the Listing Rules
“Board”	the board of Directors
“Company”	HKC International Holdings Limited, a company incorporated in the Cayman Islands, the shares of which are listed on the Stock Exchange
“Completion”	completion of the Acquisition in accordance with the Formal Agreement
“Directors”	the directors of the Company
“Disposed Buildings”	collectively, (i) the whole of Communications Building, Nos. 55 and 57 Hennessy Road, Wanchai, Hong Kong; and (ii) the whole of Luen Sun Building, Nos. 51 and 53 Hennessy Road, Wanchai, Hong Kong, which were disposed of by the Group to an Independent Third Party by tender at a consideration of HK\$180 million and the completion of the disposal of which took place on 8 April 2005. The particulars of such disposal were set out in the Company’s announcement dated 3 December 2004 and circular dated 17 January 2005
“Formal Agreement”	the formal agreement dated 24 March 2005 for sale and purchase for the Acquisition entered into between the Vendor as vendor and Generalvestor as purchaser
“Generalvestor”	Generalvestor (H.K.) Limited, a company incorporated in Hong Kong and a wholly owned subsidiary of the Company
“Group”	the Company and its subsidiaries from time to time
“Hong Kong”	the Hong Kong Special Administrative Region of the People’s Republic of China

DEFINITIONS

“Independent Shareholders”	Shareholders other than the Vendor and its associates
“Independent Third Party”	party who is (i) not a connected person (within the meaning as ascribed to it under the Listing Rules) of the Company and (ii) independent of and not connected with any of the directors, chief executive and substantial shareholders of the Company or any of its subsidiaries, or any of their respective associates
“Latest Practicable Date”	15 April 2005, being the latest practicable date before the printing of this circular for ascertaining certain information contained in this circular
“Listing Rules”	the Rules Governing the Listing of Securities on the Stock Exchange
“Major Shareholders”	collectively: (a) Matrix World Group Limited, an intermediate holding company of a trust founded by Mr Chan Chung Yee, Hubert, an executive Director, whose beneficiaries are the family members of Mr Chan Chung Yee, Hubert, which directly and beneficially owned 220,691,727 shares of the Company, representing 47.90% of the issued share capital of the Company, as at the Latest Practicable Date; and (b) Star Global International Limited, an intermediate holding company of a trust founded by Mr Chan Chung Yin, Roy, an executive Director and the brother of Mr Chan Chung Yee, Hubert, whose beneficiaries are the family members of Mr Chan Chung Yin, Roy, which directly and beneficially owned 68,417,400 shares of the Company, representing 14.85% of the issued share capital of the Company, as at the Latest Practicable Date.
“Property”	the 11th Floor, AXA Centre, 151 Gloucester Road, Hong Kong
“Provisional Agreement”	the provisional agreement for sale and purchase for the Acquisition entered into between the Vendor as vendor and Generalvestor as purchaser on 8 March 2005
“Purchase Price”	HK\$65,025,000, being the purchase price Generalvestor has to pay to the Vendor for the Acquisition
“SFO”	the Securities and Futures Ordinance (Chapter 571 of the Laws of Hong Kong)

DEFINITIONS

“Shareholders”	the shareholders of the Company
“Stock Exchange”	The Stock Exchange of Hong Kong Limited
“Vendor”	the vendor of the Property under the Acquisition
“HK\$”	Hong Kong dollars, the lawful currency of Hong Kong
“%”	per cent.
“sq.ft”	square feet
“sq.m.”	square metres

LETTER FROM THE BOARD



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)

Executive Directors:

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

Independent non-executive Directors:

Chu Chor Lup
Chiu Ngar Wing
Leung Tai Wai, David

*To the Shareholders and, for information only,
the holders of options granted by the Company*

Dear Sir or Madam

Registered Office:

Century Yard, Cricket Square
Hutchins Drive
P.O. Box 2681 GT
George Town
Grand Cayman
British West Indies

Principal place of business

in Hong Kong:

25th Floor
Oxford House
TaiKoo Place
979 King's Road
Quarry Bay
Hong Kong

20 April 2005

MAJOR TRANSACTION: ACQUISITION OF LANDED PROPERTY

1. INTRODUCTION

On 15 March 2005, the Board announced that Generalvestor, a wholly owned subsidiary of the Company, entered into the Provisional Agreement on 8 March 2005 with the Vendor for the acquisition of the Property by Generalvestor. The Board further announced on 23 March 2005 that Generalvestor signed the Formal Agreement which supersedes the Provisional Agreement.

* For identification purposes only

LETTER FROM THE BOARD

The Acquisition constitutes a major transaction for the Company under Chapter 14 of the Listing Rules and was conditional on approval by the Independent Shareholders. Such condition was fulfilled by the Major Shareholders having given their written approval for the Acquisition as mentioned below.

Under Rule 14.44 of the Listing Rules, Independent Shareholders' approval for the Acquisition may be obtained by written Shareholders' approval without the need of convening a general meeting if (a) no Shareholder is required to abstain from voting if the Company were to convene a general meeting for the approval of the Acquisition; and (b) written approval has been obtained from one or more Independent Shareholders who together hold more than 50% in nominal value of the issued share capital of the Company giving the right to attend and vote at general meetings.

The Major Shareholders, consisting of a closely allied group of Shareholders which were directly and beneficially interested in approximately 62.75% of the issued share capital of the Company as at the Latest Practicable Date, have given their written approvals for the Acquisition. Therefore, no physical general meeting of the Company will be convened for considering the Acquisition.

The purpose of this circular is to give you further information regarding the Acquisition.

2. THE FORMAL AGREEMENT

Parties

Vendor: The Vendor is a company incorporated in Hong Kong and is principally engaged in property investments. To the best of the Directors' knowledge, information and belief having made all reasonable enquiry, the Vendor and its ultimate beneficial owners are Independent Third Parties.

Purchaser: Generalvestor, a wholly owned subsidiary of the Company

Property to be acquired

The 11th Floor, AXA Centre, 151 Gloucester Road, Hong Kong, with a gross floor area of approximately 12,750 square feet.

The Property is an office premises. Generalvestor is to purchase the Property subject to an existing tenancy at a monthly rental of HK\$132,600 which is exclusive of rates, management fees, air-conditioning charges and other outgoings. The tenancy commenced from 1 January 2003 and is due to expire on 31 December 2005. The tenant is not required to pay rent for the respective periods ("**Rent-free Periods**") of 1 October 2003 to 31 December 2003 and 1 November 2005 to 31 December 2005 under the terms of the tenancy. To the best of the Directors' knowledge, information and belief, the tenant and its ultimate beneficial owner(s) are Independent Third Parties.

LETTER FROM THE BOARD

According to the tenancy agreement, taking into account the Rent-free Periods, the average annual rental income generated from the leasing of the Property for each of the two years ended 31 December 2004 amounted to HK\$1,370,200 before deduction of government rent and property tax payable by the Vendor under the tenancy agreement. The auditors of the Company have confirmed that the above computation is in compliance with the relevant requirements under the Hong Kong Accounting Standards issued by the Hong Kong Institute of Certified Practice Accountants.

Purchase Price

The Purchase Price is HK\$65,025,000, and was or will be paid in the following manner in cash:

- (1) a sum of HK\$3,000,000 was paid as initial deposit and part payment of the Purchase Price upon signing of the Provisional Agreement on 8 March 2005;
- (2) a further sum of HK\$3,502,500, which together with initial deposit mentioned above represent 10% of the Purchase Price (together, the “**Deposits**”), as further deposit and part payment of the Purchase Price was paid on 22 March 2005; and
- (3) HK\$58,522,500, representing the balance of the Purchase Price, shall be paid on Completion on or before 7 June 2005.

The Deposits, which are to be held by the Vendor’s solicitors as stakeholders under the terms of the Provisional Agreement, have been released to the Vendor since the balance of the Purchase Price is sufficient to discharge the existing legal charge/mortgage of the Property.

The Purchase Price was determined after arm’s length negotiations between the Vendor and Generalvestor with reference to the prevailing market value of other office premises of comparable size and quality in the area where the Property is located. A valuation report on the Property has been prepared by an independent valuer, which is set out in Appendix IV to this circular.

The Deposits were financed by internal resources of the Group while it is expected that the balance of the Purchase Price will be financed by internal resources generated from the Disposal (as defined below) or a combination of such internal resources and bank borrowing as may be considered appropriate or desirable by the Board. It is expected that if the then prevailing interest rate reaches a level which the Board considers beneficial, the Group may seek bank borrowing of an amount up to HK\$30 million (subject to finalisation of the amount) to finance part of the balance of the Purchase Price. In the event that such bank borrowing is not sought by the Group or is not granted to the Group, the balance of the Purchase Price will be wholly financed by internal resources of the Group. As at the Latest Practicable Date, the Board had not decided which way(s) the balance of the Purchase Price would be financed.

LETTER FROM THE BOARD

The disposal (“**Disposal**”) of the Disposed Buildings was completed on 8 April 2005 and the Group has received a sum of about HK\$140.11 million upon completion of the Disposal (after deduction for the redemption money paid to the bank from the balance of the sale price of HK\$162 million but before related expenses of approximately HK\$1.7 million). Therefore, the Directors believe that the Group will have sufficient financial resources to satisfy the balance of the Purchase Price of HK\$58,522,500 without the need to seek bank borrowing.

Condition of the Acquisition

The Acquisition constitutes a major transaction for the Company under Chapter 14 of the Listing Rules and was conditional on approval by the Independent Shareholders.

The Major Shareholders, consisting of a closely allied group of Shareholders who were directly and beneficially interested in approximately 62.75% of the issued share capital of the Company as at the Latest Practicable Date, have given their written approvals for the Acquisition. Therefore, Independent Shareholders’ approval for the Acquisition has been obtained by means of written approvals from the Major Shareholders, and the condition of the Acquisition was thus fulfilled.

Completion

Completion of the Acquisition shall take place on or before 7 June 2005.

3. REASONS FOR THE ACQUISITION

The Directors consider that the Acquisition provides an opportunity to expand the Group’s assets base. The Directors believe the Property has a good potential to appreciate in value, and the Property will generate rental income to the Group.

The Directors are of the view that the Acquisition is on normal commercial terms and is fair and reasonable to and in the interests of the Shareholders as a whole.

4. FINANCIAL EFFECT OF THE ACQUISITION

There will not be any significant impact on the net assets of the Group following the Acquisition as the increase in investment property will be offset by the decrease in bank balances and cash and/or increase in bank borrowing of the Group.

Rental income of approximately HK\$663,000 for leasing the Property to Independent Third Party will be accounted for in the financial year ending 31 March 2006. The earning of the Company will be increased by approximately HK\$663,000 before deduction of government rent and property tax.

The Directors confirm that the Acquisition will not materially affect the business operations of the Group.

LETTER FROM THE BOARD

5. COMMENTARY ON PRO FORMA FINANCIAL INFORMATION

The following commentary on the Group refers to the unaudited pro forma consolidated net assets statement of the Group as included in Appendix II to this circular, assuming that the Property had been acquired as at 1 April 2004:

Liquidity and financial resources

Assuming completion of the Acquisition had taken place at 30 September 2004 and the Purchase Price was financed by internal resources, the Group's bank balances and cash amounted to HK\$ 123 million. The Group had bank borrowings of HK\$ 0.3 million and the gearing ratio, expressed as a percentage of total borrowings to shareholders' funds, was 0.1% as at 30 September 2004.

Charges on Group's assets

The Group's bank deposits of HK\$ 253,000 were pledged to secure the performance bonds which are unrelated to the Properties. Save as aforesaid, no assets of the Group were mortgaged, charged or pledged as at 30 September 2004.

Major investment

The Group has formed a wholly owned subsidiary in Malaysia in June 2004 for sales and distribution of mobile phone in Malaysia. The issued share capital is approximately HK\$ 1 million. Other than the contribution to the share capital, the Group had not made any investment nor had any commitment to this new subsidiary as at 30 September 2004. There was no other significant investment during the six months ended 30 September 2004.

Future plan for material investments

While the Directors are constantly looking for investment opportunities, no concrete new investment projects have been identified.

Prospects

We have extended our sales and distribution of mobile phones to Thailand and Malaysia. In addition, we will consolidate the operations of business solutions in Hong Kong, China, Singapore and USA to utilise the common resources more effectively and enjoy the synergy advantages.

As stated in the interim report of the Company for the period ended 30 September 2004, the Group recorded a net profit of HK\$4.2 million and turnover was HK\$469 million representing an increase of 20% and 6% respectively from the corresponding period last year. The increase was mainly attributable to the popularity of new models of Nokia's mobile phones, and the contribution from the retail chain "Circle" also helped to boost the profit.

We hope that the continued popularity of Nokia's mobile phones and the booming of retail market will help to achieve the satisfactory results.

LETTER FROM THE BOARD

Employees

As at 30 September 2004, the total number of employees of the Group was approximately 300 (31 March 2004: 280) and the remuneration of employees (excluding directors' emoluments) amounted to approximately HK\$ 20 million for the six months ended 30 September 2004 (2003: HK\$ 20 million). The remuneration and bonus packages are based on the individual merits and performance and are reviewed at least annually. The Group maintains a good relationship with its employees.

Exposure to fluctuations in exchange rates

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

6. GENERAL

The Group is principally engaged in the sale and distribution of mobile phones and related accessories, office telephone system in Hong Kong and Singapore, and the provision of mobile phone network connection and repair and maintenance services and systems integration services.

The Acquisition constitutes a major transaction for the Company under Chapter 14 of the Listing Rules and was conditional on approval by the Independent Shareholders. Such condition was fulfilled by the Major Shareholders having given their written approval for the Acquisition as mentioned below.

Under Rule 14.44 of the Listing Rules, Independent Shareholders' approval for the Acquisition may be obtained by written Shareholders' approval without the need of convening a general meeting if (a) no Shareholder is required to abstain from voting if the Company were to convene a general meeting for the approval of the Acquisition; and (b) written approval has been obtained from one or more Independent Shareholders who together hold more than 50% in nominal value of the issued share capital of the Company giving the right to attend and vote at general meetings.

So far as the Directors are aware after making reasonable enquiries, none of the Vendor and its associates was a Shareholder as at the Latest Practicable Date and would have been required to abstain from voting if the Company were to convene a general meeting for the approval of the Acquisition. The Major Shareholders, consisting of a closely allied group of Shareholders, which were directly and beneficially interested in approximately 62.75% of the issued share capital of the Company as at the Latest Practicable Date, have given their written approvals to the Acquisition. Therefore, no physical general meeting of the Company will be convened for considering the Acquisition.

LETTER FROM THE BOARD

7. PROCEDURES TO DEMAND A POLL AT GENERAL MEETING

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

- (i) by the Chairman of the meeting; or
- (ii) by at least three Shareholders present in person (or, in the case of a Shareholder being a corporation, by its duly authorized representative) or by proxy for the time being entitled to vote at the meeting; or
- (iii) by any Shareholder or Shareholders present in person (or, in the case of a Shareholder being a corporation, by its duly authorized representative) or by proxy and representing not less than one-tenth of the total voting rights of all the Shareholders having the right to vote at the meeting; or
- (iv) by a Shareholder or Shareholders present in person (or, in the case of a Shareholder being a corporation, by its duly authorized representative) or by proxy and holding shares in the Company conferring a right to vote at the meeting being shares on which an aggregate sum has been paid up equal to not less than one-tenth of the total sum paid up on all the shares conferring that right.

8. ADDITIONAL INFORMATION

Your attention is drawn to the information set out in the appendices to this circular.

