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**THIS CIRCULAR IS IMPORTANT AND REQUIRES YOUR IMMEDIATE ATTENTION**

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**If you are in doubt** as to any aspect of this circular or as to the action to be taken, you should consult a stockbroker or other registered dealer in securities, bank manager, solicitor, professional accountant or other professional adviser.

**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**

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\* For identification purposes only

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## DEFINITIONS

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

“Acquisition”	the acquisition of the Property by the Purchaser 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
“Formal Agreement”	the formal agreement for sale and purchase of the Property entered into between the Vendor and the Purchaser on 15 January 2009
“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
“Independent Third Party”	party who is (i) not a connected person 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”	16 January 2009, 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

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## DEFINITIONS

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“Major Shareholders”	collectively:  (a) Matrix World Group Limited, a company wholly owned by Mr. Chan Chung Yee, Hubert, an executive Director, which owns 232,747,727 Shares, representing 47.49% of the issued share capital of the Company, as at the Latest Practicable Date; and  (b) Star Global International Limited, a company wholly owned by Mr. Chan Chung Yin, Roy, an executive Director, which owns 67,417,400 Shares, representing 13.76% of the issued share capital of the Company, as at the Latest Practicable Date.
“Property”	Shop 8, 9, 23B on G/F, National Court, Nos. 240-252 Nathan Road, Nos. 16A-16F Jordan Road and Nos. 19 – 24 Tak Hing Street, Kowloon, Hong Kong
“Provisional Agreement”	the provisional agreement for sale and purchase dated 22 December 2008 entered into between the Vendor and the Purchaser in relation to the Acquisition
“Purchase Price”	HK\$29,680,000 that the Purchaser has to pay to the Vendor for the Acquisition
“Purchaser”	Generalvestor (H.K.) Limited, a company incorporated in Hong Kong and is a wholly owned subsidiary of the Company
“Share(s)”	ordinary share(s) of HK\$0.01 each in the share capital of the Company
“Shareholder(s)”	the shareholder(s) of the Company
“Stock Exchange”	The Stock Exchange of Hong Kong Limited
“Vendor”	華潤企業有限公司 (Sinopec Enterprise Limited), a company incorporated in Hong Kong
“HK\$”	Hong Kong dollars, the lawful currency of Hong Kong
“%”	per cent.

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## LETTER FROM THE BOARD

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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)

*Executive Directors:*

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

*Registered Office:*

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

*Non-executive Director:*

Ng Ching Wah

*Principal place of business in Hong Kong:*

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

*Independent non-executive Directors:*

Chu Chor Lup  
Chiu Ngar Wing  
Leung Tai Wai, David

*To the Shareholders*

19 January 2009

Dear Sir or Madam

### MAJOR TRANSACTION: ACQUISITION OF LANDED PROPERTY

#### 1. INTRODUCTION

On 23 December 2008, the Board announced that the Purchaser, a wholly owned subsidiary of the Company, entered into the Provisional Agreement with the Vendor for the acquisition of the Property. The Formal Agreement was signed on 15 January 2009 by the Vendor and Purchaser which supersedes the Provisional Agreement.

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

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

\* For identification purposes only

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## LETTER FROM THE BOARD

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### 2. THE FORMAL AGREEMENT DATED 15 JANUARY 2009

#### Parties

Vendor: 華潤企業有限公司 (Sinopec Enterprise Limited), 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 (H.K.) Limited, a company incorporated in Hong Kong, is a wholly owned subsidiary of the Company.

#### Property to be acquired

Shop 8, 9, 23B on G/F, National Court, Nos. 240-252 Nathan Road, Nos. 16A-16F Jordan Road and Nos. 19 – 24 Tak Hing Street, Kowloon, Hong Kong

The Property is not subject to any tenancy and vacant possession shall be delivered to the Purchaser upon Completion.

#### Purchase Price

The Purchase Price is HK\$29,680,000 in cash, and its payment terms are as follows:

- (1) a sum of HK\$800,000 was paid as initial deposit and part payment of the Purchase Price upon signing of the Provisional Agreement on 22 December 2008;
- (2) a further sum of HK\$2,100,000, which together with the initial deposit mentioned above represent 10% of the Purchase Price (together, the "Deposits"), as further deposit and part payment of the Purchase Price has been paid upon signing of the Formal Agreement on 15 January 2009; and
- (3) HK\$26,780,000, representing the balance of the Purchase Price, shall be paid on Completion on or before 31 March 2009.

The Deposits are to be held by the Vendor's solicitors as stakeholders who may release the Deposits to the Vendor provided that 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 the Purchaser with reference to the prevailing market value of other shops 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, the valuation of the Property is HK\$29,700,000. The valuation report is set out in Appendix III to this circular.

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## **LETTER FROM THE BOARD**

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It is expected that the Purchase Price will be financed by internal resources, bank borrowing or a combination of both as may be considered appropriate or desirable by the Board, taking into account factors such as the then existing interest rate and cash flow of the Group. As at the Latest Practicable Date, the Board had not decided which way(s) the Purchase Price will be financed.

### **Condition of the Acquisition and Completion**

The Acquisition is subject to approval by the Shareholders having been obtained. As at the Latest Practicable Date, the Shareholders' approval has been obtained by way of written approval from the Major Shareholders. Completion of the Acquisition is expected to take place on or before 31 March 2009.

### **3. REASONS FOR THE ACQUISITION**

It is expected that approximately two-third of the floor area of the Property will be used by the Group to operate a mobile phone retail shop and one-third of the floor area will be leased for rental income.

The Directors are of the view that the terms of the Acquisition are on normal commercial terms and are 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 leasehold land and buildings and investment property will be offset by the decrease in bank and cash balances and/or increase in bank borrowing of the Group.

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

### **5. FINANCIAL AND TRADING PROSPECTS OF THE GROUP**

As stated in the interim report of the Company for the period ended 30 September, 2008, we will adopt prudent measures for financial management and resources allocation in expectation of the continued economic downturn.

### **6. GENERAL**

The Group is principally engaged in the sale and distribution of mobile phones, provision of business solutions and property investments.

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

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## LETTER FROM THE BOARD

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Under Rule 14.44 of the Listing Rules, Shareholders' approval for the Acquisition may be obtained by written Shareholders' approval in lieu 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 Shareholder or a closely allied group of 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 is 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, being members of a closely allied group of Shareholders, are holders of approximately 61.25% of the issued share capital of the Company as at the Latest Practicable Date, have given their written approval to the Acquisition. The Stock Exchange has accepted the said written approval and therefore no general meeting of the Company will be convened for considering the Acquisition.

### 7. 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*



*The following is the text of a letter in relation to the pro forma financial information set out in this circular, which was prepared for the sole purpose of inclusion in this circular by Li, Tang, Chen & Co..*



李湯陳會計師事務所

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

CERTIFIED PUBLIC ACCOUNTANTS (PRACTISING)

19th January, 2009

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 Consolidated Net Assets Statement set out in Appendix I ("Pro Forma Consolidated Net Assets Statement") to the circular of HKC International Holdings Limited (the "Company") dated 19th January, 2009 issued by the Company in connection with the proposed acquisition (the "Acquisition") of Shop 8, 9, 23B on G/F., National Court, Nos. 240-252 Nathan Road, Nos. 16A-16F Jordan Road and Nos. 19-24 Tak Hing Street, Kowloon, Hong Kong (the "Properties"), which has been prepared by the directors of the Company (the "Directors"), for illustration purpose only, as if the Acquisition had been completed on 30th September, 2008 to provide information about how the Acquisition of the Properties might have affected the net assets of the Company and its subsidiaries (collectively referred to as the "Group").

#### **Respective Responsibilities of Directors of the Company and Reporting Accountants**

It is the responsibility solely of the directors of the Company to prepare the unaudited pro forma financial information in accordance with paragraph 4.29 of the Rules Governing the Listing of Securities on The Stock Exchange of Hong Kong Limited (the "Listing Rules") and with reference to AG 7 Preparation of Pro Forma Financial Information for Inclusion in Investment Circulars issued by the Hong Kong Institute of Certified Public Accountants.

It is our responsibility to form an opinion, as required by paragraph 4.29(7) of the Listing Rules, on the unaudited pro forma financial information 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 unaudited pro forma financial information 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 engagement in accordance with Hong Kong Standard on Investment Circular Reporting Engagements (HKSIR) 300 “Accountants’ Reports on Pro Forma Financial Information in Investment Circulars” issued by the Hong Kong Institute of Certified Public Accountants. Our work consisted primarily of comparing the unadjusted financial information with source documents, considering the evidence supporting the adjustments and discussing the pro forma financial information with the directors of the Company. This engagement did not involve independent examination of any of the underlying financial information.

We planned and performed our work so as to obtain the information and explanations we considered necessary in order to provide us with sufficient evidence to give reasonable assurance that the pro forma financial information has been properly compiled by the directors of the Company on the basis stated, that such basis is consistent with the accounting policies of the Group and that the adjustments are appropriate for the purposes of the unaudited pro forma financial information as disclosed pursuant to paragraph 4.29(1) of the Listing Rules.

The unaudited pro forma financial information is for illustrative purposes only, based on the judgments and assumptions of the directors of the Company, and, because of its hypothetical nature, does not provide any assurance or indication that any event will take place in the future and may not be indicative of the financial position of the Group as at 30th September, 2008 or any future date.

**Opinion**

In our opinion:

- (a) the unaudited pro forma financial information has been properly compiled by the directors of the Company 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 unaudited pro forma financial information as disclosed pursuant to paragraph 4.29(1) of the Listing Rules.

**Li, Tang, Chen & Co.**  
*Certified Public Accountants (Practising)*  
10/F., Sun Hung Kai Centre, 30 Harbour Road,  
Wanchai, Hong Kong

## UNAUDITED PRO FORMA CONSOLIDATED NET ASSETS STATEMENT

As at 30th September, 2008

The following is the unaudited pro forma consolidated net assets statement of the Group assuming that the Properties had been acquired as at 30th September, 2008. The unaudited pro forma consolidated net assets statement was prepared based on the unaudited consolidated balance sheet of the Group extracted from the latest published interim report as at 30th September, 2008 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.

		<b>30 September 2008</b>	<b>Pro forma adjustments</b>	<b>Adjusted balances</b>
	<i>Notes</i>	<i>HK\$'000</i> (unaudited)	<i>HK\$'000</i>	<i>HK\$'000</i>
<b>Non-current assets</b>				
Property, plant and equipment	1	12,172	5,196	17,368
Investment properties	1	32,128	2,598	34,726
Leasehold land	1	6,195	23,381	29,576
Goodwill		8,689		8,689
Interest in associate		1,458		1,458
Available-for-sale financial assets		3,531		3,531
Financial assets at fair value through profit or loss		2,843		2,843
Long-term bank deposits		15,950		15,950
Deferred tax assets		287		287
		<hr/>		<hr/>
		83,253		114,428
		<hr/>		<hr/>
<b>Current assets</b>				
Inventories		46,763		46,763
Gross amount due from customers for contract work		13,399		13,399
Debtors, deposits and prepayments		42,375		42,375
Deposits paid for acquisition of properties		23,168		23,168
Financial assets at fair value through profit or loss		47,187		47,187
Derivative financial instruments		414		414
Tax recoverable		997		997
Cash and bank balances	2	84,397	(31,190)	53,207
		<hr/>		<hr/>
		258,700		227,510
		<hr/>		<hr/>

## UNAUDITED PRO FORMA CONSOLIDATED NET ASSETS STATEMENT

As at 30th September, 2008

	<b>30 September 2008</b> <i>HK\$'000</i> (unaudited)	<b>Pro forma adjustments</b> <i>HK\$'000</i>	<b>Adjusted balances</b> <i>HK\$'000</i>
<i>Notes</i>			
<b>Current liabilities</b>			
Creditors and accrued charges	45,952		45,952
Derivative financial instruments	7,553		7,553
Amount due to a director	667		667
Tax payable	984		984
Obligations under finance leases	28		28
Mortgage loan, short-term portion	567		567
	<hr/> 55,751		<hr/> 55,751
<b>Net current assets</b>	<hr/> 202,949		<hr/> 171,759
<b>Total assets less current liabilities</b>	<hr/> 286,202		<hr/> 286,187
<b>Non-current liabilities</b>			
Obligations under finance leases	235		235
Mortgage loan, long-term portion	16,456		16,456
Deferred tax liabilities	270		270
	<hr/> 16,961		<hr/> 16,961
<b>Minority interests</b>	<hr/> 2,660		<hr/> 2,660
<b>Net assets</b>	<hr/> <hr/> 266,581		<hr/> <hr/> 266,566

*Notes:*

1. The adjustment reflects the Acquisition of the Properties with carrying amounts of HK\$29,680,000, and taking in account the related cost directly attributed to the cost of the Properties, including legal fee, sales agent commission and stamp duty, which total amount is approximately HK\$1,495,000.

2. Cash and bank balances

	<i>HK\$'000</i>
Consideration and related cost of the Acquisition of Properties ( <i>note 1</i> )	31,175
Other related cost of the Acquisition of Properties ( <i>note 3</i> )	15
	<hr/>
	31,190
	<hr/> <hr/>

3. The adjustment reflects other related cost of the Acquisition not directly attributable to the cost of the Property including accountancy fee and printing cost, which total amount is approximately HK\$15,000.

**A. UNAUDITED FINANCIAL STATEMENTS OF THE COMPANY FOR THE SIX MONTHS ENDED 30 SEPTEMBER, 2008**

Set out below is the unaudited financial statements for the Group for the six months ended 30 September, 2008 as extracted from the Company's 2008 interim report.

**Condensed Consolidated Income Statement**

*For the six months ended 30th September, 2008*

	<i>Note</i>	<b>Six months ended</b>	
		<b>30.9.2008</b> <i>HK\$'000</i> (unaudited)	<b>30.9.2007</b> <i>HK\$'000</i> (unaudited)
Turnover	3	626,160	481,704
Cost of sales		(566,609)	(432,942)
		<hr/>	<hr/>
Gross profit		59,551	48,762
Other income and gains	4	3,820	7,931
Gain on disposal of leasehold land and buildings and investment properties		–	1,001
Other losses	5	(6,793)	–
Selling and distribution expenses		(6,222)	(7,230)
Administrative and other operating expenses		(46,798)	(40,904)
Finance costs	6	(134)	(235)
		<hr/>	<hr/>
Profit before taxation	7	3,424	9,325
Tax expense	8	(909)	(1,524)
		<hr/>	<hr/>
Profit for the period		2,515	7,801
		<hr/> <hr/>	<hr/> <hr/>
Attributable to:			
Equity holders of the company		2,163	7,801
Minority interests		352	–
		<hr/>	<hr/>
		2,515	7,801
		<hr/> <hr/>	<hr/> <hr/>
Dividend	9	4,901	4,761
		<hr/> <hr/>	<hr/> <hr/>
Earnings per share – (HK cents)			
– basic	10	0.44 cents	1.7 cents
		<hr/> <hr/>	<hr/> <hr/>
– diluted	10	0.44 cents	1.7 cents
		<hr/> <hr/>	<hr/> <hr/>

**Condensed Consolidated Balance Sheet***As at 30th September, 2008*

	<i>Note</i>	<b>30.9.2008</b> <i>HK\$'000</i> (unaudited)	<b>31.3.2008</b> <i>HK\$'000</i> (audited)
<b>Non-current assets</b>			
Property, plant and equipment		12,172	10,907
Investment properties		32,128	6,496
Leasehold land		6,195	6,253
Goodwill		8,689	8,689
Interest in associate		1,458	1,047
Available-for-sale financial assets		3,531	8,409
Financial assets at fair value through profit or loss		2,843	23,241
Long-term bank deposits		15,950	15,950
Deferred tax assets		287	279
		<hr/>	<hr/>
		83,253	81,271
		<hr/>	<hr/>
<b>Current assets</b>			
Inventories		46,763	38,738
Gross amount due from customers for contract work	11	13,399	7,021
Debtors, deposits and prepayments	12	42,375	49,174
Deposits paid for acquisition of properties	13	23,168	1,526
Financial assets at fair value through profit or loss		47,187	19,719
Derivative financial instruments	14	414	122
Tax recoverable		997	1,003
Cash and bank balances		84,397	140,408
		<hr/>	<hr/>
		258,700	257,711
		<hr/>	<hr/>

	<i>Note</i>	<b>30.9.2008</b> <i>HK\$'000</i> (unaudited)	<b>31.3.2008</b> <i>HK\$'000</i> (audited)
<b>Current liabilities</b>			
Creditors and accrued charges	15	45,952	52,688
Derivative financial instruments	14	7,553	9,986
Amount due to a director		667	667
Tax payable		984	992
Obligations under finance leases		28	34
Mortgage loan, short-term portion		567	–
Bank borrowings		–	27
		<u>55,751</u>	<u>64,394</u>
<b>Net current assets</b>		<u>202,949</u>	<u>193,317</u>
<b>Total assets less current liabilities</b>		<u>286,202</u>	<u>274,588</u>
<b>Non-current liabilities</b>			
Obligations under finance leases		235	31
Mortgage loan, long-term portion		16,456	–
Deferred tax liabilities		270	409
		<u>16,961</u>	<u>440</u>
		<u>269,241</u>	<u>274,148</u>
<b>Capital and reserves</b>			
Share capital		4,901	4,901
Reserves		261,680	266,939
Equity attributable to equity holders of the company		266,581	271,840
Minority interests		2,660	2,308
<b>Total equity</b>		<u>269,241</u>	<u>274,148</u>