Yours faithfully,
For and on behalf of the Board of
HKC International Holdings Limited
Chan Chung Yee, Hubert
Chairman

APPENDIX I PROFIT AND LOSS STATEMENT OF THE PROPERTY

(I) PROFIT AND LOSS STATEMENT OF THE PROPERTY

	<i>Notes</i>	Nine months ended 31 December 2004 HK\$'000
Rental income	<i>1</i>	955
Government rates, property management fees and air-conditioning charges	<i>2</i>	<u> –</u>
Profit for the period		<u><u> 955</u></u>

The profit and loss statement of the Property for the nine months ended 31 December 2004 set out above has been prepared by the Directors based on the relevant tenancy agreement (“Tenancy Agreement”) of the Property provided by the Vendor as the Directors are unable to gain access to the underlying accounting books and records of the Vendor in relation to the Property. Accordingly, it may not give a true picture of the performance of the Property actually occurred during the nine months ended 31 December 2004.

The auditors of the Company have confirmed that based on their review and the procedures carried out by them, the profit and loss statement of the Property has been properly compiled and derived from the Tenancy Agreement.

Note:

1. The rental income for the nine months ended 31 December 2004 is derived from the Tenancy Agreement calculated based on the average annual rental income taking into account the rent-free period provided in the Tenancy Agreement. The Property was acquired by the Vendor on 30 April 2004 and no profit and loss for the three financial years ended 31 March 2004 has been recorded. The auditors of the Company have confirmed that the computation of the rental income amounting to HK\$955,000 has properly complied with the requirement under the Hong Kong Accounting Standards issued by the Hong Kong Institute of Certified Public Accountants.
2. Based on the Tenancy Agreement, government rates, property management fees and air-conditioning charges were borne by the tenant of the Property. Accordingly, the Directors believe that no government rates, property management fees and air-conditioning charges were incurred by the Vendor during the nine months ended 31 December 2004.
3. Save for the Tenancy Agreement, the Directors do not have access to other information about the Property such as the Vendor’s financing arrangement or tax arrangement in relation to the Property. Due to the limited information available to them, the Directors are unable to ascertain the other expenses such as government rent, in relation to the Property. Accordingly, no other expenses such as finance costs and provision for Hong Kong Profits Tax were included in the above profit and loss statement.

(II) VALUATION OF THE PROPERTY

No valuation of the Property at the end of the nine months ended 31 December 2004 was disclosed herein as the Directors were unable to obtain any valuation report from the Vendor.



10th Floor,
Sun Hung Kai Centre,
30 Harbour Road,
Wanchai,
Hong Kong.

20 April 2005

The Directors,
HKC International Holdings Limited,
25/F., Oxford House,
TaiKoo Place,
979 King's Road,
Quarry Bay,
Hong Kong.

Dear Sirs,

We report on the unaudited Pro Forma Net Assets Statement set out in Appendix II (“Pro Forma Net Assets Statement”) to the circular of HKC International Holdings Limited (the “Company”) dated 20 April 2005 issued by the Company in connection with the proposed acquisition (the “Acquisition”) of 11/F., AXA Centre, 151 Gloucester Road, Hong Kong (the “Property”), which has been prepared by the directors of the Company (the “Directors”), for illustration purpose only, as if the Acquisition had been completed on 30 September 2004 to provide information about how the Acquisition of the Property might have affected the net assets of the Company and its subsidiaries (collectively referred to as the “Group”).

RESPONSIBILITIES

It is the responsibility solely of the Directors to prepare the Pro Forma Net Assets Statement in accordance with paragraph 29 of Chapter 4 of the Rules Governing the Listing of Securities on The Stock Exchange of Hong Kong Limited (“Listing Rules”).

It is our responsibility to form an opinion, as required by paragraph 29 of Chapter 4 of the Listing Rules, on the Pro Forma Net Assets Statement and to report our opinion to you. We do not accept any responsibility for any reports previously given by us on any financial information used in the compilation of the Pro Forma Net Assets Statement beyond that owed to those to whom those reports were addressed by us at the dates of their issue.

BASIS OF OPINION

We conducted our work in accordance with the statements of Investment Circular Reporting Standards and Bulletin 1998/8 “Reporting on pro forma financial information pursuant to the Listing Rules” issued by the Auditing Practices Board in the United Kingdom, where applicable.

Our work, which involved no independent examination of any of the underlying financial information, consisted primarily of comparing the unadjusted financial information with the source documents, considering the evidence supporting the adjustments and discussing the Pro Forma Net Assets Statement with the Directors.

Our work does not constitute an audit or a review in accordance with Statements of Auditing Standards issued by the Hong Kong Institute of Certified Public Accountants and, accordingly, we do not express any such assurance on the unaudited Pro Forma Net Assets Statement.

OPINION

In our opinion:

- (a) the unaudited Pro Forma Net Assets Statement has been properly compiled on the basis stated;
- (b) such basis is consistent with the accounting policies of the Group; and
- (c) the adjustments are appropriate for the purposes of the Pro Forma Net Assets Statement as disclosed pursuant to paragraph 29 of Chapter 4 of the Listing Rules.

Yours faithfully,

Li, Tang, Chen & Co.

Certified Public Accountants (Practising)

Hong Kong

UNAUDITED PRO FORMA CONSOLIDATED NET ASSETS STATEMENT

As at 30 September 2004

The following is the unaudited pro forma consolidated net assets statement of the Group assuming that the Property had been acquired as at 30 September 2004. The unaudited pro forma consolidated net assets statement was prepared based on the unaudited pro forma consolidated net assets statement extracted from the Group's latest published circular dated 17 January 2005, with adjustments to reflect the effect of the Acquisition.

This unaudited pro forma consolidated net assets statement was prepared for illustrative purpose only and because of its nature, it may not give a true picture of the financial position of the Group at any dates.

	<i>NOTES</i>	30 September 2004 <i>HK\$'000</i> (unaudited)	Pro forma adjustments <i>HK\$'000</i>	Adjusted balances <i>HK\$'000</i>
Non-current assets				
Investment properties	1	5,641	68,363	74,004
Property, plant and equipment		10,145		10,145
Investments in securities		6,640		6,640
Club debentures		335		335
Deferred tax assets		58		58
		<u>22,819</u>		<u>91,182</u>
Current assets				
Inventories		44,297		44,297
Debtors, deposits and prepayments		54,042		54,042
Amounts due from related companies		2,087		2,087
Investments in securities		3,862		3,862
Taxation recoverable		852		852
Pledged bank deposit		253		253
Bank balances and cash	4(a)	190,306	(67,242)	123,064
		<u>295,699</u>		<u>228,457</u>

APPENDIX II**PRO FORMA FINANCIAL INFORMATION**

		30 September 2004	Pro forma adjustments	Adjusted balances
	<i>NOTES</i>	<i>HK\$'000</i> (unaudited)	<i>HK\$'000</i>	<i>HK\$'000</i>
Current liabilities				
Creditors and accrued charges	4(b)	51,164	451	51,615
Taxation payable	3	431	26	457
Obligations under hire				
purchase contracts		28		28
Bank borrowings – secured		76		76
		<u>51,699</u>		<u>52,176</u>
Net current assets		<u>244,000</u>		<u>176,281</u>
Total assets less current liabilities		<u>266,819</u>		<u>267,463</u>
Non-current liabilities				
Bank borrowings – secured		240		240
Deferred tax liabilities	3	124	91	215
		<u>364</u>		<u>455</u>
Minority interests		<u>542</u>		<u>542</u>
Net assets		<u><u>265,913</u></u>		<u><u>266,466</u></u>

Notes:

1. The adjustment reflects the Acquisition of the Property with carrying amounts of HK\$65,025,000, and taking into account the related cost directly attributed to the cost of the Property, including legal fee, sales agent commission and stamp duty, which total amount is approximately HK\$3,338,000.
2. The adjustment reflects other related cost of the Acquisition not directly attributed to the cost of the Property, including accountancy fee and printing cost, which total amount is approximately HK\$50,000.
3. The adjustment reflects (i) deposit from tenant HK\$375,000, (ii) tax payable HK\$26,000 and deferred tax liability HK\$91,000 arising from leasing the Property, and (iii) creditors and accrued charges HK\$76,000 arising from difference between the effective rental income HK\$720,000 and the actual cash received from leasing HK\$796,000.

4.		<i>HK\$'000</i>
	(a) Bank balances and cash	
	Consideration and related cost of the Acquisition of Property (<i>note 1</i>)	(68,363)
	Other related cost of the Acquisition of Property (<i>note 2</i>)	(50)
	Cash received from leasing the Property (<i>note 3</i>)	796
	Deposit from tenant (<i>note 3</i>)	375
		<u>67,242</u>
	(b) Creditor and accrued charges	
	Deposit from tenant (<i>note 3</i>)	375
	Difference between effective rental income and actual cash received from leasing (<i>note 3</i>)	76
		<u>451</u>

A. UNAUDITED FINANCIAL STATEMENTS OF THE COMPANY FOR THE SIX MONTHS
ENDED 30 SEPTEMBER 2004

Set out below is the unaudited financial statements for the Group for the six months ended 30 September 2004 as extracted from the Company's 2004 interim report.

CONDENSED CONSOLIDATED INCOME STATEMENT

For the six months ended 30 September 2004

	Notes	Six months ended	
		30.9.2004 HK\$'000 (unaudited)	30.9.2003 HK\$'000 (unaudited)
Turnover	3	469,410	442,873
Cost of sales		<u>(417,603)</u>	<u>(402,216)</u>
Gross profit		51,807	40,657
Other operating income	4	378	164
Selling and distribution costs		(4,779)	(3,021)
Administrative expenses		(36,355)	(32,773)
Impairment loss recognized in respect of goodwill		(3,645)	–
Amortisation of goodwill		<u>(214)</u>	<u>(300)</u>
Profit from operations	5	7,192	4,727
Finance costs	6	<u>(404)</u>	<u>(452)</u>
Profit before taxation		6,788	4,275
Taxation	7	<u>(2,556)</u>	<u>(953)</u>
Profit before minority interests		4,232	3,322
Minority interests		<u>15</u>	<u>155</u>
Profit for the period		<u><u>4,247</u></u>	<u><u>3,477</u></u>
Dividend	8	<u>Nil</u>	<u>Nil</u>
Earnings per share – basic (<i>HK cents</i>)	9	<u><u>0.94 cents</u></u>	<u><u>0.80 cents</u></u>

CONDENSED CONSOLIDATED BALANCE SHEET

As at 30 September 2004

	<i>Notes</i>	30.9.2004 <i>HK\$'000</i> (unaudited)	31.3.2004 <i>HK\$'000</i> (audited)
Non-current assets			
Goodwill		–	3,859
Investment properties	10	88,408	75,946
Property, plant and equipment	10	68,327	54,888
Investments in securities		6,640	6,640
Club debentures		335	335
Deferred tax assets		58	58
		<u>163,768</u>	<u>141,726</u>
Current assets			
Inventories		44,297	51,689
Debtors, deposits and prepayments	11	53,982	41,313
Amounts due from related companies		2,087	1,825
Investments in securities		3,862	3,862
Taxation recoverable		852	3,324
Pledged bank deposit		253	280
Bank balances and cash		41,310	32,473
		<u>146,643</u>	<u>134,766</u>
Current liabilities			
Creditors and accrued charges	12	51,338	43,541
Taxation payable		188	743
Obligations under hire purchase contracts		28	47
Bank borrowings – secured		3,187	3,187
		<u>54,741</u>	<u>47,518</u>
Net current assets		<u>91,902</u>	<u>87,248</u>
Total assets less current liabilities		<u>255,670</u>	<u>228,974</u>

CONDENSED CONSOLIDATED BALANCE SHEET (continued)

As at 30 September 2004

	<i>Notes</i>	30.9.2004 <i>HK\$'000</i> (unaudited)	31.3.2004 <i>HK\$'000</i> (audited)
Non-current liabilities			
Obligations under hire purchase contracts		–	4
Bank borrowings – secured		25,590	27,218
Deferred tax liabilities		9,192	6,254
		<u>34,782</u>	<u>33,476</u>
Minority interests		<u>542</u>	<u>557</u>
		<u>220,346</u>	<u>194,941</u>
Capital and reserves			
Share capital		4,496	4,496
Reserves		215,850	190,445
		<u>220,346</u>	<u>194,941</u>

CONDENSED CONSOLIDATED STATEMENTS OF CHANGES IN EQUITY

For the six months ended 30 September 2004

	Share capital HK\$'000	Share premium HK\$'000	Capital reserve HK\$'000	Investment property revaluation reserve HK\$'000	Leasehold property revaluation reserve HK\$'000	Translation reserve HK\$'000	Retained profits HK\$'000	Total HK\$'000
At 1.4.2004	4,496	29,535	28,325	8,358	27,944	48	96,235	194,941
Revaluation surplus	-	-	-	12,462	15,986	-	-	28,448
Deferred tax liabilities charged	-	-	-	-	(2,738)	-	-	(2,738)
Exchange difference on translation of overseas operation	-	-	-	-	-	(56)	-	(56)
Profit for the period	-	-	-	-	-	-	4,247	4,247
Dividend paid	-	-	-	-	-	-	(4,496)	(4,496)
At 30.9.2004	<u>4,496</u>	<u>29,535</u>	<u>28,325</u>	<u>20,820</u>	<u>41,192</u>	<u>(8)</u>	<u>95,986</u>	<u>220,346</u>
At 1.4.2003	4,348	27,239	28,325	9,465	23,573	(36)	100,060	192,974
Shares issued pursuant to scrip dividend scheme	148	2,296	-	-	-	-	-	2,444
Revaluation deficit	-	-	-	(2,000)	-	-	-	(2,000)
Exchange difference on translation of overseas operation	-	-	-	-	-	(12)	-	(12)
Profit for the period	-	-	-	-	-	-	3,477	3,477
Dividend paid	-	-	-	-	-	-	(4,348)	(4,348)
At 30.9.2003	<u>4,496</u>	<u>29,535</u>	<u>28,325</u>	<u>7,465</u>	<u>23,573</u>	<u>(48)</u>	<u>99,189</u>	<u>192,535</u>

CONDENSED CONSOLIDATED CASH FLOW STATEMENTS

For the six months ended 30 September 2004

	Six months ended	
	30.9.2004	30.9.2003
	<i>HK\$'000</i>	<i>HK\$'000</i>
	(unaudited)	(unaudited)
Net cash from operating activities	15,693	13,950
Net cash used in investing activities	(479)	(2,010)
Net cash used in financing activities	(6,147)	(6,194)
	<hr/>	<hr/>
Net increase in cash and cash equivalents	9,067	5,746
Cash and cash equivalents at beginning of the period	32,417	22,030
Effect of foreign exchange rate changes	(174)	(6)
	<hr/>	<hr/>
Cash and cash equivalents at end of the period	<u>41,310</u>	<u>27,770</u>

NOTES TO THE FINANCIAL STATEMENTS

For the six months ended 30 September 2004

1. BASIS OF PREPARATION

The condensed financial statements have been prepared in accordance with the applicable disclosure requirements of Appendix 16 (in force immediately before its revision became effective on 31 March 2004) to the Rules Governing the Listing of Securities on the Stock Exchange of Hong Kong Limited (the "Listing Rules") and with the Statement of Standard Accounting Practice No. 25 "Interim financial reporting".

2. PRINCIPAL ACCOUNTING POLICIES

The condensed financial statements have been prepared under the historical cost convention, as modified for revaluation of certain properties and investments in securities.

The accounting policies are consistent with those followed in the preparation of the Group's annual financial statements for the year ended 31 March 2004.