**Condensed Consolidated Statement of Changes in Equity***For the six months ended 30th September, 2008*

	Shares held for			Share option reserve	Share award reserve	Investment			Retained profits	Minority		
	Share capital	Share premium	share award plan			Capital reserve	revaluation reserve	Translation reserve		Total	interests	Total
	HK\$'000	HK\$'000	HK\$'000	HK\$'000	HK\$'000	HK\$'000	HK\$'000	HK\$'000	HK\$'000	HK\$'000	HK\$'000	HK\$'000
At 1st April, 2008	4,901	41,404	(947)	-	373	28,325	1,254	1,380	195,150	271,840	2,308	274,148
Shares purchased for share award plan	-	-	(1,358)	-	-	-	-	-	-	(1,358)	-	(1,358)
Exchange difference on translation of overseas operation	-	-	-	-	-	-	-	128	-	128	-	128
Transfer upon share award plan	-	-	-	-	(373)	-	-	-	-	(373)	-	(373)
Decrease in fair value of available-for-sale financial assets	-	-	-	-	-	-	(918)	-	-	(918)	-	(918)
Profit for the period	-	-	-	-	-	-	-	-	2,163	2,163	352	2,515
Dividend paid	-	-	-	-	-	-	-	-	(4,901)	(4,901)	-	(4,901)
At 30th September, 2008	<u>4,901</u>	<u>41,404</u>	<u>(2,305)</u>	<u>-</u>	<u>-</u>	<u>28,325</u>	<u>336</u>	<u>1,508</u>	<u>192,412</u>	<u>266,581</u>	<u>2,660</u>	<u>269,241</u>
At 1st April, 2007	4,621	31,580	-	939	-	28,325	9,778	720	193,185	269,148	-	269,148
Exchange difference on translation of overseas operation	-	-	-	-	-	-	-	866	-	866	-	866
Decrease in fair value of available-for-sale financial assets	-	-	-	-	-	-	(4,617)	-	-	(4,617)	-	(4,617)
Reserve realized on disposal of available-for-sale financial assets	-	-	-	-	-	-	(4,142)	-	-	(4,142)	-	(4,142)
Exercise of stock options	140	3,835	-	-	-	-	-	-	-	3,975	-	3,975
Profit for the period	-	-	-	-	-	-	-	-	7,801	7,801	-	7,801
Dividend paid	-	-	-	-	-	-	-	-	(4,761)	(4,761)	-	(4,761)
At 30th September, 2007	<u>4,761</u>	<u>35,415</u>	<u>-</u>	<u>939</u>	<u>-</u>	<u>28,325</u>	<u>1,019</u>	<u>1,586</u>	<u>196,225</u>	<u>268,270</u>	<u>-</u>	<u>268,270</u>

**Condensed Consolidated Cash Flow Statement***For the six months ended 30th September, 2008*

	<b>Six months ended</b>	
	<b>30.9.2008</b>	<b>30.9.2007</b>
	<i>HK\$'000</i>	<i>HK\$'000</i>
	(unaudited)	(unaudited)
Net cash (used in)/generated from operating activities	(22,670)	8,127
Net cash (used in)/from investing activities	(26,308)	22,441
Net cash used in financing activities	(7,006)	(26,598)
Net (decrease)/increase in cash and cash equivalents	(55,984)	3,970
Cash and cash equivalents at beginning of the period	140,408	91,469
Effect of foreign exchange rates changes	(27)	866
Cash and cash equivalents at end of the period	84,397	96,305
Analysis of the balances of cash and cash equivalents:		
Cash and bank balances	84,397	96,305

## Notes to the Condensed Financial Statements

For the six months ended 30th September, 2008

### 1. BASIS OF PREPARATION

The condensed financial statements have been prepared in accordance with the applicable disclosure requirements of Appendix 16 to the Rules (“the Listing Rules”) Governing the Listing of Securities on the Stock Exchange of Hong Kong Limited (the “Stock Exchange”) and with Hong Kong Accounting Standard (“HKAS”) 34 “Interim Financial Reporting” issued by the Hong Kong Institute of Certified Public Accountants. The condensed financial statements have been prepared under the historical cost convention, except for certain financial instruments, which are measured at fair values. This unaudited condensed consolidated interim financial information should be read in conjunction with the annual financial statements for the year ended 31st March, 2008.

### 2. PRINCIPAL ACCOUNTING POLICIES

The accounting policies and methods of computation used in the preparation of this unaudited condensed consolidated interim financial information are consistent with those used in the annual financial statements for the year ended 31st March, 2008 except for the following new and revised standards, amendments and interpretations which are not yet effective:

HKAS 1 (Revised)	Presentation of financial statements <sup>1</sup>
HKAS 23 (Revised)	Borrowing costs <sup>1</sup>
HKAS 27 (Revised)	Consolidated and separate financial statements <sup>2</sup>
HKAS 32 & 1 (Amendments)	Puttable financial instruments and obligations arising on liquidation <sup>1</sup>
HKFRS 2 (Amendment)	Vesting conditions and cancellations <sup>1</sup>
HKFRS 3 (Revised)	Business combinations <sup>2</sup>
HKFRS 8	Operating segments <sup>1</sup>
HK(IFRIC) – INT 13	Customer loyalty programmes <sup>3</sup>
HK(IFRIC) – INT 15	Agreements for the construction of real estate <sup>1</sup>
HK(IFRIC) – INT 16	Hedges of a net investment in a foreign operation <sup>4</sup>

<sup>1</sup> Effective for annual periods beginning on or after 1st January, 2009.

<sup>2</sup> Effective for annual periods beginning on or after 1st July, 2009.

<sup>3</sup> Effective for annual periods beginning on or after 1st July, 2008.

<sup>4</sup> Effective for annual periods beginning on or after 1st October, 2008.

The Group has already commenced an assessment of the impact of the above new and revised standards, amendments and interpretations but is not yet in a position to state whether they would have a significant impact on its results of operations and financial position.

### 3. TURNOVER/SEGMENT INFORMATION

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

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

**Primary reporting format – business segments:**

For the six months ended 30th September, 2008:

	Sales of mobile phones <i>HK\$'000</i>	Sales of business solutions <i>HK\$'000</i>	Property investment <i>HK\$'000</i>	Elimination <i>HK\$'000</i>	Consolidated <i>HK\$'000</i>
<b>TURNOVER</b>					
External sales	557,560	68,127	473	–	626,160
Inter-segment sales	62	–	–	(62)	–
	<u>557,622</u>	<u>68,127</u>	<u>473</u>	<u>(62)</u>	<u>626,160</u>
Total turnover	<u>557,622</u>	<u>68,127</u>	<u>473</u>	<u>(62)</u>	<u>626,160</u>
<b>RESULTS</b>					
Segment results	<u>4,394</u>	<u>1,844</u>	<u>293</u>		6,531
Other income and gains					3,820
Other losses					(6,793)
Finance costs					(134)
					<u>3,424</u>
Profit before taxation					3,424
Tax expense					(909)
					<u>2,515</u>
Profit for the period					<u>2,515</u>

For the six months ended 30th September, 2007:

	Sales of mobile phones <i>HK\$'000</i>	Sales of business solutions <i>HK\$'000</i>	Property investment <i>HK\$'000</i>	Elimination <i>HK\$'000</i>	Consolidated <i>HK\$'000</i>
<b>TURNOVER</b>					
External sales	443,383	37,855	466	–	481,704
Inter-segment sales	–	–	–	–	–
	<u>443,383</u>	<u>37,855</u>	<u>466</u>	<u>–</u>	<u>481,704</u>
Total turnover	<u>443,383</u>	<u>37,855</u>	<u>466</u>	<u>–</u>	<u>481,704</u>
<b>RESULTS</b>					
Segment results	<u>4,870</u>	<u>(4,647)</u>	<u>405</u>		628
Other income and gains					7,931
Gain on disposal of leasehold land and buildings and investment properties					1,001
Finance costs					(235)
					<u>9,325</u>
Profit before taxation					9,325
Tax expense					(1,524)
					<u>7,801</u>
Profit for the period					<u>7,801</u>

**Secondary reporting format – geographical segments:**

During the period ended 30th September, 2008, more than 90% of the Group's turnover, profit from operations, assets and liabilities were derived from and located in Hong Kong and, therefore, no geographical segments for the relevant periods are presented in the financial statements.

**4. OTHER INCOME AND GAINS**

	<b>Six months ended</b>	
	<b>30.9.2008</b>	<b>30.9.2007</b>
	<i>HK\$'000</i>	<i>HK\$'000</i>
	(unaudited)	(unaudited)
Interest income from banks	1,183	3,094
Investment income	1,671	4,538
Sundry income	966	299
	<u>3,820</u>	<u>7,931</u>

**5. OTHER LOSSES**

	<b>Six months ended</b>	
	<b>30.9.2008</b>	<b>30.9.2007</b>
	<i>HK\$'000</i>	<i>HK\$'000</i>
	(unaudited)	(unaudited)
Net realized and unrealized losses on financial assets at fair value through profit or loss – equity-linked deposits and equity-linked notes	6,793	–
	<u>6,793</u>	<u>–</u>

**6. FINANCE COSTS**

	<b>Six months ended</b>	
	<b>30.9.2008</b>	<b>30.9.2007</b>
	<i>HK\$'000</i>	<i>HK\$'000</i>
	(unaudited)	(unaudited)
Interest on obligations under hire purchase contracts	10	1
Interest on bank borrowings wholly repayable within five years	–	2
Interest on bank borrowings wholly repayable after five years	124	232
	<u>134</u>	<u>235</u>

**7. PROFIT BEFORE TAXATION**

	<b>Six months ended</b>	
	<b>30.9.2008</b>	<b>30.9.2007</b>
	<i>HK\$'000</i>	<i>HK\$'000</i>
	(unaudited)	(unaudited)
Profit before taxation has been arrived at after charging:		
Operating lease rentals in respect of rented premises		
– minimum lease payment	4,867	4,602
– contingent rent	741	772
Amortisation of prepaid operating lease payments	62	58
Depreciation		
– owned assets	1,625	1,164
– leased assets	18	22
	<u>1,643</u>	<u>1,186</u>

**8. TAX EXPENSE**

	<b>Six months ended</b>	
	<b>30.9.2008</b>	<b>30.9.2007</b>
	<i>HK\$'000</i>	<i>HK\$'000</i>
	(unaudited)	(unaudited)
The charge comprises:		
Hong Kong Profits Tax	994	1,460
PRC Income Tax	87	64
Deferred tax	(172)	–
	<u>909</u>	<u>1,524</u>

Hong Kong Profits Tax is provided at the rate of 16.5% (2007: 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.