3. SEGMENT INFORMATION

The turnover and contributions to profit from operations of the Group for the period, analysed by business segments are as follows:

For the six months ended 30 September 2004

	Sale of mobile phones <i>HK\$'000</i>	Sale of business solutions <i>HK\$'000</i>	Connection services <i>HK\$'000</i>	Property investments <i>HK\$'000</i>	Installation, repair and maintenance services <i>HK\$'000</i>	Elimination <i>HK\$'000</i>	Consolidated <i>HK\$'000</i>
External sales	436,889	17,728	-	1,165	13,628	-	469,410
Inter-segment sales	-	-	-	648	-	(648)	-
	<u>436,889</u>	<u>17,728</u>	<u>-</u>	<u>1,813</u>	<u>13,628</u>	<u>(648)</u>	<u>469,410</u>
Segments results	<u>9,613</u>	<u>(3,035)</u>	<u>-</u>	<u>638</u>	<u>3,457</u>		10,673
Other operating income							378
Impairment loss recognized in respect of goodwill	-	(3,645)	-	-	-		(3,645)
Amortisation of goodwill	-	(214)	-	-	-		(214)
Profit from operations							<u>7,192</u>

3. SEGMENT INFORMATION (continued)

For the six months ended 30 September 2003

	Sale of mobile phones <i>HK\$'000</i>	Sale of business solutions <i>HK\$'000</i>	Connection services <i>HK\$'000</i>	Property investments <i>HK\$'000</i>	Installation, repair and maintenance services <i>HK\$'000</i>	Elimination <i>HK\$'000</i>	Consolidated <i>HK\$'000</i>
External sales	405,833	21,536	875	1,981	12,648	-	442,873
Inter-segment sales	-	-	-	1,050	-	(1,050)	-
	<u>405,833</u>	<u>21,536</u>	<u>875</u>	<u>3,031</u>	<u>12,648</u>	<u>(1,050)</u>	<u>442,873</u>
Segments results	<u>2,561</u>	<u>(555)</u>	<u>286</u>	<u>1,652</u>	<u>919</u>		4,863
Other operating income							164
Amortisation of goodwill	-	(300)	-	-	-		<u>(300)</u>
Profit from operations							<u>4,727</u>

Inter-segment sales are charged at prevailing market rates.

4. OTHER OPERATING INCOME

	Six months ended	
	30.9.2004 <i>HK\$'000</i>	30.9.2003 <i>HK\$'000</i>
Interest income from banks	95	140
Sundry income	<u>283</u>	<u>24</u>
	<u>378</u>	<u>164</u>

5. PROFIT FROM OPERATIONS

Profit from operations has been arrived at after charging:

	Six months ended	
	30.9.2004 <i>HK\$'000</i>	30.9.2003 <i>HK\$'000</i>
Depreciation		
owned assets	2,203	1,638
assets under hire purchase contracts	<u>10</u>	<u>7</u>
	<u>2,213</u>	<u>1,645</u>

6. FINANCE COSTS

	Six months ended	
	30.9.2004	30.9.2003
	<i>HK\$'000</i>	<i>HK\$'000</i>
Interest on obligations under hire purchase contracts	3	17
Interest on bank borrowings wholly repayable within five years	10	7
Interest on bank borrowings wholly repayable after five years	391	428
	<u>404</u>	<u>452</u>

7. TAXATION

	Six months ended	
	30.9.2004	30.9.2003
	<i>HK\$'000</i>	<i>HK\$'000</i>
The charge comprises:		
Hong Kong Profits Tax	2,264	953
PRC Income Tax	92	–
Deferred tax	200	–
	<u>2,556</u>	<u>953</u>

Hong Kong Profits Tax is calculated at 17.5% (2003: 17.5%) of the estimated assessable profit for the period.

PRC Income Tax is calculated at the applicable PRC tax rates on the estimated assessable profit for the period.

8. DIVIDEND

The directors do not recommend the payment of any interim dividend for the six months ended 30 September 2004 (2003: HK\$Nil) .

9. EARNINGS PER SHARE

The calculation of the basic earnings per share is based on the net profit for the period of HK\$4,247,000 (2003: HK\$3,477,000) and on the weighted average of 449,637,603 ordinary shares (2003: 436,013,947 shares) in issue during the period.

During each of the periods ended 30 September 2004 and 2003, the exercise price of the Company's options was higher than the average market price of share, thus there was no dilutive potential ordinary shares and no diluted earnings per share had been calculated.

10. INVESTMENT PROPERTIES AND PROPERTY, PLANT AND EQUIPMENT

All of the investment properties and leasehold land and buildings of the Group were revalued at 30 September 2004 by LCH (Asia-Pacific) Surveyors Limited, an independent firm of professional property valuer, on an open market value existing use basis. The resulting surplus arising on revaluation, which amounted to HK\$12,462,000 (2003: HK\$Nil) and HK\$15,986,000 (2003: HK\$Nil), have been credited to the investment property revaluation reserve and the leasehold property revaluation reserve respectively.

11. DEBTORS, DEPOSITS AND PREPAYMENTS

The Group has a policy of allowing average credit period ranging from 2 weeks to one month to its trade customers.

In addition, for certain customers with long-established relationship and good past repayment histories, a longer credit period may be granted.

The following is an aged analysis of trade debtors:

	30.9.2004 <i>HK\$'000</i>	31.3.2004 <i>HK\$'000</i>
Within 30 days	19,518	18,276
Between 31 to 60 days	9,690	2,769
Between 61 to 90 days	2,461	2,457
Between 91 to 120 days	1,184	597
Over 120 days	10,285	6,687
	<hr/>	<hr/>
Trade debtors	43,138	30,786
Other debtors, deposits and prepayments	10,844	10,527
	<hr/>	<hr/>
	53,982	41,313
	<hr/> <hr/>	<hr/> <hr/>

12. CREDITORS AND ACCRUED CHARGES

The following is an aged analysis of trade creditors:

	30.9.2004 <i>HK\$'000</i>	31.3.2004 <i>HK\$'000</i>
Within 30 days	40,404	34,996
Between 31 to 60 days	246	365
Between 61 to 90 days	134	2,202
Between 91 to 120 days	598	–
Over 120 days	2,596	–
	<hr/>	<hr/>
Trade creditors	43,978	37,563
Other creditors and accrued charges	7,360	5,978
	<hr/>	<hr/>
	51,338	43,541
	<hr/> <hr/>	<hr/> <hr/>

13. RELATED PARTY TRANSACTIONS

During the period, the Group had the following transactions, which were conducted in the ordinary course of the Group's business, with its related companies:

Name	Notes	Nature of transactions	Six months ended	
			30.9.2004 HK\$'000	30.9.2003 HK\$'000
BIA Technology Ltd	(i)	Sales to	2,299	9
	(i)	Purchase from	–	847
	(ii)	Rental income received	18	38
Hong Kong Communications Computer Company Limited	(i)	Computer software maintenance fee paid and purchase from	39	230
	(ii)	Rental income received	90	125
HKC Intown Limited	(i)	Internet access fee paid	116	42

Notes:

- (i) Sales, purchases and other expenses paid are based on cost plus a percentage of profit mark-up.
- (ii) Rentals income was charged based on the area used, which the management of the Group considered to be appropriate basis of allocation.

14. CONTINGENT LIABILITIES

At 30 September 2004, the Company has provided corporate guarantees of HK\$96,740,000 (31 March 2004: HK\$97,340,000) to secure the banking facilities granted to subsidiary companies.

15. PLEDGES OF ASSETS

At 30 September 2004, certain leasehold land and buildings and investment properties with aggregate carrying values of HK\$4,170,000 (31 March 2004: HK\$4,170,000) and HK\$65,400,000 (31 March 2004: HK\$ 55,000,000) respectively were pledged to banks to secure banking facilities granted to the Group. In addition, the Group's bank deposits of HK\$253,000 (31 March 2004: HK\$280,000) were pledged to banks to secure the performance bonds.

B. THREE YEAR FINANCIAL SUMMARY

Set out below is the summary of the audited consolidated income statements of the Group for each of the three years 31 March 2004, as extracted from the Company's audited financial statements for each of the three years ended 31 March 2004.

CONSOLIDATED INCOME STATEMENT

	For the year ended 31 March		
	2004	2003	2002
	(Audited)	(Audited)	(Audited)
	<i>HK\$'000</i>	<i>HK\$'000</i>	<i>HK\$'000</i>
		(Restated)	
TURNOVER	954,137	821,405	726,717
Cost of sales	(874,440)	(731,428)	(628,424)
GROSS PROFIT	79,697	89,977	98,293
Other operating income	1,147	754	493
Selling and distribution costs	(7,773)	(9,264)	(14,646)
Administrative and other operating expenses	(68,164)	(65,247)	(60,910)
Impairment loss recognised in respect of investments in securities	–	(2,000)	–
Impairment loss recognised in respect of goodwill	–	(471)	–
Amortisation of goodwill arising on acquisition of subsidiaries	(429)	–	–
(Loss) Gain on disposal of investment properties	(2,053)	–	2,911
PROFIT FROM OPERATIONS	2,425	13,749	26,141
Finance costs	(864)	(267)	(91)
PROFIT BEFORE TAXATION	1,561	13,482	26,050
TAX EXPENSE	(1,340)	(2,708)	(3,668)
PROFIT BEFORE MINORITY INTERESTS	221	10,774	22,382
MINORITY INTERESTS	302	93	(1,470)
NET PROFIT ATTRIBUTABLE TO SHAREHOLDERS	<u>523</u>	<u>10,867</u>	<u>20,912</u>
DIVIDEND	<u>4,348</u>	<u>8,660</u>	<u>N/A</u>
EARNINGS PER SHARE – (HK CENTS)			
– basic	<u>0.1 cent</u>	<u>2.5 cents</u>	<u>5.4 cents</u>
– diluted	<u>0.1 cent</u>	<u>2.5 cents</u>	<u>N/A</u>

C. AUDITED FINANCIAL STATEMENTS OF THE COMPANY FOR THE TWO YEARS ENDED 31 MARCH 2004

Set out below is the audited financial statements of the Group for the two years ended 31 March 2004 as extracted from the Company's 2004 annual report.

CONSOLIDATED INCOME STATEMENT

For the year ended 31 March 2004

	<i>Notes</i>	2004 <i>HK\$'000</i>	2003 <i>HK\$'000</i> (Restated)
TURNOVER	4	954,137	821,405
Cost of sales		<u>(874,440)</u>	<u>(731,428)</u>
GROSS PROFIT		79,697	89,977
Other operating income	6	1,147	754
Selling and distribution costs		(7,773)	(9,264)
Administrative and other operating expenses		(68,164)	(65,247)
Impairment loss recognised in respect of investments in securities	7	–	(2,000)
Impairment loss recognised in respect of goodwill		–	(471)
Amortisation of goodwill arising on acquisition of subsidiaries		(429)	–
Loss on disposal of investment properties		<u>(2,053)</u>	<u>–</u>
PROFIT FROM OPERATIONS	8	2,425	13,749
Finance costs	9	<u>(864)</u>	<u>(267)</u>
PROFIT BEFORE TAXATION		1,561	13,482
TAX EXPENSE	12	<u>(1,340)</u>	<u>(2,708)</u>
PROFIT BEFORE MINORITY INTERESTS		221	10,774
MINORITY INTERESTS		<u>302</u>	<u>93</u>
NET PROFIT ATTRIBUTABLE TO SHAREHOLDERS		<u><u>523</u></u>	<u><u>10,867</u></u>
DIVIDEND	14	<u><u>4,348</u></u>	<u><u>8,660</u></u>
EARNINGS PER SHARE – (HK CENTS)			
– basic	15	<u><u>0.1 cent</u></u>	<u><u>2.5 cents</u></u>
– diluted	15	<u><u>0.1 cent</u></u>	<u><u>2.5 cents</u></u>

APPENDIX III**ADDITIONAL FINANCIAL INFORMATION
OF THE GROUP****CONSOLIDATED BALANCE SHEETS***As at 31 March 2004*

	<i>Notes</i>	2004 <i>HK\$'000</i>	2003 <i>HK\$'000</i> (Restated)
NON-CURRENT ASSETS			
Goodwill	16	3,859	–
Investment properties	17	75,946	85,338
Property, plant and equipment	18	54,888	50,470
Investments in securities	20	6,640	2,000
Club debentures		335	335
Deferred tax assets	27	58	–
		<u>141,726</u>	<u>138,143</u>
CURRENT ASSETS			
Inventories	21	51,689	65,645
Debtors, deposits and prepayments	22	41,313	34,534
Amounts due from related companies	23	1,825	6,191
Investments in securities	20	3,862	7,741
Taxation recoverable		3,324	2,696
Pledged deposit	35	280	–
Bank balances and cash		32,473	22,030
		<u>134,766</u>	<u>138,837</u>
CURRENT LIABILITIES			
Creditors and accrued charges	24	43,541	44,309
Taxation payable		743	572
Obligations under finance leases	25	47	44
Bank borrowings	26	3,187	3,098
		<u>47,518</u>	<u>48,023</u>
NET CURRENT ASSETS		<u>87,248</u>	<u>90,814</u>
TOTAL ASSETS LESS CURRENT LIABILITIES		<u>228,974</u>	<u>228,957</u>

CONSOLIDATED BALANCE SHEETS (continued)

As at 31 March 2004

	<i>Notes</i>	2004 <i>HK\$'000</i>	2003 <i>HK\$'000</i> (Restated)
NON-CURRENT LIABILITIES			
Obligations under finance leases	25	4	49
Bank borrowings	26	27,218	30,308
Deferred tax liabilities	27	6,254	5,248
		<u>33,476</u>	<u>35,605</u>
MINORITY INTERESTS			
		<u>557</u>	<u>378</u>
		<u>194,941</u>	<u>192,974</u>
CAPITAL AND RESERVES			
Share capital	28	4,496	4,348
Reserves	30	190,445	188,626
		<u>194,941</u>	<u>192,974</u>

BALANCE SHEETS*As at 31 March 2004*

	<i>Notes</i>	The Company	
		2004	2003
		<i>HK\$'000</i>	<i>HK\$'000</i>
		(audited)	(audited)
NON-CURRENT ASSET			
Interests in subsidiaries	19	<u>199,024</u>	<u>186,693</u>
CURRENT ASSETS			
Investments in securities	20	3,862	7,741
Bank balances and cash		<u>259</u>	<u>1,014</u>
		<u>4,121</u>	<u>8,755</u>
		<u>203,145</u>	<u>195,448</u>
CAPITAL AND RESERVES			
Share capital	28	4,496	4,348
Reserves	30	<u>198,649</u>	<u>191,100</u>
		<u>203,145</u>	<u>195,448</u>

APPENDIX III
**ADDITIONAL FINANCIAL INFORMATION
OF THE GROUP**
CONSOLIDATED STATEMENT OF CHANGES IN EQUITY
For the year ended 31 March 2004

	Share capital <i>HK\$'000</i>	Share premium <i>HK\$'000</i>	Capital reserve <i>HK\$'000</i>	Investment property revaluation reserve <i>HK\$'000</i>	Leasehold property revaluation reserve <i>HK\$'000</i>	Translation reserve <i>HK\$'000</i>	Retained profits <i>HK\$'000</i>	Total <i>HK\$'000</i>
At 1st April 2002								
As previously reported	4,330	26,900	28,325	13,306	27,856	(67)	98,407	199,057
Prior year adjustment:								
SSAP 12 (revised) "Income taxes" (<i>notes 2 and 39</i>)	-	-	-	-	(4,843)	-	(554)	(5,397)
As restated	4,330	26,900	28,325	13,306	23,013	(67)	97,853	193,660
Revaluation surplus/(deficit)	-	-	-	(3,841)	307	-	-	(3,534)
Reversal of deferred tax liabilities arising on reclassification of leasehold properties to investment properties	-	-	-	-	293	-	-	293
Deferred tax liabilities charged	-	-	-	-	(40)	-	-	(40)
Exchange difference on translation of overseas operations	-	-	-	-	-	31	-	31
Shares issued pursuant to scrip dividend scheme	18	339	-	-	-	-	-	357
Net profit for the year (as restated)	-	-	-	-	-	-	10,867	10,867
Dividend paid	-	-	-	-	-	-	(8,660)	(8,660)
At 31st March, 2003								
(as restated)	4,348	27,239	28,325	9,465	23,573	(36)	100,060	192,974
Revaluation surplus	-	-	-	767	2,512	-	-	3,279
Reclassification	-	-	-	(2,726)	2,726	-	-	-
Deficit on revaluation released upon disposal of investment properties	-	-	-	852	-	-	-	852
Deferred tax liabilities charge	-	-	-	-	(437)	-	-	(437)
Deferred tax charge due to change in tax rate	-	-	-	-	(430)	-	-	(430)
Exchange difference on translation of overseas operations	-	-	-	-	-	84	-	84
Shares issued pursuant to scrip dividend scheme	148	2,296	-	-	-	-	-	2,444
Net profit for the year	-	-	-	-	-	-	523	523
Dividend paid	-	-	-	-	-	-	(4,348)	(4,348)
At 31st March, 2004	4,496	29,535	28,325	8,358	27,944	48	96,235	194,941

CONSOLIDATED CASH FLOW STATEMENT*For the year ended 31 March 2004*

	<i>Notes</i>	2004 <i>HK\$'000</i>	2003 <i>HK\$'000</i>
OPERATING ACTIVITIES			
Profit from operations		2,425	13,749
Adjustments for:			
Interest income		(299)	(265)
Depreciation and amortisation of property, plant and equipment		3,888	2,862
Amortisation of goodwill		429	–
Impairment loss recognised in respect of investments in securities		–	2,000
Impairment loss recognised in respect of goodwill		–	471
Loss/(gain) on disposal of property, plant and equipment		963	(80)
Loss on disposal of investment properties		2,053	–
		<hr/>	<hr/>
Operating cash flows before movements in working capital		9,459	18,737
Decrease/(increase) in inventories		16,145	(24,405)
(Increase)/decrease in debtors, deposits and prepayments		(5,169)	7,092
Decrease in amount due from related companies		5,516	278
(Decrease)/increase in creditors and accrued charges		(8,657)	12,948
Decrease in bills payable		–	(412)
Exchange adjustments		(199)	(11)
		<hr/>	<hr/>
Net cash generated from operations		17,095	14,227
Interest received		299	265
Interest paid		(857)	(260)
Interest on finance leases		(7)	(7)
Tax paid:			
Hong Kong		(1,661)	(773)
Overseas		(87)	–
		<hr/>	<hr/>
NET CASH FROM OPERATING ACTIVITIES		<hr/> 14,782 <hr/>	<hr/> 13,452 <hr/>

CONSOLIDATED CASH FLOW STATEMENT (continued)

For the year ended 31 March 2004

	<i>Notes</i>	2004 <i>HK\$'000</i>	2003 <i>HK\$'000</i>
INVESTING ACTIVITIES			
Purchase of property, plant and equipment		(4,305)	(4,033)
Purchase of investment properties		–	(50,601)
Purchase of investments in securities		(10,502)	(7,741)
Proceeds from disposal of investments in securities		7,741	–
Proceeds from disposal of property, plant and equipment		3	80
Proceeds from disposal of investment properties		7,700	–
Advance to related companies		–	(4,420)
Increase in pledged deposits		(280)	–
Acquisition of subsidiaries	33(a)	223	–
NET CASH FROM/(USED IN) INVESTING ACTIVITIES		<u>580</u>	<u>(66,715)</u>
FINANCING ACTIVITIES			
Dividend paid		(1,904)	(8,303)
Repayment of bank loans		(3,056)	(796)
Repayment of obligations under finance leases		(40)	(111)
New bank loan raised		–	33,740
NET CASH (USED IN)/FROM FINANCING ACTIVITIES		<u>(5,000)</u>	<u>24,530</u>
NET INCREASE/(DECREASE) IN CASH AND CASH EQUIVALENTS		10,362	(28,733)
CASH AND CASH EQUIVALENTS AT BEGINNING OF YEAR		22,030	50,752
Effect of foreign exchange rates changes		25	11
CASH AND CASH EQUIVALENTS AT END OF YEAR		<u>32,417</u>	<u>22,030</u>
ANALYSIS OF THE BALANCES OF CASH AND CASH EQUIVALENTS			
Bank balances and cash		32,473	22,030
Bank overdraft		(56)	–
		<u>32,417</u>	<u>22,030</u>

NOTES TO THE FINANCIAL STATEMENTS**1. GENERAL**

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

The company is an investment holding company. The principal activities of its subsidiaries are set out in note 38.

2. IMPACT OF A REVISED HONG KONG STATEMENT OF STANDARD ACCOUNTING PRACTICE (“SSAP”)

The revised SSAP 12 “Income taxes” is effective for the first time for the current year’s financial statements and have had a significant impact thereon.

SSAP 12 (revised) prescribes the basis of accounting for income taxes payable or recoverable, arising from the taxable profit or loss for the current period (current tax); and income taxes payable or recoverable in future periods, principally arising from taxable and deductible temporary differences and the carryforward of unused tax losses (deferred tax).

The principal impact of the revision of this SSAP on these financial statements is described below:

Measurement and recognition:

- (a) deferred tax assets and liabilities relating to the differences between capital allowances for tax purposes and depreciation for financial reporting purposes and other taxable and deductible temporary differences are generally fully provided for, whereas previously the deferred tax was recognised for timing differences only to the extent that it was probable that the deferred tax asset or liability would crystallise in the foreseeable future.
- (b) a deferred tax liability has been recognised on the revaluation of the Group’s land and buildings; and
- (c) a deferred tax asset has been recognised for tax losses arising in the current/prior periods to the extent that it is probable that there will be sufficient future taxable profits against which such losses can be utilised.

Disclosures:

- (a) deferred tax assets and liabilities are presented separately on the balance sheet, whereas previously they were presented on a net basis; and
- (b) the related note disclosures are now more extensive than previously. These disclosures are presented in notes 12 and 27 to the financial statements and include a reconciliation between the accounting profit and the tax expense for the year.

Further details of these changes and the prior year adjustments arising from them are included in the accounting policy for deferred tax in note 3 and in note 27 to the financial statements.

3. PRINCIPAL ACCOUNTING POLICIES

The financial statements have been prepared under the historical cost convention as modified for the revaluation of investment properties, leasehold land and buildings, and investments in securities.

The financial statements have been prepared in accordance with Hong Kong SSAPs accounting principles generally accepted in Hong Kong and the disclosure requirements of the Hong Kong Companies Ordinance. The principal accounting policies adopted are as follows:

(a) Basis of consolidation

The consolidated financial statements incorporate the financial statements of the company and its subsidiaries made up to 31st March each year.

The results of subsidiaries acquired or disposed of during the year are included in the consolidated income statement from the effective date of acquisition or up to the effective date of disposal, as appropriate.

All significant inter-company transactions and balances within the Group have been eliminated on consolidation.

(b) Goodwill

Goodwill arising on consolidation represents the excess of the cost of acquisition over the Group's interest in the fair value of the identifiable assets and liabilities of a subsidiary at the date of acquisition.

Goodwill arising on acquisition of subsidiary is capitalised and amortised on a straight line basis over 10 years and is presented separately in the balance sheet.

On disposal of a subsidiary, the attributable amount of unamortised goodwill is included in the determination of the profit or loss on disposal.

(c) Revenue recognition

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

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

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

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

(d) Property, plant and equipment

Property, plant and equipment are stated at cost or valuation less accumulated depreciation and amortisation and any identified impairment loss.

Land and building are stated in the balance sheet at their revalued amount, being the fair value on the basis of their existing use at the date of revaluation less any subsequent accumulated depreciation and amortisation and any subsequent impairment losses. Revaluations are performed with sufficient regularity such that the carrying amount does not differ materially from that which would be determined using fair values at the balance sheet date.

Any revaluation increase arising on revaluation of land and buildings is credited to the leasehold property revaluation reserve except to the extent that it reverses a revaluation deficit of the same asset previously recognised as an expense, in which case the surplus is credited to income statement to the extent of the deficit previously charged. A decrease in net carrying amount arising on revaluation of land and buildings is charged as an expense to the extent that it exceeds the surplus, if any, held in the leasehold property revaluation reserve relating to previous revaluation of that particular property. On the subsequent sale of land and buildings, the attributable revaluation surplus not yet transferred to retained profits in prior years is transferred to retained profits.

3. PRINCIPAL ACCOUNTING POLICIES *(continued)***(d) Property, plant and equipment** *(continued)*

The gain or loss arising from disposal or retirement of an asset is determined as the difference between the sale proceeds and the carrying amount of the asset and is recognised in the income statement.

Depreciation and amortisation are provided to write off the cost or valuation of items of assets over their estimated useful lives, using the straight line method, at the following rates per annum:

Leasehold land	Over the term of the lease
Buildings	Over the shorter of the term of the lease or 40 years
Office equipment	10% – 20%
Leasehold improvements	20%
Furniture and fixtures	10% – 20%
Computer equipment	33 ¹ / ₃ %
Motor vehicles	20%
Moulds	20%
Plant and machinery	20%

(e) Investment properties

Investment properties are completed properties which are held for their investment potential, any rental income being negotiated at arm's length.

Investment properties are stated at their open market value based on independent professional valuations at the balance sheet date. Any revaluation surplus or deficit arising on revaluation of investment properties is credited or charged to the investment property revaluation reserve unless the balance of the reserve is insufficient to cover a deficit, in which case the excess of the deficit over the balance of the investment property revaluation reserve is charged to the income statement. Where a deficit has previously been charged to the income statement and a revaluation surplus subsequently arises, this surplus is credited to the income statement to the extent of the deficit previously charged.

On subsequent disposal of an investment property, any revaluation surplus attributable to that property is included in the determination of the profit or loss on disposal.

No depreciation is provided in respect of investment properties which are held on leases with unexpired terms, including the renewable period, or more than twenty years.

(f) 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.

The results of subsidiaries are included in the company's income statement to the extent of dividends received and receivable. The company's interest in subsidiaries are stated at cost less any impairment losses.

(g) Investments in securities

Investments in securities are recognised on a trade-date basis and are initially measured at cost.

Investments other than held-to-maturity debt securities are classified as investment securities and other investments.

Investment securities, which are securities held for an identified long term strategic purpose, are measured at subsequent reporting dates at cost, as reduced by any impairment loss that is other than temporary.

Other investments are measured at fair value, with unrealised gains and losses included in net profit or loss for the year.

3. PRINCIPAL ACCOUNTING POLICIES *(continued)***(h) Inventories**

Inventories, representing merchandise held for resale, are stated at the lower of cost and net realisable value. Cost is calculated using the first-in, first-out method. Net realisable value represents the estimated selling price in the ordinary course of business less estimated costs necessary to make the sale.

(i) Assets under finance leases

Assets held under finance leases are capitalised at their fair value at the date of acquisition. The corresponding liability to the lessor, net of interest charges, is included in the balance sheet as a finance lease obligation. Finance costs, which represent the difference between the total leasing commitments and the fair value of the assets acquired, are charged to income statement as expense over the period of the relevant lease so as to produce a constant periodic rate of charge on the remaining balances of the obligations for each accounting period.

(j) Impairment

At each balance sheet date, the Group reviews the carrying amounts of its tangible and intangible assets to determine whether there is any indication that these assets have suffered an impairment loss. If the recoverable amount of an asset is estimated to be less than its carrying amount, the carrying amount of the asset is reduced to its recoverable amount. Impairment loss is recognised as an expense immediately, unless the relevant asset is carried at a revalued amount under another SSAP, in which case the impairment loss is treated as a revaluation deficit under that SSAP.

Where an impairment loss subsequently reverses, the carrying amount of the asset is increased to the revised estimate of its recoverable amount, such that the increased carrying amount does not exceed the carrying amount that would have been determined had no impairment loss been recognised for the asset in prior years. A reversal of an impairment loss is recognised as income immediately, unless the relevant asset is carried at a revalued amount under another SSAP, in which case the reversal of the impairment loss is treated as a revaluation surplus.

(k) Income tax expense

Income tax expense comprises current and deferred tax. Income tax expense 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 liability method, on all temporary differences at the balance sheet date between the tax bases of assets and their carrying amounts for financial reporting purposes.

Deferred tax liabilities are recognised for all taxable temporary differences:

- (a) except where the deferred tax liability arises from the initial recognition of an asset or liability and, at the time of the transaction, affects neither the accounting profit nor taxable profit or loss; and
- (b) in respect of taxable temporary difference associated with interests in subsidiaries, except where the timing of the reversal of the temporary differences can be controlled and it is probable that the temporary differences will not reverse in the foreseeable future.

Deferred tax assets are recognised for all deductible temporary differences, carryforward of unused tax assets and unused tax losses, to the extent that it is probable that taxable profit will be available against which the deductible temporary differences, and the carryforward of unused tax assets and unused tax losses can be utilised:

- (a) except where the deferred tax asset relating to the deductible temporary differences arises from the initial recognition of an assets or liability and, at the time of the transaction, affects neither the accounting profit nor taxable profit or loss; and
- (b) in respect of deductible temporary differences associated with interests in subsidiaries, deferred tax assets are only recognised to the extent that it is probable that the temporary differences will reverse in the foreseeable future and taxable profit will be available against which the temporary differences can be utilised.

3. PRINCIPAL ACCOUNTING POLICIES *(continued)***(k) Income tax expense** *(continued)*

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 taxable profit will be available to allow all or part of the deferred tax asset to be utilised. Conversely, previously unrecognised deferred tax assets are recognised to the extent that it is probable that sufficient taxable profit will be available to allow all or part of the deferred tax asset to be utilised.

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

(l) Operating leases

Rentals payable under operating leases are charged to the income statement on a straight line basis over the terms of the relevant leases.

(m) Foreign currencies

Transactions in foreign currencies during the year are translated at the rates prevailing on the dates of the transactions. Monetary assets and liabilities denominated in foreign currencies at the balance sheet date are re-translated at the rates prevailing on the balance sheet date. Gains and losses arising on exchange are dealt with in the income statement.

On consolidation, the assets and liabilities of the Group's overseas subsidiaries are translated at the rates prevailing on the balance sheet date. Income and expense items are translated at the weighted average rates for the year. All exchange differences arising on consolidation are dealt with in the translation reserve. Such translation differences are recognised as income or as expenses in the period in which the operation is disposed of.

(n) Retirement benefits scheme

Payment to the Mandatory Provident Fund scheme and other stated-managed retirement benefits schemes are charged as expenses as they fall due.

(o) 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.

4. TURNOVER

	2004 HK\$'000	2003 HK\$'000
Turnover:		
Sale of goods	924,827	789,072
Repair service	12,217	14,877
Maintenance service	9,111	9,891
Installation service	3,533	3,403
Connection service	1,171	1,817
Rental income	3,278	2,345
	<u>954,137</u>	<u>821,405</u>

5. BUSINESS AND GEOGRAPHICAL SEGMENTS

Business segments

For management purposes, the Group is currently organised into five operating divisions - sales of mobile phones, sales of office systems, connection services, property investment, and provisions of installation, repair and maintenance services. These divisions are the basis on which the Group reports its primary segment information.