**9. DIVIDEND**

	<b>Six months ended</b>	
	<b>30.9.2008</b>	<b>30.9.2007</b>
	<i>HK\$'000</i>	<i>HK\$'000</i>
	(unaudited)	(unaudited)
Final dividend for the year 2008 of HK\$0.01 per ordinary share (2007: final dividend for the year 2007 of HK\$0.01 per ordinary share)	<u>4,901</u>	<u>4,761</u>

The directors do not recommend the payment of any interim dividend for the six months ended 30th September, 2008 (2007: HK\$ Nil).

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

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

	Six months ended	
	30.9.2008 <i>HK\$'000</i> (unaudited)	30.9.2007 <i>HK\$'000</i> (unaudited)
Profit attributable to equity holders of the company	2,163	7,801
	<i>Number of shares</i>	<i>Number of shares</i>
<b>Basic</b>		
Weighted average number of ordinary shares in issue less shares held for Share Award Plan for the purposes of calculating basic earnings per share	486,976,756	466,830,555
<b>Diluted</b>		
Weighted average number of ordinary shares in issue less shares held for Share Award Plan	486,976,756	466,830,555
Effect of dilutive potential ordinary shares: Award shares	3,136,301	—
Weighted average number of ordinary shares for the purpose of calculating diluted earnings per share	490,113,057	466,830,555

## 11. GROSS AMOUNT DUE FROM CUSTOMERS FOR CONTRACT WORK

	30.9.2008 <i>HK\$'000</i> (unaudited)	31.3.2008 <i>HK\$'000</i> (audited)
Contract costs incurred	13,043	5,944
Recognised profits	1,592	1,465
	14,635	7,409
Progress billings	(1,236)	(388)
Due from customers	13,399	7,021

The gross amount due from customers for contract work at 30th September, 2008 that is expected to be recovered after more than one year is HK\$1,300,000 (2007: HK\$Nil).

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

**12. 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\$35,102,000 (31st March, 2008: HK\$34,720,000) which are included in the Group's debtors, deposits and prepayments is as follows:

	<b>30.9.2008</b> <i>HK\$'000</i> (unaudited)	<b>31.3.2008</b> <i>HK\$'000</i> (audited)
Neither overdue nor impaired	15,853	17,403
Less than 1 month overdue	5,438	3,367
1 to 3 months overdue	5,275	5,207
More than 3 months but less than 12 months overdue	8,536	8,743
	<u>35,102</u>	<u>34,720</u>

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

**13. DEPOSITS PAID FOR ACQUISITION OF PROPERTIES**

A subsidiary of the Company entered into agreements to acquire two properties located at Shanghai, PRC at total cash consideration of approximately HK\$27,400,000. Deposits of HK\$23,168,000 have been paid by the subsidiary and the balance of HK\$4,232,000 has been paid after the balance sheet date.

**14. DERIVATIVE FINANCIAL INSTRUMENTS**

	<b>30.9.2008</b> (unaudited)		<b>31.3.2008</b> (audited)	
	<b>Assets</b> <i>HK\$'000</i>	<b>Liabilities</b> <i>HK\$'000</i>	<b>Assets</b> <i>HK\$'000</i>	<b>Liabilities</b> <i>HK\$'000</i>
Equity contracts	414	1,031	122	3,428
Equity-linked contracts	–	6,522	–	6,558
	<u>414</u>	<u>7,553</u>	<u>122</u>	<u>9,986</u>

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



## 15. CREDITORS AND ACCRUED CHARGES

The aged analysis of trade creditors of HK\$36,057,000 (31st March, 2008: HK\$43,800,000) which are included in the Group's creditors and accrued charges is as follows:

	<b>30.9.2008</b> <i>HK\$'000</i> (unaudited)	<b>31.3.2008</b> <i>HK\$'000</i> (audited)
0 – 30 days	33,404	41,611
31 – 60 days	791	427
61 – 90 days	132	244
Over 90 days	1,730	1,518
	<u>36,057</u>	<u>43,800</u>

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

## 16. 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 company:

Name of related company	Nature of transactions	Six months ended	
		<b>30.9.2008</b> <i>HK\$'000</i>	<b>30.9.2007</b> <i>HK\$'000</i>
HKC Intown Limited	Internet access fee paid <i>(Note)</i>	–	99
		<u>–</u>	<u>99</u>

Mr. Chan Chung Yin, Roy, director of the Company, has beneficial interest in the above-named company.

*Note:* These transactions were based on cost plus a percentage of profit mark-up.

**B. AUDITED FINANCIAL STATEMENTS OF THE COMPANY FOR THE THREE YEARS ENDED 31 MARCH, 2008**

Set out below is the summary of the audited consolidated income statements of the Group for each of the three years 31 March, 2008, as extracted from the Company's audited financial statements for each of the three years ended 31 March, 2008.

**Consolidated Income Statement**

	<b>For the year ended 31 March</b>		
	<b>2008</b>	<b>2007</b>	<b>2006</b>
	<i>HK\$'000</i>	<i>HK\$'000</i>	<i>HK\$'000</i>
<b>TURNOVER</b>	1,156,355	869,232	1,002,490
Cost of sales	(1,047,554)	(770,368)	(888,526)
<b>GROSS PROFIT</b>	108,801	98,864	113,964
Other income and gains	13,438	10,214	6,768
Gain on disposal of investment property and leasehold land	852	–	68,843
Loss on disposal of property, plant and equipment	(1,375)	(12)	(63)
Other losses	(12,654)	(570)	(1,244)
Selling and distribution expenses	(16,261)	(14,775)	(14,635)
Administrative and other operating expenses	(83,794)	(85,336)	(90,909)
Impairment losses recognized in respect of goodwill	–	–	(3,601)
Finance costs	(241)	(1,525)	(1,048)
<b>PROFIT BEFORE TAXATION</b>	8,766	6,860	78,075
<b>TAX EXPENSE</b>	(2,178)	(2,322)	(5,775)
<b>PROFIT FOR THE YEAR</b>	<u>6,588</u>	<u>4,538</u>	<u>72,300</u>
<b>Attributable to</b>			
Equity holders of the company	6,509	5,071	72,174
Minority interests	79	(533)	126
	<u>6,588</u>	<u>4,538</u>	<u>72,300</u>
<b>DIVIDEND</b>	<u>4,761</u>	<u>4,621</u>	<u>23,098</u>
<b>EARNINGS PER SHARE – (HK CENTS)</b>			
– basic	<u>1.35 cents</u>	<u>1.1 cents</u>	<u>15.6 cents</u>
– diluted	<u>1.35 cents</u>	<u>1.1 cents</u>	<u>15.6 cents</u>

**C. AUDITED FINANCIAL STATEMENTS OF THE COMPANY FOR THE TWO YEARS ENDED 31 MARCH, 2008**

Set out below is the audited financial statements of the Group for the two years ended 31 March, 2008 as extracted from the Company's 2008 annual report.