Segment information about these business is presented below:

For the year ended 31 March 2004:

	Sale of mobile phones <i>HK\$'000</i>	Sale of business solutions <i>HK\$'000</i>	Connection services <i>HK\$'000</i>	Property investments <i>HK\$'000</i>	Installation, repair and maintenance services <i>HK\$'000</i>	Eliminations <i>HK\$'000</i>	Consolidated <i>HK\$'000</i>
REVENUE							
External sales	879,878	44,949	1,171	3,278	24,861	-	954,137
Inter-segment sales	62,539	2,703	-	1,960	-	(67,202)	-
Total revenue	<u>942,417</u>	<u>47,652</u>	<u>1,171</u>	<u>5,238</u>	<u>24,861</u>	<u>(67,202)</u>	<u>954,137</u>
RESULT							
Segment results	<u>2,263</u>	<u>(3,565)</u>	<u>365</u>	<u>2,177</u>	<u>2,520</u>		3,760
Interest income from bank deposits							299
Unallocated other revenue							848
Loss on disposal of investment properties	-	-	-	(2,053)	-		(2,053)
Amortization of goodwill arising on acquisition of subsidiaries	-	(429)	-	-	-		(429)
Profit from operations							2,425
Finance costs							(864)
Profit before taxation							1,561
Tax expense							(1,340)
Profit before minority interests							221
Minority interests							302
Net profit attributable to shareholders							<u>523</u>

5. BUSINESS AND GEOGRAPHICAL SEGMENTS (continued)

At 31 March 2004:

Balance sheet

	Sale of mobile phones <i>HK\$'000</i>	Sale of office business solutions <i>HK\$'000</i>	Connection services <i>HK\$'000</i>	Property investments <i>HK\$'000</i>	Installation, repair and maintenance services <i>HK\$'000</i>	Consolidated <i>HK\$'000</i>
ASSETS						
Segment assets	77,941	61,545	372	77,578	9,354	226,790
Unallocated corporate assets						49,702
Consolidated total assets						<u>276,492</u>
LIABILITIES						
Segment liabilities	32,851	7,786	-	236	1,693	42,566
Unallocated corporate liabilities						38,428
Consolidated total liabilities						<u>80,994</u>
OTHER INFORMATION						
Capital expenditure	1,334	2,864	-	-	107	4,305
Depreciation and amortisation	1,096	1,545	-	102	1,145	3,888
Loss on disposal of investment properties	-	-	-	2,053	-	2,053
Amotization of goodwill arising on acquisition of subsidiaries	-	429	-	-	-	429

5. BUSINESS AND GEOGRAPHICAL SEGMENTS (continued)

For the year ended 31 March 2003:

	Sale of mobile phones <i>HK\$'000</i>	Sale of business solutions <i>HK\$'000</i>	Connection services <i>HK\$'000</i>	Property investments <i>HK\$'000</i>	Installation, repair and maintenance services <i>HK\$'000</i>	Eliminations <i>HK\$'000</i>	Consolidated <i>HK\$'000</i>
REVENUE							
External sales	758,477	30,595	1,817	2,345	28,171	-	821,405
Inter-segment sales	64,453	4,310	-	1,980	-	(70,743)	-
Total revenue	<u>822,930</u>	<u>34,905</u>	<u>1,817</u>	<u>4,325</u>	<u>28,171</u>	<u>(70,743)</u>	<u>821,405</u>
RESULT							
Segment result	<u>6,731</u>	<u>778</u>	<u>189</u>	<u>1,608</u>	<u>6,160</u>		15,466
Interest income from bank deposits							265
Unallocated other revenue							489
Impairment loss on investments in securities	-	(2,000)	-	-	-		(2,000)
Impairment loss recognised in respect of goodwill	-	(471)	-	-	-		(471)
Profit from operations							13,749
Finance costs							(267)
Profit before taxation							13,482
Tax expense							(2,708)
Profit before minority interests							10,774
Minority interests							93
Net profit attributable to shareholders							<u>10,867</u>

5. BUSINESS AND GEOGRAPHICAL SEGMENTS (continued)

At 31 March 2003:

Balance sheet

	Sale of mobile phones <i>HK\$'000</i>	Sale of business solutions <i>HK\$'000</i>	Connection Services <i>HK\$'000</i>	Property investments <i>HK\$'000</i>	Installation, repair and maintenance services <i>HK\$'000</i>	Consolidated <i>HK\$'000</i> (Restated)
ASSETS						
Segment assets	84,733	45,642	2,479	85,993	19,411	238,258
Unallocated corporate assets						38,722
Consolidated total assets						<u>276,980</u>
LIABILITIES						
Segment liabilities	37,569	6,280	–	206	254	44,309
Unallocated corporate liabilities						39,319
Consolidated total liabilities						<u>83,628</u>
OTHER INFORMATION						
Capital expenditure	2,886	1,288	–	50,636	14	54,824
Depreciation and amortisation	1,859	848	–	128	27	2,862
Impairment loss recognised	–	2,471	–	–	–	<u>2,471</u>

Geographical segments

During the years ended 31 March 2003 and 2004, more than 90% of the Group's turnover, profit from operations, assets and liabilities were derived from and located in Hong Kong and, therefore, no geographical segments are presented in the financial statements.

6. OTHER OPERATING INCOME

	2004 <i>HK\$'000</i>	2003 <i>HK\$'000</i>
Interest income from bank deposits	299	265
Sundry income	848	489
	<u>1,147</u>	<u>754</u>

7. IMPAIRMENT LOSS RECOGNISED IN RESPECT OF INVESTMENTS IN SECURITIES

The directors of the Company have reviewed the carrying amounts of the assets of the Group as at 31 March 2004 and have determined that no impairment loss to be provided against the investments in securities (2003: impairment loss of HK\$2,000,000 had been made as the investee continued to make loss).

8. PROFIT FROM OPERATIONS

	2004 <i>HK\$'000</i>	2003 <i>HK\$'000</i>
Profit from operations has been arrived at after charging:		
Auditors' remuneration	398	593
Depreciation and amortisation		
– owned assets	3,862	2,836
– assets under finance leases	26	26
	3,888	2,862
Loss on disposal of property, plant and equipment	963	–
Rental payments in respect of properties under operating leases	11,959	10,004
Staff costs inclusive of directors' emoluments	44,103	44,233
Retirement benefits scheme contribution	2,182	2,410
Total staff costs	<u>46,285</u>	<u>46,643</u>
and after crediting:		
Gross rental income from properties under operating leases after outgoings of HK\$143,000 (2003: HK\$48,000)	3,135	2,297
Gain on disposal of property, plant and equipment	–	80
	<u>–</u>	<u>80</u>

9. FINANCE COSTS

	2004 <i>HK\$'000</i>	2003 <i>HK\$'000</i>
Interest on:		
– Bank borrowings wholly repayable within five years	23	40
– Bank borrowings with instalments repayable after five years	834	220
– Interest on obligations under finance leases	7	7
	<u>864</u>	<u>267</u>

10. DIRECTORS' EMOLUMENTS

	2004 <i>HK\$'000</i>	2003 <i>HK\$'000</i>
Directors' fees to independent non-executive directors	<u>40</u>	<u>60</u>
Other emoluments to executive directors:		
Salaries and other benefits	4,668	3,870
Bonus	1,167	1,314
Retirement benefit schemes contributions	55	62
	<u>5,890</u>	<u>5,246</u>
Total directors' emoluments	<u>5,930</u>	<u>5,306</u>

10. DIRECTORS' EMOLUMENTS *(continued)*

The remunerations of the directors were within the following bands:

	2004 Number of directors	2003 Number of directors
Nil to HK\$1,000,000	8	9
HK\$1,000,001 to HK\$1,500,000	–	1
HK\$1,500,001 to HK\$2,000,000	1	1
HK\$2,000,001 to HK\$2,500,000	1	–
	<u>10</u>	<u>11</u>

There was no compensation for loss of office paid to directors.

11. EMPLOYEES' EMOLUMENTS

The five highest paid individuals of the Group included four directors (2003: four directors), details of whose emoluments are included in the amounts disclosed in note 10 above. The emoluments of the remaining highest paid employee, other than directors of the Company, are as follows:

	2004 <i>HK\$'000</i>	2003 <i>HK\$'000</i>
Salaries and other benefits	496	130
Bonus	144	441
Retirement benefit schemes contributions	12	12
	<u>652</u>	<u>583</u>

His emoluments were within the following band:

	2004 Number of employees	2003 Number of employees
Nil to HK\$1,000,000	<u>1</u>	<u>1</u>

12. TAX EXPENSE

Hong Kong Profits Tax has been provided at the rate of 17.5% (2003: 16%) on the estimated assessable profits arising in Hong Kong during the year. The increased Hong Kong Profits Tax rate became effective from the year of assessment 2003/04, and so is applicable to the assessable profits arising in Hong Kong for the whole of the year ended 31 March 2004. 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.

	2004 <i>HK\$'000</i>	2003 <i>HK\$'000</i>
Current – Hong Kong		
Charge for the year	1,442	2,950
Overprovision in respect of prior years	(354)	(346)
Current – Elsewhere		
Charge for the year	139	–
Underprovision in respect of prior years	32	–
Deferred tax (<i>note 27</i>)	81	104
	<u>1,340</u>	<u>2,708</u>
Total tax expense for the year	<u>1,340</u>	<u>2,708</u>

12. TAX EXPENSE *(continued)*

The charge for the year can be reconciled to the profit before taxation per the consolidated income statement as follows:

	2004 <i>HK\$'000</i>	2003 <i>HK\$'000</i>
Profit before taxation	<u>1,561</u>	<u>13,482</u>
Tax at the domestic income tax rate of 17.5% (2003:16%)	273	2,157
Overprovision of profits tax for the year	28	381
Overprovision of profits tax in prior years	(321)	(346)
Effect on opening deferred tax resulting from an increase in tax rate	62	–
Tax effect of income not taxable	(45)	(42)
Tax effect of expenses that are not deductible in determining taxable income	672	537
Effect on unrecognized tax losses	1,400	396
Tax loss utilised from previous year	(312)	(1)
Effect of different tax rates in other jurisdiction	(146)	(82)
Others	<u>(271)</u>	<u>(292)</u>
Tax expenses for the year	<u>1,340</u>	<u>2,708</u>

In addition to the amount charged to the consolidated income statement, deferred tax relating to the revaluation of the Company's leasehold land and buildings has been charged directly to equity.

13. NET PROFIT ATTRIBUTABLE TO SHAREHOLDERS

The net consolidated profit attributable to shareholders includes a profit of HK\$9,601,000 (2003: HK\$9,252,000) which has been dealt with in the financial statements of the Company.

14. DIVIDEND

	2004 <i>HK\$'000</i>	2003 <i>HK\$'000</i>
Final dividend for the year 2003 of HK\$0.01 per ordinary share (2003: final dividend for the year 2002 of HK\$0.02 per ordinary share)	<u>4,348</u>	<u>8,660</u>

The final dividend of HK\$0.01 for the year ended 31 March 2004 per share has been proposed by the directors and is subject to the approval by the shareholders in general meeting.

15. EARNINGS PER SHARE

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

	The Group	
	2004 <i>HK\$'000</i>	2003 <i>HK\$'000</i> (Restated)
Net profit attributable to shareholders	<u>523</u>	<u>10,867</u>
	Number of shares	Number of shares
Weighted average number of ordinary shares for the purposes of basic earnings per share	442,757,574	434,020,171
Effect of dilutive potential ordinary shares: Options	<u>2,118,002</u>	<u>346,091</u>
Weighted average number of ordinary shares for the purposes of diluted earnings per share	<u>444,875,576</u>	<u>434,366,262</u>

16. GOODWILL

	The Group	
	2004 <i>HK\$'000</i>	2003 <i>HK\$'000</i>
Cost		
At 1 April	471	–
Arising on capital injection in a subsidiary	–	471
Arising on acquisition of subsidiaries during the year	<u>4,288</u>	–
At 31 March	<u>4,759</u>	471
Amortisation and impairment		
At 1 April	471	–
Impairment losses recognised during the year	–	471
Charge for the year	<u>429</u>	–
At 31 March	<u>900</u>	471
Carrying amount		
At 31 March	<u>3,859</u>	–

17. INVESTMENT PROPERTIES

	The Group	
	2004	2003
	<i>HK\$'000</i>	<i>HK\$'000</i>
VALUATION		
At 1 April	85,338	32,760
Additions	–	50,601
Disposal	(8,900)	–
Transfer from/(to) property, plant and equipment	(1,259)	5,818
Surplus/(deficit) arising on revaluation	767	(3,841)
	<u>75,946</u>	<u>85,338</u>
At 31 March	<u><u>75,946</u></u>	<u><u>85,338</u></u>
The Group's investment properties comprise:		
	2004	2003
	<i>HK\$'000</i>	<i>HK\$'000</i>
Property in Hong Kong		
– Long lease	75,186	75,858
– Medium-term lease	760	9,480
	<u>75,946</u>	<u>85,338</u>

All of the investment properties of the Group were revalued at 31 March 2004 by LCH (Asia-Pacific) Surveyors Limited, an independent firm of professional property valuer, on an open market value existing use basis. The resulting surplus arising on revaluation, which amounted to HK\$767,000 (2003: deficit of HK\$3,841,000), has been credited to the investment property revaluation reserve.

All the investment properties of the Group are rented out under operating leases.

18. PROPERTY, PLANT AND EQUIPMENT

	Leasehold land and buildings <i>HK\$'000</i>	Office equipment, leasehold improvements, and furniture and fixtures <i>HK\$'000</i>	Computer equipment <i>HK\$'000</i>	Motor vehicles <i>HK\$'000</i>	Moulds <i>HK\$'000</i>	Plant and machinery <i>HK\$'000</i>	Total <i>HK\$'000</i>
THE GROUP							
Cost or valuation							
At 1 April 2003	43,262	19,673	4,639	1,889	-	-	69,463
Acquisition of subsidiaries	-	189	72	113	800	-	1,174
Currency realignment	89	101	54	25	-	-	269
Additions	-	1,207	407	371	1,333	987	4,305
Disposals	-	(1,451)	-	-	-	-	(1,451)
Transfer from investment properties	1,259	-	-	-	-	-	1,259
Surplus on revaluation	1,774	-	-	-	-	-	1,774
At 31 March 2004	<u>46,384</u>	<u>19,719</u>	<u>5,172</u>	<u>2,398</u>	<u>2,133</u>	<u>987</u>	<u>76,793</u>
Comprising:							
At cost	-	19,719	5,172	2,398	2,133	987	30,409
At valuation	<u>46,384</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>46,384</u>
	<u>46,384</u>	<u>19,719</u>	<u>5,172</u>	<u>2,398</u>	<u>2,133</u>	<u>987</u>	<u>76,793</u>
Accumulated depreciation and amortisation							
At 1 April 2003	-	14,539	3,172	1,282	-	-	18,993
Currency realignment	20	76	55	25	-	-	176
Acquisition of subsidiaries	-	43	26	2	-	-	71
Provided for the year	718	1,665	841	215	252	197	3,888
Eliminated on disposals	-	(485)	-	-	-	-	(485)
Eliminated on revaluation	(738)	-	-	-	-	-	(738)
At 31 March 2004	<u>-</u>	<u>15,838</u>	<u>4,094</u>	<u>1,524</u>	<u>252</u>	<u>197</u>	<u>21,905</u>
Net book value							
At 31 March 2004	<u>46,384</u>	<u>3,881</u>	<u>1,078</u>	<u>874</u>	<u>1,881</u>	<u>790</u>	<u>54,888</u>
At 31 March 2003	<u>43,262</u>	<u>5,134</u>	<u>1,467</u>	<u>607</u>	<u>-</u>	<u>-</u>	<u>50,470</u>

All of the leasehold land and buildings of the Group were revaluated at 31 March 2004 by LCH (Asia-Pacific) Surveyors Limited, an independent firm of professional property valuer, on an open market value existing use basis. The resulting surplus arising on revaluation, which amounted to HK\$2,512,000 (2003: HK\$307,000) has been credited to the leasehold property revaluation reserve.

18. PROPERTY, PLANT AND EQUIPMENT *(continued)*

At 31 March 2004, had all the leasehold land and buildings been carried at cost less accumulated depreciation and amortisation, the carrying value of these properties would have been stated at HK\$14,381,000 (2003: HK\$16,725,000).

The Group's leasehold land and buildings comprise:

	2004 <i>HK\$'000</i>	2003 <i>HK\$'000</i>
Properties held under long leases		
– in Hong Kong	42,904	39,842
– overseas	3,480	3,420
	<u>46,384</u>	<u>43,262</u>
The net book value of office equipment, and furniture and fixtures held under finance leases	<u>198</u>	<u>216</u>

19. INTERESTS IN SUBSIDIARIES

	The Company	
	2004 <i>HK\$'000</i>	2003 <i>HK\$'000</i>
Unlisted shares, at cost	163,654	163,654
Amounts due from subsidiaries	35,370	23,039
	<u>199,024</u>	<u>186,693</u>

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

Particulars of the subsidiaries at 31 March 2004 are set out in note 38.

20. INVESTMENTS IN SECURITIES

	Investment securities		Other investments		Total	
	2004	2003	2004	2003	2004	2003
	HK\$'000	HK\$'000	HK\$'000	HK\$'000	HK\$'000	HK\$'000
THE GROUP						
Shares listed in Hong Kong, at cost	2,753	–	–	–	2,753	–
Unlisted investment, at cost	–	4,000	–	–	–	4,000
ING China WTO guaranteed fund, at cost	3,887	–	–	–	3,887	–
Impairment loss recognised on unlisted shares	–	(2,000)	–	–	–	(2,000)
	<u>6,640</u>	<u>2,000</u>	<u>–</u>	<u>–</u>	<u>6,640</u>	<u>2,000</u>
Unlisted debt securities	–	–	3,862	7,741	3,862	7,741
Total	<u>6,640</u>	<u>2,000</u>	<u>3,862</u>	<u>7,741</u>	<u>10,502</u>	<u>9,741</u>
Carrying amount analysed for reporting purposes as:						
Non-current	6,640	2,000	–	–	6,640	2,000
Current	–	–	3,862	7,741	3,862	7,741
	<u>6,640</u>	<u>2,000</u>	<u>3,862</u>	<u>7,741</u>	<u>10,502</u>	<u>9,741</u>
Market value of listed shares	<u>2,889</u>	<u>–</u>	<u>–</u>	<u>–</u>	<u>2,889</u>	<u>–</u>
The Company						
Unlisted debt securities						
Current	–	–	3,862	7,741	3,862	7,741
	<u>–</u>	<u>–</u>	<u>3,862</u>	<u>7,741</u>	<u>3,862</u>	<u>7,741</u>

The debt securities represent the certificates of deposit issued by a bank.

The Group has pledged its investment in guaranteed fund to secure general banking facilities granted to the Group.

At 31 March 2003, the unlisted shares represented the Group's 5% equity interest in HKC Technology Limited. During the year, the Group's equity interest in this investee company was increased to 100%. Accordingly, this investee company is a wholly owned subsidiary of the Group.

21. INVENTORIES

	The Group	
	2004	2003
	HK\$'000	HK\$'000
Inventories	<u>51,689</u>	<u>65,645</u>

The cost of inventories recognised in the consolidated income statement during the year amounted to HK\$872,038,000 (2003: HK\$728,653,000).

The amount of inventories carried at net realisable value is HK\$4,379,000 (2003: HK\$4,951,000).

22. DEBTORS, DEPOSITS AND PREPAYMENTS

The Group has a policy of allowing average credit period ranging from 2 weeks to one month to its trade customers. In addition, for certain customers with long-established relationship and good past repayment histories, a longer credit period may be granted.

The aged analysis of trade debtors of HK\$30,786,000 (2003: HK\$29,444,000) which are included in the Group's debtors, deposits and prepayments are as follows:

	The Group	
	2004 <i>HK\$'000</i>	2003 <i>HK\$'000</i>
0 – 30 days	18,276	17,527
31 – 60 days	2,769	2,808
61 – 90 days	2,457	2,866
91 – 120 days	597	140
Over 120 days	6,687	6,103
	<u>30,786</u>	<u>29,444</u>

23. AMOUNTS DUE FROM RELATED COMPANIES**The Group:**

Particulars of the amounts due from related companies are as follows:

Name of related entity	2004	2003	Maximum amount Outstanding during the year <i>HK\$'000</i>
	<i>HK\$'000</i>	<i>HK\$'000</i>	
HKC Technology Limited	–	6,051	6,051
BIA Technology Limited	809	–	809
Hong Kong Communications Computer Company Limited	–	140	140
Hong Kong Communications Holdings Limited	1,016	–	1,016
	<u>1,825</u>	<u>6,191</u>	

The directors' interests in the above-named companies are set out in note 37.

The amounts due from related companies were unsecured, interest free and are repayable on demand.

During the year, the amount of HK\$6,000,000 due from HKC Technology Limited ("HKCT") was capitalised as investment cost of the Group in HKCT, and HKCT became the wholly owned subsidiary of the Group.

24. CREDITORS AND ACCRUED CHARGES

The aged analysis of trade creditors of HK\$37,563,000 (2003: HK\$37,081,000) which are included in the Group's creditors and accrued charges is as follows:

	The Group	
	2004 HK\$'000	2003 HK\$'000
0 – 30 days	34,996	37,057
31 – 60 days	365	24
61 – 90 days	2,202	–
	37,563	37,081
	37,563	37,081

25. OBLIGATIONS UNDER FINANCE LEASES

	The Group			
	Minimum lease payments		Present value of minimum lease payments	
	2004 HK\$'000	2003 HK\$'000	2004 HK\$'000	2003 HK\$'000
Amounts payable under finance leases				
Within one year	54	51	47	44
More than one year but not exceeding two years	4	55	4	49
	58	106	51	93
Less: Future finance charges	(7)	(13)		
Present value of finance Leases	51	93		
Less: Amount due for settlement within one year shown under current liabilities			(47)	(44)
Amount due for settlement after one year			4	49

26. BANK BORROWINGS

	The Group	
	2004 HK\$'000	2003 HK\$'000
Bank borrowings comprise:		
Bank overdrafts (unsecured)	56	–
Bank loans (secured)	30,349	33,406
	30,405	33,406
	30,405	33,406

26. BANK BORROWINGS (continued)

The maturity of the bank borrowings is as follows:

	The Group	
	2004 HK\$'000	2003 HK\$'000
Due within one year	3,187	3,098
Due more than one year, but not exceeding two years	3,147	3,404
Due more than two year, but not exceeding five years	9,441	9,769
Due more than five years	14,630	17,135
	<u>30,405</u>	<u>33,406</u>
Less: Amount due within one year shown under current liabilities	3,187	3,098
	<u>27,218</u>	<u>30,308</u>

27. DEFERRED TAX

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

Deferred tax liabilities:

	The Group			
	Accelerated tax depreciation HK\$'000	Revaluation of leasehold properties HK\$'000	Tax losses HK\$'000	Total HK\$'000
At 1 April 2002				
As previously reported	–	–	–	–
Prior year adjustments (note 39)	554	4,843	–	5,397
	<u>554</u>	<u>4,843</u>	<u>–</u>	<u>5,397</u>
As restated	554	4,843	–	5,397
Charged to consolidated income Statement	364	–	(260)	104
Credited from equity	–	(253)	–	(253)
	<u>918</u>	<u>4,590</u>	<u>(260)</u>	<u>5,248</u>
At 31 March 2003 and 1 April 2003	918	4,590	(260)	5,248
Credited to consolidated income Statement	254	–	(115)	139
Charged to equity	–	867	–	867
	<u>1,172</u>	<u>5,457</u>	<u>(375)</u>	<u>6,254</u>

Deferred tax assets:

	The Group Deductible temporary differences HK\$'000
At 1 April 2002, 31 March 2003 and 1 April 2003	–
Credited to consolidated income statement	58
	<u>58</u>
At 31 March 2004	<u>58</u>

27. DEFERRED TAX (continued)

At the balance sheet date, the Group has unused tax losses of HK\$14,203,000 (2003: HK\$3,216,000) available for offset against future profits. A deferred tax asset has been recognized in respect of HK\$2,147,000 (2003: HK\$1,625,000) of such losses. No deferred tax asset has been recognized in respect of the remaining HK\$12,056,000 (2003: HK\$1,591,000) due to the unpredictability of future profit streams.

At the balance sheet date, the Company has unused tax losses of HK\$1,784,000 (2003: HK\$1,124,000) available for offset against future profits. No deferred tax asset has been recognized due to the unpredictability of future profit streams.

The tax losses can be carried forward to offset against the taxable profits of subsequent years for up to 20 years from the year in which they were incurred or there is no restriction on their expiry, depending on the tax jurisdiction concerned.

28. SHARE CAPITAL

	Number of shares		Amount	
	2004	2003	2004 HK\$'000	2003 HK\$'000
Ordinary shares of HK\$0.01 each				
Authorised:				
At beginning of the year and at end of the year	<u>2,000,000,000</u>	<u>2,000,000,000</u>	<u>20,000</u>	<u>20,000</u>
Issued and fully paid:				
At beginning of the year	434,825,306	433,000,000	4,348	4,330
Issued pursuant to scrip dividend scheme for				
2002 final dividend	–	1,825,306	–	18
2003 final dividend	<u>14,812,297</u>	<u>–</u>	<u>148</u>	<u>–</u>
At end of the year	<u>449,637,603</u>	<u>434,825,306</u>	<u>4,496</u>	<u>4,348</u>

29. SHARE OPTION SCHEME

The Company's share option scheme (the "Scheme") was adopted by a written resolution passed on 23 October 2001 for the purpose of providing incentives or rewards to selected participants for their contribution to the Group. Under the 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 directors (including independent non-executive directors) of the Company, any of its subsidiaries or any Invested Entity;
- iii) any supplier of goods or services to any member of the Group or any Invested Entity;
- iv) any customer of the Group or any Invested Entity;
- v) any person or entity that provides research, development or other technological support to the Group or any Invested Entity;
- vi) any shareholder of any member of the Group or any Invested Entity or any holder of any securities issued by any member of the Group or any Invested Entity; and
- vii) any other group or classes of participants from time to time determined by the director 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.

29. SHARE OPTION SCHEME *(continued)*

and for the purposes of the 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 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 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 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 therefor. The subscription price for shares under the 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 normal value of the shares.

The maximum number of shares which may be issued upon exercise of all outstanding options granted and yet to be exercised under the 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 issued from time to time. The total number of shares in respect of which options may be granted under the Scheme and any other share option of the Group is not permitted to exceed 10% of the shares of the Company in issue at any point in time, 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 the 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 of 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.

At 31 March 2004, the number of shares in respect of which options had been granted under the scheme was 13,300,000 (2003: 23,600,000), representing 3% (2003: 5%) of shares of the Company in issue at that date.

No charge is recognised in the consolidated income statement in respect of the value of option granted in the year.

29. SHARE OPTION SCHEME (continued)

Movements in the options to subscribe for shares for the year ended 31 March 2004 are as follows:

	Exercisable period	Exercise price per share	Outstanding at 1 April 2003	Lapsed during the year	Granted during the year	Outstanding at 31 March 2004
Directors:						
Chan Chung Yee, Hubert	21.2.2003 – 20.2.2005	0.17	4,300,000	–	–	4,300,000
Chan Chung Yin, Roy	21.2.2003 – 20.2.2005	0.17	2,000,000	–	–	2,000,000
Chan Man Min	21.2.2003 – 20.2.2005	0.17	1,000,000	–	–	1,000,000
Chan Ming Him, Denny	21.2.2003 – 20.2.2005	0.17	1,000,000	–	–	1,000,000
Kwok Cheuk Tim, Rockie	21.2.2003 – 20.2.2005	0.17	2,000,000	–	–	2,000,000
Tsui Hon Wing	21.2.2003 – 20.2.2005	0.17	1,000,000	–	–	1,000,000
Wu Kwok Lam	21.2.2003 – 20.2.2005	0.17	1,000,000	–	–	1,000,000
Yeh Yui Fong	21.2.2003 – 20.2.2005	0.17	1,000,000	–	–	1,000,000
			<u>13,300,000</u>	–	–	<u>13,300,000</u>
Employees	23.5.2002 – 23.11.2003	0.38	3,800,000	(3,800,000)	–	–
Customers	23.5.2002 – 30.6.2003	0.38	6,500,000	(6,500,000)	–	–
			<u>23,600,000</u>	<u>(10,300,000)</u>	<u>–</u>	<u>13,300,000</u>

29. SHARE OPTION SCHEME (continued)

Movements in the options to subscribe for shares for the year ended 31 March 2003 are as follows:

	Exercisable period	Exercise price per share	Outstanding at 1 April 2002	Lapsed during the year	Granted during the year	Outstanding at 31 March 2003
Directors:						
Chan Chung Yee, Hubert	23.5.2002 – 22.11.2002 21.2.2003 – 20.2.2005	0.38 0.17	4,300,000 –	(4,300,000) –	– 4,300,000	– 4,300,000
Chan Chung Yin, Roy	23.5.2002 – 22.11.2002 21.2.2003 – 20.2.2005	0.38 0.17	1,800,000 –	(1,800,000) –	– 2,000,000	– 2,000,000
Chan Man Min	23.5.2002 – 22.11.2002 21.2.2003 – 20.2.2005	0.38 0.17	1,000,000 –	(1,000,000) –	– 1,000,000	– 1,000,000
Chan Ming Him, Denny	23.5.2002 – 22.11.2002 21.2.2003 – 20.2.2005	0.38 0.17	1,000,000 –	(1,000,000) –	– 1,000,000	– 1,000,000
Kwok Cheuk Tim, Rockie	23.5.2002 – 22.11.2002 21.2.2003 – 20.2.2005	0.38 0.17	1,000,000 –	(1,000,000) –	– 2,000,000	– 2,000,000
Tsui Hon Wing	23.5.2002 – 22.11.2002 21.2.2003 – 20.2.2005	0.38 0.17	1,000,000 –	(1,000,000) –	– 1,000,000	– 1,000,000
Wu Kwok Lam	23.5.2002 – 22.11.2002 21.2.2003 – 20.2.2005	0.38 0.17	1,000,000 –	(1,000,000) –	– 1,000,000	– 1,000,000
Yeh Yui Fong	23.5.2002 – 22.11.2002 21.2.2003 – 20.2.2005	0.38 0.17	1,000,000 –	(1,000,000) –	– 1,000,000	– 1,000,000
			12,100,000	(12,100,000)	13,300,000	13,300,000
Employees	23.5.2002 – 23.11.2003	0.38	3,800,000	–	–	3,800,000
Customers	23.5.2002 – 30.6.2003	0.38	6,500,000	–	–	6,500,000
			<u>22,400,000</u>	<u>(12,100,000)</u>	<u>13,300,000</u>	<u>23,600,000</u>

30. 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 32 of the financial statements.

THE COMPANY

	Share premium <i>HK\$'000</i>	Special reserve <i>HK\$'000</i>	Retained profits/ (accumulated losses) <i>HK\$'000</i>	Total <i>HK\$'000</i>
At 1 April 2002	26,900	163,453	(184)	190,169
Shares issue pursuant to scrip dividend scheme	339	–	–	339
Net profit for the year	–	–	9,252	9,252
Dividend paid	–	–	(8,660)	(8,660)
	<u>27,239</u>	<u>163,453</u>	<u>408</u>	<u>191,100</u>
At 31 March 2003	27,239	163,453	408	191,100
Shares issue pursuant to scrip dividend scheme	2,296	–	–	2,296
Net profit for the year	–	–	9,601	9,601
Dividend paid	–	–	(4,348)	(4,348)
	<u>29,535</u>	<u>163,453</u>	<u>5,661</u>	<u>198,649</u>
At 31 March 2004	<u>29,535</u>	<u>163,453</u>	<u>5,661</u>	<u>198,649</u>

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, 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 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 31 March 2004 amounted HK\$198,649,000 (2003: HK\$191,100,000).