**Consolidated Income Statement**

*For the year ended 31st March, 2008*

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

**Balance Sheets***As at 31st March, 2008*

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

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

**Consolidated Statement of Changes in Equity***For the year ended 31st March, 2008*

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

**Consolidated Cash Flow Statement***For the year ended 31st March, 2008*

	<b>2008</b>	<b>2007</b>
	<i>HK\$'000</i>	<i>HK\$'000</i>
<b>OPERATING ACTIVITIES</b>		
Profit before taxation	8,766	6,860
Adjustments for:		
Depreciation	4,830	4,905
Amortisation of prepaid operating lease payments	123	610
Loss on disposal of property, plant and equipment	1,375	12
Gain on disposal of leasehold land and investment properties	(852)	–
Gain on disposal of available-for-sale financial assets	(5,341)	–
Net realized and unrealized losses on financial assets through profit or loss	2,551	–
Unrealized loss on derivative financial instruments	9,786	–
Net realized and unrealized gain and interest income on financial assets at fair value through profit or loss	–	(2,147)
Realized gain on derivative financial instruments	–	(716)
Dividend income from listed investments	(124)	(99)
Allowances for inventories	2,793	2,360
Employee share-based compensation benefits	373	–
Impairment loss on trade debtors	1,419	354
Bad debts written off	1,876	16
Interest income	(4,351)	(3,150)
Interest expenses	241	1,525
	<hr/>	<hr/>
Operating cash inflows before movements in working capital	23,465	10,530
Decrease in inventories	14,289	1,205
Increase in gross amount due from customers for contract work	(7,021)	–
Decrease/(increase) in debtors, deposits and prepayments	7,868	(1,807)
Increase in deposits paid for acquisition of properties	(1,526)	–
Decrease in amount due from related companies	1,516	–
Increase in creditors and accrued charges	217	14,897
Decrease in deposit received	(6,850)	–
Increase in amount due to a director	667	–
Exchange adjustments	(122)	(303)
	<hr/>	<hr/>
Net cash from operations	32,503	24,522
Interest received	4,351	3,150
Interest on bank loan	(236)	(1,520)
Interest on obligation under finance lease	(5)	(5)
Tax paid:		
Hong Kong	(1,772)	(3,911)
Overseas	(119)	–
	<hr/>	<hr/>
<b>NET CASH FROM OPERATING ACTIVITIES</b>	<b>34,722</b>	<b>22,236</b>
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	<i>Note</i>	<b>2008</b> <i>HK\$'000</i>	<b>2007</b> <i>HK\$'000</i>
<b>INVESTING ACTIVITIES</b>			
Purchase of property, plant and equipment		(5,102)	(1,920)
Purchase of available-for-sale financial assets		(1,193)	(8,279)
Purchase of financial assets at fair value through profit or loss		(51,443)	(73,592)
Deposit received for disposal of investment properties		–	6,850
Proceeds from disposal of investment properties and leasehold land		67,625	–
Proceeds from disposal of property, plant and equipment		610	84
Dividend received from listed investments		124	99
Proceeds from disposal of available-for-sale financial assets		19,495	–
Proceeds from disposal of financial assets at fair value through profit or loss		14,629	94,711
Net settlement of derivative financial instruments		78	(82)
Increase in pledged time deposit		(4,042)	–
Long-term bank deposit withdraw		7,798	–
Increase in long-term bank deposits		(8,152)	(7,798)
Increase in short-term bank deposit with maturity over three months		(1,157)	–
Acquisition of subsidiaries	44	(1,821)	–
Advances to an associate		(698)	(349)
<b>NET CASH FROM INVESTING ACTIVITIES</b>		<u>36,751</u>	<u>9,724</u>
<b>FINANCING ACTIVITIES</b>			
Issue of share capital		3,975	–
Purchase of shares of the company under Share Award Plan		(947)	–
Dividend paid		(4,761)	(4,621)
Repayment of obligation under finance lease		(25)	(23)
Repayment of bank loans		(25,901)	(2,483)
<b>NET CASH USED IN FINANCING ACTIVITIES</b>		<u>(27,659)</u>	<u>(7,127)</u>
<b>NET INCREASE IN CASH AND CASH EQUIVALENTS</b>		43,814	24,833
<b>CASH AND CASH EQUIVALENTS AT BEGINNING OF YEAR</b>		91,469	66,364
Effect of foreign exchange rates changes		(74)	272
<b>CASH AND CASH EQUIVALENTS AT END OF YEAR</b>		<u><u>135,209</u></u>	<u><u>91,469</u></u>
<b>ANALYSIS OF BALANCES OF CASH AND CASH EQUIVALENTS</b>			
Time deposits with maturity within three months		93,005	74,738
Cash and bank balances		42,204	16,731
		<u><u>135,209</u></u>	<u><u>91,469</u></u>



## Notes to the Financial Statements

### 1. GENERAL

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

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

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

### 2. BASIS OF PREPARATION

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

### 3. CHANGES IN ACCOUNTING POLICIES

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

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

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

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

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

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

**4. SIGNIFICANT ACCOUNTING POLICIES****a) Subsidiaries**

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

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

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

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

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

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

**b) Associate**

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

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

**c) Goodwill**

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

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

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

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

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

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

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

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

**d) Property, plant and equipment**

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

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

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

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

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

**e) Investment properties**

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

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

**f) Financial instruments***i) Classification*

## Available-for-sale financial assets

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

## Financial assets at fair value through profit or loss

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

## Loans and Receivables

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

*ii) Recognition and initial measurement*

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

*iii) Derecognition*

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

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

## Available-for-sale financial assets

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

## Financial assets at fair value through profit or loss

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

## Loans and receivables

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

v) *Fair value measurement principles*

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

vi) *Impairment*

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

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

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

g) **Derivative financial instruments**

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

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

h) **Inventories**

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

i) **Construction contract**

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

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

**j) Leases**

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

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

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

**k) Cash and cash equivalents**

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

**l) Payables**

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

**m) Revenue recognition**

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

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

Contract revenue:

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

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

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

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

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

**n) Employee benefits***Equity-settled share-based payment transactions*

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

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

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

*Pension schemes and other retirement benefits*

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

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

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

**o) Borrowing costs**

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



**p) Income tax expense**

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

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

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

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

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

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

**q) Impairment**

*i) Impairment of receivables*

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

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

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

*ii) Impairment of other assets*

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

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

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

- Calculation of recoverable amount

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

- Recognition of impairment losses

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

- Reversals of impairment losses

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

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

**r) Foreign currency transaction***i) Functional and presentation currency*

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

*ii)* Foreign currency transactions are translated into the functional currency using the exchange rates prevailing at the dates of the transactions. Monetary assets and liabilities denominated in foreign currencies at the balance sheet date are translated at the year-end exchange rates. All exchange differences are recognised in the income statement.*iii)* Translation differences on non-monetary items, such as equity instruments held at fair value through profit or loss, are reported as part of the fair value gain or loss. Translation differences on non-monetary items, such as equities classified as available-for-sale financial assets are included in the investment revaluation reserve in equity.

**s) Related parties**

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

**t) Contingent liabilities**

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

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

**u) Segment reporting**

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

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

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

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

**5. FINANCIAL RISK MANAGEMENT OBJECTIVES AND POLICIES**

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

**a) Credit risk**

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

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

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

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

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

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

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

**b) Liquidity risk**

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

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

Prudent liquidity risk management implies maintaining sufficient bank balances.

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

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

  

	The company					
	2008			2007		
	Total contractual	Within 1 year or	Carrying amount	Total contractual	Within 1 year or	Carrying amount
	undiscounted cash flow	on demand	amount	undiscounted cash flow	on demand	amount
HK\$'000	HK\$'000	HK\$'000	HK\$'000	HK\$'000	HK\$'000	
Creditors and accrued charges	29	29	29	-	-	-

**c) Interest rate risk**

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

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

*Sensitivity analysis*

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

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

d) **Foreign currency risk**

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

e) **Price risk**

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

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

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

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

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

f) **Fair values**

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

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

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

g) **Estimation of fair values**

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

*Listed equity securities*

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

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

Fair value is based on the valuation provided by banks.

**6. CRITICAL ACCOUNTING ESTIMATES AND JUDGEMENTS**

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

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

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

**Allowances for inventories**

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

**Provision for impairment of trade debtors**

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

**7. TURNOVER/SEGMENTAL INFORMATION**

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

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

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

For the year ended 31st March, 2008:

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

Inter-segment sales were charged at prevailing market prices.

**RESULTS**

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



At 31st March, 2008:

**Balance sheet**

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

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

For the year ended 31st March, 2007:

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

Inter-segment sales were charged at prevailing market prices.

**RESULTS**

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

At 31st March, 2007:

**Balance sheet**

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

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

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

## 8. OTHER INCOME AND GAINS

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

## OTHER LOSSES

Net realized and unrealized losses on financial assets at fair value through profit or loss		
– equity-linked deposits and equity-linked notes	2,868	–
Net losses on derivative financial instruments	9,786	–
Penalty for early termination of bank deposit	–	570
	<u>12,654</u>	<u>570</u>

## 9. FINANCE COSTS

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

## 10. PROFIT BEFORE TAXATION

Profit before taxation has been arrived at after charging:

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

## 11. DIRECTORS' REMUNERATION

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

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

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

Note:

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

## 12. EMPLOYEES' EMOLUMENTS

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

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

Their emoluments were within the following band:

	<b>2008</b> <i>Number of employees</i>	<b>2007</b> <i>Number of employees</i>
Nil to HK\$1,000,000	<u>1</u>	<u>1</u>

### 13. TAX EXPENSE

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

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

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

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

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

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

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

## 15. DIVIDEND

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

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

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

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

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



## 17. PROPERTY, PLANT AND EQUIPMENT

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

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

*Note:*

- i) The group's leasehold buildings comprise:

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

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

iii) The analysis of net book value as at 1st April, 2006 was as follows:

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

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

#### 18. INVESTMENT PROPERTIES

	<b>The group</b> HK\$'000
Cost	
At 1st April, 2006 and 31st March, 2007	17,035
Accumulated depreciation	
At 1st April, 2006	1,124
Charge for the year	426
At 31st March, 2007	<u>1,550</u>
Net book value at 31st March, 2007	<u>15,485</u>
Fair value at 31st March, 2007	<u>16,790</u>
Cost	
At 1st April, 2007	17,035
Disposal	(9,257)
At 31st March, 2008	<u>7,778</u>
Accumulated depreciation	
At 1st April, 2007	1,550
Charge for the year	195
Written back on disposal	(463)
At 31st March, 2008	<u>1,282</u>
Net book value at 31st March, 2008	<u>6,496</u>
Fair value at 31st March, 2008	<u>6,750</u>

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

The group's investment properties comprise:

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

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

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

#### 19. LEASEHOLD LAND

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

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

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

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

## 20. GOODWILL

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

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

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

## 21. INTERESTS IN SUBSIDIARIES

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

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

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

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

## 22. INTEREST IN ASSOCIATE

	<b>The group</b>	
	<b>2008</b>	<b>2007</b>
	<i>HK\$'000</i>	<i>HK\$'000</i>
Share of net assets	–	–
Amount due from an associate	1,047	349
	<u>1,047</u>	<u>349</u>

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

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

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

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

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

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

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

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

	2008 <i>HK\$'000</i>	2007 <i>HK\$'000</i>
Equity securities		
Corporate entities	3,121	13,860
Unlisted investment fund		
Bank	4,953	3,598
Unlisted debt securities		
Bank	–	12,101
Club debenture	335	335
Analysis for reporting purpose		
Current assets	–	9,101
Non-current assets	8,409	20,793

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

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

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

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



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

#### 25. LONG-TERM BANK DEPOSITS

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

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

#### 26. INVENTORIES

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

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

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

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

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

## 27. GROSS AMOUNT DUE FROM CUSTOMERS FOR CONTRACT WORK

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

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

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

## 28. DEBTORS, DEPOSITS AND PREPAYMENTS

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

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

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

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

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

Receivables that were overdue but not impaired relate to independent customers that have a good track record with the group. Based on past experience, management believes that no impairment allowance is necessary in respect of these balances as there has not been a significant change in credit quality and the balances are still considered fully recoverable. The group does not hold any collateral over these balances.

#### Impairment of trade debtors

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

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

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

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

#### 29. DEPOSITS PAID FOR ACQUISITION OF PROPERTIES

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

## 30. AMOUNT DUE FROM RELATED COMPANIES

**The group**

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

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

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

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

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

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

## 31. DERIVATIVE FINANCIAL INSTRUMENTS

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

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

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

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

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

## 32. CASH AND BANK BALANCES

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

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

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

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

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

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

## 33. CREDITORS AND ACCRUED CHARGES

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

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

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

**34. DEPOSIT RECEIVED**

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

**35. AMOUNT DUE TO A DIRECTOR**

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

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

**36. OBLIGATION UNDER FINANCE LEASE**

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

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

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

## 37. BANK BORROWINGS

	<b>The group</b>	
	<b>2008</b> <i>HK\$'000</i>	<b>2007</b> <i>HK\$'000</i>
Bank borrowings comprise:		
Bank loans (secured)	27	25,928
	<u>27</u>	<u>25,928</u>

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

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

The maturity of the bank borrowings is as follows:

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

## 38. DEFERRED TAX

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

Deferred tax assets:

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

Deferred tax liabilities:

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

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

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

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

### 39. SHARE CAPITAL

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

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



**40. SHARE OPTION SCHEME**

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

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

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

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

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

The maximum number of shares which may be issued upon exercise of all outstanding options granted and yet to be exercised under the Share Option Scheme and any other share option scheme of the group must not in aggregate exceed 30% of the relevant class of securities of the company (or any of its subsidiaries) in issue from time to time. The total number of shares in respect of which options may be granted under the Share Option Scheme and any other share option scheme of the group shall not exceed 10% of the shares of the company in issue as at the date of which dealing in the shares of the company on the Stock Exchange, without prior approval from the company's shareholders. The number of shares in respect of which options may be granted to any participant in any 12 month period is not permitted to exceed 1% of the shares of the company in issue at any point in time, without prior approval from the company's shareholders. Options granted to directors, chief executives or substantial shareholders of the company or any of their respective associates (as defined under Listing Rules) must be approved by independent non-executive directors of the company (excluding any independent non-executive director who is the grantee of the options). Options granted to substantial shareholders or independent non-executive directors or any of their respective associates in the 12 month period up to and including the date of such grant in excess of 0.1% of the shares of the company in issue and with a value in excess of HK\$5 million must be approved in advance by the company's shareholders. As at 31st March, 2008, no share option was outstanding.

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

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

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

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

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

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

#### 41. SHARE AWARD PLAN

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

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

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

## 42. RESERVES

**The group**

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

**The company**

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

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

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

**43. CAPITAL MANAGEMENT**

The group's objectives when managing capital are:

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

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

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

**44. BUSINESS COMBINATION**

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

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

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

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

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

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

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

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

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

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

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

## 45. PLEDGE OF ASSETS

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

## 46. OPERATING LEASE ARRANGEMENTS

## a) The group as lessee:

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

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

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

## b) The group as lessor:

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

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

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

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

## 47. CONTINGENT LIABILITIES

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

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

## 48. CAPITAL COMMITMENTS

## 1) Acquisition of investment properties

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

## 2) Acquisition of subsidiaries

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

## 49. RELATED PARTY TRANSACTIONS

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

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

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

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

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



**b) Key management personnel compensation**

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

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

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

*Note:*

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

**50. SUBSEQUENT EVENTS**

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

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

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

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

**52. COMPARATIVE FIGURES**

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

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

## 53. SUBSIDIARIES

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

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

Name	Place of incorporation/ registration	Principal place of Operation	Issued and fully paid share capital/ registered capital	Percentage of effective interest attributable to the group	Principal activities
Singapore Communications Equipment Co. Pte Ltd.	The Republic of Singapore	Singapore	Ordinary shares S\$160,000	100%	Sales and distribution of business solutions
HKC Technology (USA) Inc.	United States of America	United States of America	Ordinary shares US\$15,000	100%	Sales and distribution of telecommunication products
HKC International (M) Sdn Bhd	Malaysia	Malaysia	Ordinary shares RM250,000	100%	Dormant
Circle Mobile Communications (M) Sdn Bhd	Malaysia	Malaysia	Ordinary shares RM500,000	100%	Dormant
上海希華通訊科技 有限公司 ( <i>note 1</i> ) HKC Technology (Shanghai) Co. Ltd.	PRC	PRC	Contributed capital US\$2,270,000	100%	Sales and distribution of business solutions
亞衛通智能系統 (上海) 有限公司 ( <i>note 2</i> ) (ASCT Technology Co. Ltd.)	PRC	PRC	Contributed capital US\$610,000	80%	Development and sales of telecommunication system and other high-tech products
HKC Mobile Technology Limited	Hong Kong	Hong Kong	Ordinary shares HK\$20,000,000	100%	Dormant
HKC Comunicacoes Equipamento (Macau) Companhia Limitada	Macau	Macau	Contributed capital MOP 100,000	100%	Sales and distribution of business solutions
Wavex Innovations Pte. Ltd.	Singapore	Singapore	Ordinary shares S\$50,000	70%	Sales & development of RFID products
Wavex Technologies Pte. Ltd.	Singapore	Singapore	Ordinary shares S\$200,000	70%	Sales and distribution of RFID products
Wavetech Sdn Bhd	Malaysia	Malaysia	Ordinary shares RM\$100,000	42%	Sales and distribution of RFID products

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

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

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

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

**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 and the available banking facilities, 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 31 December, 2008, 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\$17.1 million, comprising secured bank loans of approximately HK\$16.8 million and hire purchase commitments of approximately HK\$0.3 million. The secured borrowings are secured by certain of the Group's investment properties and leasehold land and buildings.

At 31 December, 2008, the Group had credit facilities from third parties in respect of which guarantees were given. The total amount of the facilities amounted to HK\$28 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 31 December, 2008.

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 31 December, 2008.

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, 2008, being the date on which the latest published audited consolidated financial statements of the Group were made up.

*The following is the text of a letter and a valuation certificate in relation to the Property, prepared for the sole purpose of inclusion in this circular, received from LCH (Asia-Pacific) Surveyors Limited, an independent valuer.*



利駿行測量師有限公司  
**LCH (Asia-Pacific)** Surveyors Limited  
CHARTERED SURVEYORS  
PLANT AND MACHINERY VALUERS  
BUSINESS & FINANCIAL SERVICES VALUERS

*The readers are reminded that the report which follows has been prepared in accordance with the guidelines set by the International Valuation Standards, Eighth Edition, 2007 (the “IVS”) published by the International Valuation Standards Committee as well as the HKIS Valuation Standards on Properties, First Edition, 2005 (the “HKIS Standards”) published by the Hong Kong Institute of Surveyors (the “HKIS”). Both standards entitle the valuer to make assumptions which may on further investigation, for instance by the readers’ legal representative, prove to be inaccurate. Any exception is clearly stated below. Headings are inserted for convenient reference only and have no effect in limiting or extending the language of the paragraphs to which they refer. If additional documents and facts are made available, the valuer reserves the right to amend this report and its conclusions.*

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19 January 2009

The Directors  
HKC International Holdings Limited  
25th Floor, 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”) and 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 22 December 2008 (hereinafter referred as the “Date of Valuation”) for the Company’s internal management reference purpose and to be incorporated into the Company’s circular for its shareholders’ reference.