31. CAPITAL COMMITMENTS

	The Group		The Company	
	2004 HK\$'000	2003 HK\$'000	2004 HK\$'000	2003 HK\$'000
Capital expenditure contracted for but not provided in the financial statements:				
– acquisition of property, plant and equipment	170	435	–	–
– investment in a subsidiary	–	–	–	1,623
	<u>170</u>	<u>435</u>	<u>–</u>	<u>1,623</u>

32. OPERATING LEASE ARRANGEMENTS

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	
	2004 HK\$'000	2003 HK\$'000
Within one year	1,258	7,833
In the second to fifth years, inclusive	<u>753</u>	<u>672</u>
	<u>2,011</u>	<u>8,505</u>

Operating lease payments represent rentals payable by the Group for certain of its office premises. Leases are negotiated for terms ranging from one to three years.

The Group as lessor:

Property rental income earned during the year was HK\$3,278,000 (2003: HK\$2,345,000). The properties held have committed tenants in the range from one to three years.

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

	The Group	
	2004 HK\$'000	2003 HK\$'000
Within one year	736	1,962
In the second to fifth years, inclusive	<u>619</u>	<u>126</u>
	<u>1,355</u>	<u>2,088</u>

33. NOTES TO CONSOLIDATED CASH FLOW STATEMENT

a) Acquisition of subsidiaries:

	2004 <i>HK\$'000</i>	2003 <i>HK\$'000</i>
Net liabilities acquired:		
Fixed assets	1,104	–
Inventories	2,183	–
Debtors, deposit and prepayment	976	–
Amounts due from related companies	1,150	–
Cash and cash equivalents	611	–
Creditors and accrued charges	(7,892)	–
Bank borrowings	(88)	–
Taxation payable	(32)	–
	<u>(1,988)</u>	<u>–</u>
Goodwill on acquisition	4,288	–
	<u>2,300</u>	<u>–</u>
Satisfied by:		
Cash consideration	300	–
Reclassification from investments in securities	2,000	–
	<u>2,300</u>	<u>–</u>
Analysis of net inflow of cash and cash equivalents in respect of the acquisition of subsidiaries is as follows:		
Cash consideration	(300)	–
Cash and cash equivalents acquired	611	–
Bank borrowings acquired	(88)	–
	<u>223</u>	<u>–</u>

b) Non-cash transactions

During the year ended 31 March 2003, the Group entered into finance lease arrangements in respect of assets with a total capital value at the inception of the contract of HK\$190,000. However, no such finance lease arrangement was made by the Group during the year ended 31 March 2004.

34. CONTINGENT LIABILITIES

	The Group		The Company	
	2004 <i>HK\$'000</i>	2003 <i>HK\$'000</i>	2004 <i>HK\$'000</i>	2003 <i>HK\$'000</i>
Banking facilities to subsidiaries in respect of which guarantees were given	–	–	96,740	86,470
Credit facilities from third parties in respect of which guarantees were given	40,000	31,000	–	–
Corporate guarantee to an independent landlord in respect of shop premises leased to a subsidiary	–	–	600	–
	<u>40,000</u>	<u>31,000</u>	<u>97,340</u>	<u>86,470</u>

35. PLEDGE OF ASSETS

At 31 March 2004, certain leasehold land and buildings and investment properties with aggregate carrying values of HK\$4,170,000 (2003: HK\$4,220,000) and HK\$55,000,000 (2003: HK\$54,400,000) respectively were pledged to banks to secure general banking facilities granted to the Group. In addition, the Group's bank deposits of HK\$280,000 (2003: HK\$Nil) were pledged to banks to secure the performance bonds.

36. RETIREMENT BENEFITS SCHEMES

- a) The subsidiary in Singapore participates in a state-managed retirement benefit scheme operated by the government of Singapore, whereby the Group is required to contribute to the scheme to fund the retirement benefits of the eligible employees. Contributions made to the scheme are calculated based on 16% of the applicable payroll costs. The only obligation of the Group with respect to the retirement benefits scheme is to make the required contributions under the scheme.
- b) The subsidiary in Thailand participates in the state-managed retirement benefits scheme operated by the government of Thailand, whereby the group is required to contribute to the scheme to fund the retirement benefits of the eligible employees. Contributions made to the scheme are calculated based on 5% of the applicable payroll costs. The only obligation of the group with respect to the retirement benefits scheme is to make the required contributions under the scheme.
- c) Employees which are employed by subsidiaries in the PRC are members of the state-managed retirement benefit scheme operated by the PRC government. These subsidiaries are required to contribute 36.5% of payroll costs to the retirement benefits scheme to fund the benefits. The only obligation of the Group with respect to the retirement benefits scheme is to make the required contributions under the scheme.
- d) The Group operates a Mandatory Provident Fund Scheme ("MPF scheme") for all qualifying employees in Hong Kong. The Group is required to contribute 5% to 10% while the employees are required to contribute 5% of their salaries to the MPF scheme.

37. RELATED PARTY TRANSACTIONS

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	Notes	Nature of transactions	2004	2003
			HK\$'000	HK\$'000
HKC Intown Limited	(i)	Sales of goods to	–	11
	(i)	Internet access fee payable	80	79
Hong Kong Communications Computer Company Limited	(i)	Computer software maintenance fee And purchase of computer hardwares	502	1,038
	(ii)	Rental income receivable	221	250
	(iii)	Repairs and maintenance fees payable	10	215
BIA Technology Limited (Formerly known as Hong Kong Communications Industrial Company Limited)	(i)	Purchase of goods from	1,695	–
	(i)	Sales of goods to	32	–
	(ii)	Rental income receivable	36	–
	(iv)	Purchase of plant and machinery	987	–
Webradio Limited	(ii)	Rental income	–	72
	(i)	Commission income	–	11

37. RELATED PARTY TRANSACTIONS *(continued)*

Messrs. Chan Chung Yee, Hubert, Chan Chung Yin, Roy and Chan Man Min, directors of the Company, have beneficial interests in all the above-named companies.

Messrs. Tsui Hon Wing and Yeh Yui Fong, directors of the Company, have beneficial interests in BIA Technology Limited.

Details of balances with related companies are set out in note 23 to the financial statements.

Notes:

- (i) The transactions are based on cost plus a percentage of profit mark-up.
- (ii) Rental income was charged based on the area used, which management considered to be an appropriate basis of allocation.
- (iii) Repairs and maintenance fees are based on actual cost incurred.
- (iv) The consideration is determined on the basis of the net book value of the relevant fixed assets.

38. SUBSIDIARIES

Particulars of the subsidiaries at 31 March 2004 are as follows:

Name	Place of incorporation/ registration	Principal place of Operation	Issued and fully paid share capital	Percentage of issued/ registered capital held by the company	Principal activities
HKC Group Limited	The British Virgin Islands	Hong Kong	Ordinary shares US\$100,000	100%	Investment holding
HKC Properties Limited	The British Virgin Islands	Hong Kong	Ordinary shares US\$30	100%	Investment holding
Hong Kong Communications Equipment Company Limited	Hong Kong	Hong Kong	Ordinary shares HK\$10,560	100%	Sales and distribution of mobile phones and business solutions
Circle Mobile Communications Limited	Hong Kong	Hong Kong	Ordinary shares HK\$1,000,000	100%	Sales of mobile phones and other electronic products
Generalvestor (H.K.) Limited	Hong Kong	Hong Kong	Ordinary shares HK\$10,000,000	100%	Property investment
HKC International (Thailand) Limited	Thailand	Thailand	Ordinary shares THB3,000,000	100%	Sale and distribution of mobile phones
Singapore Communications Equipment Co. (Pte) Ltd.	The Republic of Singapore	Singapore	Ordinary shares S\$160,000	100%	Sales and distribution of business solutions

38. SUBSIDIARIES

Particulars of the subsidiaries at 31st March, 2004 are as follows:

Name	Place of incorporation/ registration	Principal place of operation	Issued and fully paid share capital	Percentage of issued/ registered capital held by the company	Principal activities
上海希華通訊科技有限公司 (note 1) HKC Technology (Shanghai) Limited (formerly, BIA Technology (Shanghai) Company Limited)	PRC	PRC	Contributed capital US\$300,000	100%	Sale of business solutions
HKC Technology Company Limited (Note 2)	Hong Kong	Hong Kong	Ordinary shares HK\$6,000,100	100%	Research and development
Circle Communication Products, Inc.	United States of America	United States of America	Contributed capital US\$ 15,000	100%	Sale and distribution of telecommunication products
Superior Charm Limited	The British Virgin Islands	Hong Kong	Ordinary shares US\$ 1,200	100%	Investment holding
亞衛通智能系統(上海)有限公司 (Note 3) (ASCT Technology Co. Ltd)	PRC	PRC	Registered capital US\$610,000	80%	Development and sales of telecommunication system and other high-tech 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 31 March 2004 or at any time during the year.

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

Note 2: As 31 March 2003, the Group had owned 5% equity interest in HKC Technology Limited. During the year, the Group acquired additional 95% equity interest in HKC Technology Limited for HK\$300,000, satisfied in cash. As a result, the Group's profit for the year and the net assets as at 31 March 2004 have both been decreased by HK\$1,424,676.

Note 3: The subsidiary is a sino-foreign owned enterprise.

39. COMPARATIVE AMOUNTS AND PRIOR YEAR ADJUSTMENTS

Due to the adoption of SSAP 12 (revised) in the current year, prior period adjustments were made to recognise the deferred tax assets and liabilities.

The effects of the adjustments to these financial statements are summarised as follows:

	Increase/(decrease)	
	As at 1.4.2003 <i>HK\$'000</i>	As at 1.4.2002 <i>HK\$'000</i>
Consolidated balance sheet		
Deferred tax liabilities	5,248	5,397
Leasehold property revaluation reserve	(4,590)	(4,843)
Retained profits	(658)	(554)
	<u> </u>	<u> </u>
	Increase/(decrease)	
	For the year ended 31.3.2004 <i>HK\$'000</i>	For the year ended 31.3.2003 <i>HK\$'000</i>
Consolidated income statement		
Deferred tax	81	104
Net profit attributable to shareholders	(81)	(104)
	<u> </u>	<u> </u>

As further explained in note 2 to the financial statements, due to the adoption of SSAP 12 (revised) during the current year, the presentation of certain items and balances in the financial statements has been revised to comply with the new requirements. Accordingly, certain comparative amounts have been reclassified to conform with the current year's presentation.

D. WORKING CAPITAL

The directors are of the opinion that in the absence of unforeseen circumstances and after taking into account the current cash balance and resources of the Group, the available banking facilities and the fund raised from the disposal of the Disposed Buildings, the Group has sufficient working capital for its present requirements for at least 12 months from the date of this circular.

E. INDEBTEDNESS

As at the close of business on 28 February 2005, being the latest practicable date for the purpose of ascertaining information contained in this indebtedness statement prior to the printing of this circular, the Group had outstanding borrowings of approximately HK\$22 million, comprising secured bank loans of approximately HK\$22 million and hire purchase commitments of approximately HK\$9,000. The secured borrowings are secured by certain of the Group's investment properties and leasehold land and buildings.

At 28 February 2005, the Group had credit facilities from a third party in respect of which guarantees were given. The total amount of the facilities amounted to HK\$40 million.

Save as aforesaid and apart from intra-Group liabilities, the Group did not have any mortgages, charges, debentures, loan capital, bank loan and overdrafts, debt securities or other similar indebtedness, finance leases or hire purchase commitments, liabilities under acceptances or acceptances creditors, or any guarantees, or other material contingent liabilities outstanding at the close of business on 28 February 2005.

For the purpose of the indebtedness statement, foreign currency amounts have been translated into Hong Kong dollars at the approximate rates of exchange prevailing as at 28 February 2005.

Save as disclosed above, the Directors are not aware of any material adverse changes in the Group's indebtedness position and contingent liabilities since 31 March 2004, being the date on which the latest published audited consolidated financial statements of the Group were made up.



利駿行測量師有限公司

LCH (Asia-Pacific) Surveyors LimitedCHARTERED SURVEYORS
PLANT AND MACHINERY VALUERS
BUSINESS & FINANCIAL SERVICES VALUERS27th Floor
Li Dong Building
No. 9 Li Yuen Street East
Central
Hong Kong

20 April 2005

The Directors
HKC International Holdings Limited
25/F., Oxford House,
Taikoo Place,
979 King's Road,
Quarry Bay,
Hong Kong.

Dear Sirs,

In accordance with the instructions given by the management of HKC International Holdings Limited (hereinafter referred to as the "Company") to value a property located in Hong Kong (hereinafter referred to as the "property") recently proposed to be acquired by the Company or its subsidiaries (hereinafter together with the Company referred to as the "Group"), we confirm that we have made relevant enquiries and searches, and obtained such further information as we consider necessary to support our opinion of the value of the property as at 31 March 2005 (hereinafter referred as the "date of valuation") for the Company's internal management reference purpose and to be incorporated into the Company's circular to its shareholders.

Our valuation of the property is on the basis of Market Value in continued use. The HKIS Valuation Standards on Properties (hereinafter referred to as "the HKIS Standards") published by the Hong Kong Institute of Surveyors (hereinafter referred to as the "HKIS") defines the term "Market Value" as "the estimated amount for which a property should exchange on the date of valuation between a willing buyer and a willing seller in an arm's-length transaction after proper marketing wherein the parties had each acted knowledgeably, prudently and without compulsion". The HKIS Standards superseded the previous guidance notes published by the HKIS with effect from 1 January 2005.

Our valuation has been made on the assumption that the owner sells the property on the open market in its existing state without the benefit of a deferred terms contract, leaseback, joint venture, management agreement or any other similar arrangement which would serve to increase the value of the property.

The property has been valued on an open market basis assuming sale with existing tenancy by using the investment approach. However, we also taken into account of sales comparison approach. Investment approach considers capitalising the net rental income receivable form the existing tenancy and the reversionary rental income potentials. The underlying assumption of this method is that an investor will pay no more for the property than he or she would have to be paid for another property with an income stream of comparable amount, duration, and certainty.

We have relied to a considerable extent on the information provided by the management of the Company and have accepted advice given to us on such matters as planning approvals or statutory notices, easements, tenure, occupation, lettings, rentals, site and floor areas and all other relevant matters.

We have been provided with copy of tenancy agreement but have not been provided with copy of the title documents relating to the property. We have caused searches to be made at the Land Registry of Hong Kong regarding the property. However, we have not searched the original documents to verify ownership or to verify any amendments on the tenancy agreement which may not appear on the copy handed to us. We are not attorney in nature, and we are unable to ascertain the title and encumbrances (if any) registered against the property. All documents and leases have been used as reference only.

We have inspected the exterior, and where possible, the interior of the property, in respect of which we have been provided with such information as we have required for the purpose of our valuations. We have not inspected those parts of the property which were covered, unexposed or inaccessible and such parts have been assumed to be in reasonable condition. We cannot express an opinion about or advise upon the condition of uninspected parts and the attached valuation certificate should not be taken as making any implied representation or statement about such parts. No structural survey, investigation or examination has been made, but in the course of our inspection we did not note any serious defects in the property valued. We are not, however, able to report that the property is free from rot, infestation or any other defects. No tests were carried out to any of the services.

We have not carried out on-site measurements to verify the correctness of the floor areas of the property, but have assumed that the floor areas shown on the documents and official floor plans available to us are correct. All dimensions, measurements and areas are approximations.

Our engagement did not include land surveys to verify the legal boundaries and the exact location of the property. We need to state that we are not in the land survey profession, therefore, we are not in the position to verify or ascertain the correctness of the representation of the Group's personnel with regard to the legal boundaries and location of the property. No responsibility is assumed.