We understand that the management of the Company will incorporate our work product (i.e. this letter and the valuation certificate) as part of its business due diligence and we have not been engaged to make specific sale or purchase recommendations. We further understand that the use of our work product will not supplant other due diligence, which the management of the Company should conduct, in reaching its business decisions regarding the property valued. Our work is designed solely to provide information that will give the management of the Company a reference to form part of its internal due diligence.

### **BASIS OF VALUATION AND ASSUMPTIONS**

According to the IVS, which the HKIS Standards also follows, there are two valuation bases in valuing property, namely market value basis and valuation bases other than market value. Our valuation of the property is on market value basis.

The term “Market Value” is defined 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”.

Our valuation of the property is on the basis of Market Value. According to information made available to us, the property was subject to a monthly tenancy as at the Date of Valuation and will be sold on vacant possession. We have adopted the comparable sales method of the Market Approach (also called sales comparison approach) on the assumption that the property sold with the benefit of vacant possession. The sales comparable method considers the sales, listings or offering of similar or substitute property and related market data and establishes a value of a property that a reasonable investor would have to pay for a similar property of comparable utility and with an absolute title.

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.

Unless otherwise stated, we have not carried out a valuation on a redevelopment basis and the study of possible alternative development options and the related economics do not come within the scope of our work.

### **MATTERS THAT MIGHT AFFECT THE VALUE REPORTED**

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.

As at the Latest Practicable Date of this circular, we are unable to identify any adverse news against the property which may affect the reported value in our work product. Thus, we are not in the position to report and comment on its impact (if any) to the property. However, should it be established subsequently that such news did exist at the Date of Valuation, we reserve the right to adjust the value reported herein.

**ESTABLISHMENT OF TITLES**

We have not been provided with title documents regarding the property, however, we have conducted title searches of the property in the Land Registry of Hong Kong. We have not examined the original documents to verify the ownership and encumbrances or to ascertain the existence of any lease amendments, which may not appear on the copies handed to us. All documents disclosed (if any) are for reference only and no responsibility is assumed for any legal matters concerning the legal title and the rights (if any) to the property. Any responsibility for our misinterpretation of the documents cannot be accepted.

**INSPECTIONS AND INVESTIGATIONS OF THE PROPERTY IN ACCORDANCE WITH VS4 OF THE HKIS STANDARDS**

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 requested for the purpose of our valuation. 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 inspections 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 structural defects. No tests were carried out to the services (if any) and we are unable to identify those services either covered, unexposed or inaccessible.

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 handed to us are correct. All dimensions, measurements and areas are approximations.

We have not arranged for any investigation to be carried out to determine whether or not any deleterious or hazardous materials have been used in the construction of the property, or have since been incorporated into the property, and we are therefore unable to report that the property are free from risk in this respect. For the purpose of this valuation, we have assumed that such investigation would not disclose the presence of any such materials to any significant extent.

**SOURCES OF INFORMATION AND ITS VERIFICATION IN ACCORDANCE WITH VS5 OF THE HKIS STANDARDS**

We have relied solely on the information provided by the management of the Company or its appointed personnel without further verification and have fully accepted advice given to us on such matters as planning approvals or statutory notices, locations, titles, easements, tenure, occupation, lettings, rental, site and floor areas and all other relevant matters.

The scope of valuation has been determined by reference to the property list provided by the management of the Company.

Information furnished by others, upon which all or portions of our work product are based, is believed to be reliable but has not been verified in all cases. Our procedures to value or work do not constitute an audit, review, or compilation of the information provided. Thus, no warranty is made nor liability assumed for the accuracy of any data, advice, opinions, or estimates identified as being furnished by others which have been used in formulating our work product.

When we adopted the work products from other professions, external data providers and the management of the Company in our valuation, the assumptions and caveats that adopted by them in arriving at their figures also applied in our valuation. The procedures we have taken do not provide all the evidence that would be required in an audit and, as we have not performed an audit, accordingly, we do not express an audit opinion.

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

We have had no reason to doubt the truth and accuracy of the information provided to us by the management of the Company or its appointed personnel. 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.

Unless otherwise stated, all monetary amounts are in Hong Kong Dollars (“HK\$”).

### **LIMITING CONDITIONS**

Our opinion of value of the property in this report is valid only for the stated purpose and only for the Date of Valuation, and for the sole use of the named Company. We or our personnel shall not be required to give testimony or attendance in court or to any government agency by reason of this report, and the valuer accepts no responsibility whatsoever to any other person.

Our valuation has been made on the assumption that no unauthorised alteration, extension or addition has been made in the property, and that the use of the attached valuation certificate should not be used as a building survey of the property. If the management of the Company wants to satisfy them as to the condition of the property, then the management of the Company should obtain a surveyor’s detailed inspection and report of their own.

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

Neither the whole nor any part of this report or any reference made hereto may be included in any published documents, 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 report in this circular to the Company’s shareholders’ reference.



Our maximum liability relating to services rendered under this engagement (regardless of form of action, whether in contract, negligence or otherwise) shall be limited to the charges paid to us for the portion of its services or work products giving rise to liability. In no event shall we be liable for consequential, special, incidental or punitive loss, damage or expense (including without limitation, lost profits, opportunity costs, etc.), even if it has been advised of their possible existence.

The Company is required to indemnify and hold us and our personnel harmless from any claims, liabilities, costs and expenses (including, without limitation, attorney's fees and the time of our personnel involved) brought against, paid or incurred by us at a time and in any way based on the information made available in connection with our report except to the extent that any such losses, expenses, damages or liabilities are ultimately determined to be the result of gross negligence of our engagement team in conducting its work. This provision shall survive even after the termination of this engagement for any reason.

### **STATEMENTS**

Our valuation has been prepared in line with the requirements contained in Chapter 5 of the Rules Governing the Listing of Securities on The Stock Exchange of Hong Kong Limited as well as the guidelines contained in both IVS and the HKIS Standards. The valuation has been undertaken by valuer, acting as external valuer, qualified for the purpose of the valuation.

We retain a copy of this report together with the data from which it was prepared, and these data and documents will, according to the Laws of Hong Kong, keep for a period of 6 years from the date of this report and to be destroyed thereafter. We considered these records confidential, and we do not permit access to them by anyone, with the exception for law enforcement authorities or court order, without the Company's authorisation and prior arrangement made with us.

We hereby certify that the fee for this service is not contingent upon our conclusion of value and we have no significant interest in the property, the Group or the value reported.

The valuation certificate is attached below.

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

*Note:* Ms. Elsa Ng Hung Mui is a Registered Professional Surveyor who has been conducting valuation of real estate property in Hong Kong since 1994 and has more than 9 years of experience in valuing property in mainland China. She is also a valuer on the List of Property Valuers for Undertaking Valuation for Incorporation or Reference in Listing Particulars and Circulars and Valuation in Connection with Takeovers and Mergers published by the HKIS.

## 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	Amount of valuation in its existing state as at 22 December 2008 HK\$
Shop Nos. 8, 9 and 23B on Ground Floor, National Court, Nos. 240-252 Nathan Road, Nos. 16A-16F Jordan Road and Nos. 19-24 Tak Hing Street, Kowloon, Hong Kong	<p>The property comprises three adjoining shop units on Ground floor of a 17-storeyed composite building which was completed in 1960.</p> <p>According to the information made available to us, the property has a total saleable area of approximately 942.62 sq.ft. (87.57 sq.m.).</p> <p>The Lot is held under Conditions of Renewal No. 4831 for a term of 150 years thereof commencing from 25 December 1876.</p> <p>The current government rent payable for the property is HK\$48 per annum.</p>	As at the Date of Valuation, the property was subject to a monthly tenancy at a monthly rental of HK\$120,000 for retail purpose. There is no rent review clause.	29,700,000
6 <sup>3</sup> / <sub>5</sub> of 433th shares of and in Kowloon Inland Lot No. 6360 (“the Lot”)			

*Notes:*

- The registered owner of the property is Sinopec Enterprise Limited 華潤企業有限公司 via an assignment dated 15 August 2005 and registered in the Land Registry by Memorial No. 05090901390031 on 9 September 2005.
- The property is subject to a mortgage dated 25 January 2007 in favour of DBS Bank (Hong Kong) Limited and registered in the Land Registry by Memorial No. 07021200800046 on 12 February 2007.
- The property is subject to a Provisional Agreement for Sale and Purchase dated 22 December 2008 and made between Sinopec Enterprise Limited 華潤企業有限公司 (the “Vendor”) and Generalvestor (HK) Ltd. (the “Purchaser”), which is a wholly-owned subsidiary of the Company, at a consideration of HK\$29,680,000.
- According to the Agreement as mentioned in Note 3 above, the purchase of the property is subject to the passing of the members of the Company at an extraordinary general meeting of an ordinary resolution or if applicable, the written consent of more than 50% of the issued voting shareholdings of the Company approving the purchase of the property by the Purchaser (“Shareholders’ Approval”). The parties agree that in case the Purchaser fails to obtain the Shareholders’ Approval by the 20 day of February 2009, the Purchaser is entitled to give notice in writing to the Vendor to terminate the Agreement in which event the Vendor shall return all deposits paid by the Purchaser under the Agreement to the Purchaser within 3 working days from the date of the said notice and the Agreement shall become null and void and of no further effect.
- The property is to be sold with the benefit of vacant possession. For information purpose, the market rent as at the Date of Valuation was approximately HK\$120,000 per month.