We are not aware of the content of any environmental audit or other environmental investigation or soil survey which may have been carried out on the property and which may draw attention to any contamination or the possibility of any such contamination. In undertaking our work, we have been instructed to assume that no contaminative or potentially contaminative uses have ever been carried out in the property. We have not carried out any investigation into past or present uses, either of the property or of any neighbouring land, to establish whether there is any contamination or potential for contamination to the property from these uses or sites, and have therefore assumed that none exists. However, should it be established subsequently that contamination, seepage or pollution exists at the property or on any neighbouring land, or that the premises have been or are being put to a contaminative use, this might reduce the value now reported.

Our valuation has been made on the assumption that no unauthorised alteration, extension or addition was found in the property and that the use of the attached valuation certificate did not purport to be a building survey of the property.

No allowance has been made in our valuation for any charges, mortgages or amounts owing on the property. Unless otherwise stated, it is assumed that the property is free from encumbrances, restrictions, and outgoings of an onerous nature which could affect its value. Should this not be the case, it might reduce the value now reported.

We are unable to accept any responsibility for the information that has not been supplied to us by the management of the Company. Also, we sought and received confirmation from the management of the Company that no material factors have been omitted from the information supplied. Our analysis and valuations are based upon full disclosure between us and the Group of material and latent facts that may affect the valuation.

No responsibility is taken for changes in market conditions and no obligation is assumed to revise the attached valuation certificate to reflect events or conditions which occur subsequent to the date hereof.

To the best of our knowledge, all data set forth in the attached valuation certificate are true and accurate. Although gathered from reliable sources, no warranty is made nor liability assumed for the accuracy of any data, opinions, or estimates identified as being furnished by others which have been used in formulating the attached.

We have had no reason to doubt the truth and accuracy of the information provided to us by the management of the Company. We consider that we have been provided with sufficient information to reach an informed view, and have had no reason to suspect that any material information has been withheld.

The attached valuation certificate is prepared in line with the ethics and guidelines as contained in the HKIS Standards. The valuation has been undertaken by valuers, acting as external valuers, qualified for the purpose of the valuation.

Neither the whole nor any part of this work product or any reference hereto may be included in any published document, circular or statement, or published in any way, without our written approval of the form and context in which it may appear. Nonetheless, we consent to the publication of this letter and the attached valuation certificate in this circular.

Unless otherwise stated, all monetary amounts stated are in Hong Kong dollars.

We hereby certify that the fee for this service is not contingent upon our conclusion of value and we have neither present nor prospective interest in the property, the Group or the value reported.

The valuation certificate is attached.

Yours faithfully,
For and on behalf of
LCH (Asia-Pacific) Surveyors Limited
Elsa Ng Hung Mui
B.Sc. M.Sc. MHKIS RPS(GP)
Associate Director

Note: Ms. Elsa Ng Hung Mui is a Registered Professional Surveyor who has been conducting valuation of real estate properties in Hong Kong since 1994.

VALUATION CERTIFICATE

Property to be acquired by the Group in Hong Kong and valued on the basis of Market Value

Property	Description and tenure	Particulars of occupancy	Market value in existing state as at 31 March 2005 HK\$
<p>The whole of 11th Floor AXA Centre No. 151 Gloucester Road Wanchai Hong Kong</p> <p>85/2,119th shares of and in the Remaining Portion of Section A of Inland Lot No. 2755 and the Remaining Portion of Inland Lot No. 2755.</p>	<p>The property comprises the whole of the 11th Floor of a 26 storeys (including basement) commercial building which was completed in 1982.</p> <p>The total gross floor area and saleable area of the property are approximately 12,750 sq.ft. (1,184.50 sq.m.) and 10,584 sq.ft (983.28 sq.m.), respectively.</p> <p>The property is held under a government lease for a term of 99 years commencing from 14 April 1928 renewable for a further term of 99 years.</p>	<p>The property is subject to a tenancy for a term of 3 years commencing from 1 January 2003 at a monthly rental of HK\$132,600 exclusive of rates, management fees, air-conditioning charge and all other utilities charges, with rent-free periods of 5 months allocated as to the first 3 months from 1 October 2003 to 31 December 2003 and the remaining 2 months from 1 November 2005 to 31 December 2005.</p>	<p>63,000,000</p>

Notes:

1. The current registered owner of the property is Caricom Limited via an assignment dated 30 April 2004 and registered in the Land Registry by Memorial No. 9228051 on 27 May 2004.
2. The property is subject to a mortgage to secure general banking facilities and an assignment of rentals both dated 30 April 2004 and in favour of Bank of Communications via Memorial Nos. 9228052 and 9228053, respectively.

1. RESPONSIBILITY STATEMENT

This circular includes particulars given in compliance with the Listing Rules for the purpose of giving information with regard to the Company. The Directors collectively and individually accept full responsibility for the accuracy of the information contained in this circular and confirm, having made all reasonable enquiries, that to the best of their knowledge and belief, there are no other facts the omission of which would make any statement herein misleading.

2. DIRECTORS' INTERESTS

- (a) As at the Latest Practicable Date, the interests and short positions of the Directors and chief executive in 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 in which they were deemed or taken 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 <i>(Note 1)</i>	Approximate percentage of interest
Chan Chung Yee, Hubert	The Company	Founder of a trust	229,176,575 ordinary shares (each a "Share") of HK\$0.01 each (L) <i>(Note 2)</i>	49.74%
	The Company	Beneficial owner	4,300,000 Share (L)	0.93%
	Matrix World Group Limited	Founder of a trust	1 share of US\$1.00 each (L)	100%
Chan Chung Yin, Roy	The Company	Founder of a trust	68,417,400 Shares (L) <i>(Note 3)</i>	14.85%
	The Company	Beneficial owner	2,000,000 Shares (L)	0.43%

Name of Director	The Company/ associated corporation	Capacity	Number and class of securities (Note 1)	Approximate percentage of interest
Chan Man Min	The Company	Interest of controlled corporation	24,709,650 Shares (L) (Note 4)	5.36%
	The Company	Beneficial owner	1,000,000 Shares (L)	0.22%
Yeh Yui Fong	The Company	Interest of controlled corporation	2,681,550 Shares (L) (Note 5)	0.58%
	The Company	Beneficial owner	1,000,000 Shares (L)	0.22%
Tsui Hon Wing	The Company	Beneficial owner	2,939,200 Shares (L)	0.64%
Chan Ming Him, Denny	The Company	Beneficial owner	1,000,000 Shares (L)	0.22%

Notes:

- The letter "L" represents the Director's interests in the shares and underlying shares of the Company or its associated corporations.
- Of these Shares, 8,484,848 Shares were held by Light Emotion Limited, a company wholly owned by Matrix World Group Limited and 220,691,727 Shares were held by Matrix World Group Limited, a company wholly owned by Trustcorp Limited as the trustee of a discretionary trust of which Mr Chan Chung Yee, Hubert was the founder (within the meaning ascribed to it under Part XV of the SFO). By virtue of the provisions of Divisions 7 and 8 of Part XV of the SFO, Matrix World Group Limited was deemed to be interested in the Shares held by Light Emotion Limited and Mr Chan Chung Yee, Hubert was deemed to be interested in the Shares in which Matrix World Group Limited was interested.
- These Shares were held by Star Global International Limited, a company wholly owned by Trustcorp Limited as the trustee for a discretionary trust of which Mr Chan Chung Yin, Roy was the founder (within the meaning ascribed to it under Part XV of the SFO). By virtue of the provisions of Divisions 7 and 8 of Part XV of the SFO, Mr Chang Chung Yin, Roy was deemed to be interested in the Shares held by Star Global International Limited.
- 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 was deemed to be interested in the Shares held by Ocean Hope Group Limited.
- These Shares were held by CIT Company Limited, a company wholly owned by Mr Yeh Yui Fong and his wife in equal share. By virtue of the provisions of Divisions 7 and 8 of Part XV of the SFO, Mr Yeh Yui Fong was deemed to be interested in the Shares held by CIT Company Limited.

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 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.

- (b) Save as disclosed in this circular, as at the Latest Practicable Date, none of the Directors had any direct or indirect interest in any asset which had been acquired, or disposed of by, or leased to any member of the Group, or was proposed to be acquired, or disposed of by, or leased to any member of the Group since 31 March 2004, the date to which the latest published audited financial statements of the Group were made up.
- (c) Save as disclosed in this circular, as at the Latest Practicable Date, none of the Directors was materially interested, directly or indirectly, in any contract or arrangement entered into by any member of the Group subsisting at the Latest Practicable Date which was significant in relation to the business of the Group.
- (d) As at the Latest Practicable Date, none of the Directors was interested in any business, apart from the business of the Group, which competed or was likely to compete, either directly or indirectly, with that of the Group.

3. DISCLOSEABLE INTERESTS UNDER DIVISIONS 2 AND 3 OF PART XV OF THE SFO AND SUBSTANTIAL SHAREHOLDERS

- (a) As at the Latest Practicable Date, so far as was known to the Directors, the following persons 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 of person	Number of Shares (Note 1)	Capacity	Approximate percentage of interest
Matrix World Group Limited	220,691,727 (L)	Beneficial owner	47.90%
	8,484,848 (L) (Note 2)	Interest of controlled corporation	1.84%
Star Global International Limited (Note 3)	68,417,400 (L)	Beneficial owner	14.85%
Ocean Hope Group Limited (Note 4)	24,709,650 (L)	Beneficial owner	5.36%
Trustcorp Limited (Notes 2 and 3)	297,593,975 (L)	Trustee	64.59%

Notes:

- The letter "L" represents the person's interests in Shares.
- 8,484,848 Shares were held by Light Emotion Limited, a company wholly owned by Matrix World Group Limited and 220,691,727 Shares were held by Matrix World Group Limited, a company wholly owned by Trustcorp Limited as the trustee of a discretionary trust of which Mr Chan Chung Yee, Hubert was the founder (within the meaning ascribed to it under Part XV of the SFO). By virtue of the provisions of Divisions 7 and 8 of Part XV of the SFO, Matrix World Group Limited was deemed to be interested in the Shares held by Light Emotion Limited and Trustcorp Limited was deemed to be interested in the Shares in which Matrix World Group Limited was interested. Mr Chan Chung Yee, Hubert, an executive Director, is a director of Matrix World Group Limited.
- Star Global International Limited is a company wholly owned by Trustcorp Limited as the trustee for a discretionary trust of which Mr Chan Chung Yin, Roy was the founder (within the meaning ascribed to it under Part XV of the SFO). By virtue of the provisions of Divisions 7 and 8 of Part XV of the SFO, Trustcorp Limited was deemed to be interested in the Shares held by Star Global International Limited. Mr Chan Chung Yin, Roy, an executive Director, is a director of Star Global International Limited.
- Ocean Hope Group Limited is a company wholly owned by Mr Chan Man Min. Mr Chan Man Min, an executive Director, is a director of Ocean Hope Group Limited.

- (b) So far as was known to the Directors, as at the Latest Practicable Date, the following entity was the owner of 10% or more of the registered capital of a subsidiary of the Company:

Name of subsidiary	Name of shareholder	Total amount of registered capital of subsidiary	Percentage of shareholder's interest in registered capital
亞衛通智能系統 (上海)有限公司 (ASCT Technology Co. Ltd.)	Hua Dong	US\$610,000	20%

- (c) Save as disclosed above, as at the Latest Practicable Date, no person, 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, or, had a direct or indirect interests amounting to 10% or more of the nominal value of any class of share capital carrying rights to vote in all circumstances at general meetings of any members of the Group.

4. MATERIAL CONTRACTS

Within the two years immediately preceding the Latest Practicable Date, the following contracts, not being contracts entered into in the ordinary course of business, had been entered into by members of the Group and are or may be material:

- the sole agency agreement entered into by Generalvestor and Hong Kong Communications Equipment Company Limited (“HKCE”) with FPD Savills (Hong Kong) Limited on 19 October 2004 for the appointment of FPD Savills (Hong Kong) Limited as their sole agent for the Disposal;
- the particulars and conditions of sale annexed to the purchaser's tender setting out the terms and conditions of the Disposal between Generalvestor and HKCE as vendors and the purchaser;
- the assignment dated 8 April 2005 entered into by Generalvestor and HKCE as vendors and the purchaser for the Disposal;
- the Provisional Agreement; and
- the Formal Agreement.

5. LITIGATION

As at the Latest Practicable Date, neither the Company nor any of its subsidiaries was engaged in any litigation or arbitration of material importance and no litigation or claim of material importance is known to the Directors to be pending or threatened by or against the Company or any of its subsidiaries.

6. DIRECTORS' SERVICE CONTRACTS

Each of the executive Directors has entered into a service contract with the Company for an initial term of three years commencing from 12 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.

Save as disclosed above, as at the Latest Practicable Date, none of the Directors had a service contract with the Company which is not determinable by the Company within one year without payment of compensation other than statutory compensation.

7. EXPERT AND CONSENT

- (a) The following are the qualifications of the experts who have given its opinion and advice which are included in this circular:

Name	Qualification
Li, Tang, Chen & Co.	Certified Public Accountants (Practising)
LCH (Asia-Pacific) Surveyors Limited	Chartered Surveyors

- (b) None of Li, Tang, Chen & Co. and LCH (Asia-Pacific) Surveyors Limited had any shareholding, directly or indirectly, in any member of the Group or any right (whether legally enforceable or not) to subscribe for or to nominate persons to subscribe for securities in any member of the Group as of the Latest Practicable Date.
- (c) As at the Latest Practicable Date, none of Li, Tang, Chen & Co. and LCH (Asia-Pacific) Surveyors Limited had withdrawn its written consent to the issue of this circular, with the inclusion of the references to its name and/or its opinion in the form and context in which they are included.
- (d) As at the Latest Practicable Date, none of Li, Tang, Chen & Co. and LCH (Asia-Pacific) Surveyors Limited had any direct or indirect interest in any asset which had been acquired, or disposed of by, or leased to any member of the Group, or was proposed to be acquired, or disposed of by, or leased to any member of the Group since 31 March 2004, the date to which the latest published audited financial statements of the Group were made up.

8. MISCELLANEOUS

- (a) The registered office of the Company is located at Century Yard, Cricket Square, Hutchins Drive, P.O. Box 2681 GT, George Town, Grand Cayman, British West Indies. The principal place of business of the Company is located at 25/F., Oxford House, 979 King's Road, TaiKoo Place, Quarry Bay, Hong Kong.

- (b) The company secretary and qualified accountant of the Company is Mr Wu Kwok Lam, an associate member of the Hong Kong Institute of Certified Public Accountants and a fellow member of the Association of Chartered Certified Accountants.
- (c) The Hong Kong branch share registrar and transfer office of the Company is Pilare Limited of 10th Floor, Sun Hung Kai Centre, 30 Harbour Road, Hong Kong.
- (d) In the event of inconsistency, the English text of this circular shall prevail over the Chinese text.

9. DOCUMENTS AVAILABLE FOR INSPECTION

Copies of the following documents are available for inspection during normal business hours at the principal place of business of the Company in Hong Kong at 25/F., Oxford House, 979 King's Road, TaiKoo Place, Quarry Bay, Hong Kong up to and including 5 May 2005:

- (a) the memorandum and articles of association of the Company;
- (b) the profit and loss statement of the Property, the text of which is set out in Appendix I to the circular;
- (c) the consolidated audited financial statements of the Group for the three years ended 31 March 2004;
- (d) the interim report of the Company for the six months ended 30 September 2004;
- (e) the circular of the Company dated 17 January 2005 in relation to the Disposal;
- (f) the letter from Li, Tang, Chen & Co. in respect of the pro forma financial information of the Group, the text of which is set out in Appendix II to this circular;
- (g) the letter, summary of values and valuation certificate prepared by LCH (Asia-Pacific) Surveyors Limited, the text of which is set out in Appendix IV to this circular;
- (h) the letters of consents referred to under the section headed "Expert and Consent" in this appendix;
- (i) the material contracts referred to in the paragraph headed "Material Contracts" in this appendix; and
- (j) the service contracts referred to in the paragraph headed "Directors' service contracts" in this appendix.