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

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

<b>Name of Director</b>	<b>the Company/ associate corporation</b>	<b>Capacity</b>	<b>Number and class of securities <i>(Note 1)</i></b>	<b>Approximate percentage of interest</b>
Chan Chung Yee, Hubert	The Company	Interest of controlled corporation	241,512,575 Shares (L) <i>(Note 2)</i>	49.28%
	The Company	Beneficial owner	9,080,000 Shares (L) <i>(Note 3)</i>	1.85%
	Matrix World Group Limited	Beneficial Owner	1 share of US\$1.00 (L)	100%

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

## Notes:

- (1) The letter "L" represents the Director's or chief executive's interests in the shares and underlying shares of the Company or its associated corporations.
- (2) Among these Shares, 8,764,848 Shares were held by Light Emotion Limited, a company wholly owned by Matrix World Group Limited and 232,747,727 Shares were held by Matrix World Group Limited, a company wholly owned by Mr. Chan Chung Yee, Hubert. By virtue of the provisions of Divisions 7 and 8 of Part XV of the SFO, Matrix World Group Limited is deemed to be interested in the Shares held by Light Emotion Limited and Mr. Chan Chung Yee, Hubert is deemed to be interested in the Shares in which Matrix World Group Limited is interested.

- (3) These Shares are registered in the name of Mr. Chan Chung Yee, Hubert.
  - (4) These Shares were held by Star Global International Limited, a company wholly owned by Mr. Chan Chung Yin, Roy. By virtue of the provisions of Divisions 7 and 8 of Part XV of the SFO, Mr. Chan Chung Yin, Roy is deemed to be interested in the Shares held by Star Global International Limited.
  - (5) These Shares are registered in the name of Mr. Chan Chung Yin, Roy.
  - (6) These Shares were held by Ocean Hope Group Limited, a company wholly owned by Mr. Chan Man Min. By virtue of the provisions of Divisions 7 and 8 of Part XV of the SFO, Mr. Chan Man Min is deemed to be interested in the Shares held by Ocean Hope Group Limited.
  - (7) These Shares are registered in the name of Mr. Chan Man Min.
  - (8) These Shares are registered in the name of Mr. Tsui Hon Wing.
  - (9) These Shares are registered in the name of Mr. Chan Ming Him, Denny.
  - (10) These Shares are registered in the name of Mr. Wu Kwok Lam.
- (b) Save as disclosed above, as at the Latest Practicable Date, none of the Directors and chief executive of the Company had any interest and short positions in the shares, underlying shares and debentures of the Company or its associated corporations (within the meaning of Part XV of the SFO) which were required to be notified to the Company and the Stock Exchange pursuant to Divisions 7 and 8 of Part XV of the SFO (including interests and short positions which he was taken or deemed to have under such provisions of the SFO), or which were required, pursuant to section 352 of the SFO, to be entered in the register maintained by the Company referred to therein, or which were required, pursuant to the Model Code for Securities Transactions by Directors of Listed Issuers contained in the Listing Rules, to be notified to the Company and the Stock Exchange.
- (c) 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, 2008 the date to which the latest published audited financial statements of the Group were made up.
- (d) 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.
- (e) As at the Latest Practicable Date, none of the Directors was interested in any business, apart from the business of the Group, which competes or is 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 OF OTHER MEMBERS OF THE GROUP**

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

Name	Number of Shares (Note 1)	Capacity/ Nature of interest	Approximate percentage of interest
Matrix World Group Limited	232,747,727 (L) (Note 2)	Beneficial owner	47.49%
	8,764,848 (L) (Note 2)	Interest of controlled corporation	1.79%
Star Global International Limited (Note 3)	67,417,400 (L)	Beneficial owner	13.76%
Ocean Hope Group Limited (Note 4)	24,709,650 (L)	Beneficial owner	5.04%
Chan Low Wai Han, Edwina (Note 5)	68,677,400 (L)	Interest of spouse	14.01%
Josephine Liu (Note 6)	250,592,575 (L)	Interest of spouse	51.13%

*Notes:*

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

- (5) Mrs. Chan Low Wai Han, Edwina is wife of Mr. Chan Chung Yin, Roy. By virtue of the provisions of Divisions 2 and 3 of Part XV of the SFO, Mrs. Chan Low Wai Han, Edwina is deemed to be interested in all the Shares in which Mr. Chan Chung Yin, Roy is interested.
- (6) Ms. Josephine Liu is the wife of Mr. Chan Chung Yee, Hubert. By virtue of the provisions of Divisions 2 and 3 of Part XV of the SFO, Ms. Josephine Liu is deemed to be interested in all the Shares in which Mr. Chan Chung Yee, Hubert is interested.
- (b) As at the Latest Practicable Date, so far as was known to any Director or chief executive of the Company, the following person (other than a Director or chief executive of the Company) was, directly or indirectly, interested in 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 subsidiaries of the Company:

<b>Name of subsidiary</b>	<b>Name of shareholder</b>	<b>Total amount of registered capital/number of issued shares of subsidiary being interested</b>	<b>Percentage of shareholder's interest in registered capital/issued share capital</b>
亞衛通智能系統 (上海)有限公司 (ASCT Technology Co. Ltd.)	Hua Dong	Registered capital of US\$122,000	20%
Wavex Innovations Pte. Ltd	Koh Sze Yon (Xu Zhirong)	6,450 shares	12.9%
Wavex Technologies Pte. Ltd	Koh Sze Yon (Xu Zhirong)	25,800 shares	12.9%

- (c) Save as disclosed above, as at the Latest Practicable Date, other than the Directors and chief executive of the Company whose interests or short positions are set out in paragraph 2(a) above, the Directors and the chief executive of the Company were not aware of any person having any 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, having any direct or indirect interests in 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 subsidiaries of the Company.

#### 4. MATERIAL CONTRACTS

Save as disclosed below, there are no contracts that had been entered into by members of the Group not being in the ordinary course of business within the two years immediately preceding the Latest Practicable Date which are or may be material.

- (a) On 19 January 2007, the Company, through its wholly owned subsidiary, agreed to dispose of a landed property in Hong Kong at a consideration of HK\$68,500,000. The transaction had been completed on 30 April 2007.
- (b) On 22 October, 2007, the Company, through its wholly owned subsidiary, entered into an acquisition agreement to purchase 70% of interests in each of Wavex Technologies (Pte) Limited and Wavex Technologies (Pte) Limited at a consideration of HK\$18,550,000. The transaction had been completed on 23 November, 2007.
- (c) On 18 March 2008, the Company, through its wholly owned subsidiary, agreed to purchase a property in Hong Kong at a consideration of HK\$7,200,0000. The transaction had been completed on 9 May 2008.
- (d) On 8 May 2008, the Company, through its wholly owned subsidiary, agreed to purchase office premises in Shanghai of the PRC at an aggregate consideration of HK\$25,354,0000. The transaction had been completed on 28 October 2008.

There are no contract or arrangement subsisting at the date hereof in which a Director is materially interested and which is significant in relation to the business of the Group.

#### 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, unless terminated by not less than three months' notice in writing served by either party to the other.

Each of the non-executive Director and independent non-executive Directors has entered into a letter of appointment with the Company for a term of one year. The appointment will be automatically renewed for successive term of one year unless terminated by either party by not less than three months' notice in writing prior to the expiry of the then current term.

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 opinion and advice which are included in this circular:

<b>Name</b>	<b>Qualification</b>
Li, Tang, Chen & Co	Certified Public Accountants
LCH (Asia-Pacific) Surveyors Limited	Chartered Surveyors

- (b) None of Li, Tang, Chen & Co and LCH (Asia-Pacific) Surveyors Limited has 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.
- (c) None of Li, Tang, Chen & Co and LCH (Asia-Pacific) Surveyors Limited has 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) 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 2008, 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 Cricket Square, Hutchins Drive, P.O.Box 2681, Grand Cayman KY1-1111, Cayman Islands. 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 of the Company is Mr. Wu Kwok Lam.
- (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 6 February 2009:

- (a) the memorandum and articles of association of the Company;
- (b) the consolidated audited financial statements of the Group for the two years ended 31 March 2008;
- (c) the interim report of the Company for the six months ended 30 September 2008;
- (d) 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 I to this circular;
- (e) the letter and valuation certificate prepared by LCH (Asia-Pacific) Surveyors Limited, the text of which is set out in Appendix III to this circular;
- (f) the letters of consents referred to under the section headed "Expert and Consent" in this appendix;
- (g) the material contracts referred to in the paragraph headed "Material Contracts" in this appendix; and
- (h) the service contracts referred to in the paragraph headed "Directors' service contracts" in this appendix.