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)

ANNOUNCEMENT OF ANNUAL RESULTS FOR THE YEAR ENDED 31ST MARCH, 2010

The board of directors (the "Board") of HKC International Holdings Limited (the "company") is pleased to announce the audited consolidated results of the company and its subsidiaries (collectively, the "group") for the year ended 31st March, 2010 together with audited comparative figures for the year ended 31st March, 2009 as follows:

CONSOLIDATED STATEMENT OF COMPREHENSIVE INCOME
FOR THE YEAR ENDED 31ST MARCH, 2010

	Note	**2010** *HK$'000*	2009 *HK$'000*
TURNOVER	3	**870,594**	1,109,970
Cost of sales		**(785,000)**	(1,011,491)
GROSS PROFIT		**85,594**	98,479
Gain/(loss) on disposal of property, plant and equipment		**82**	(694)
Other income and gains	4	**26,608**	3,936
Other losses	4	**(7,519)**	(32,371)
Selling and distribution expenses		**(14,842)**	(15,673)
Administrative and other operating expenses		**(82,731)**	(96,221)
Finance costs	5	**(829)**	(321)
PROFIT/(LOSS) BEFORE TAXATION	6	**6,363**	(42,865)
TAX (EXPENSE)/INCOME	7	**(3,271)**	2,299
PROFIT/(LOSS) FOR THE YEAR		**3,092**	(40,566)

	Note	**2010**	2009
		HK$'000	*HK$'000*
OTHER COMPREHENSIVE (EXPENSES)/INCOME			
Exchange differences on translation of overseas operations		**(2,166)**	1,410
Fair value gain/(loss) on available-for-sale financial assets		**1,627**	(1,452)
Reclassification adjustment of fair value gain to profit or loss on disposal of available-for-sale financial assets		**–**	63
OTHER COMPREHENSIVE (EXPENSES)/INCOME FOR THE YEAR		**(539)**	21
TOTAL COMPREHENSIVE INCOME/(EXPENSES) FOR THE YEAR		**2,553**	(40,545)
Profit/(loss) attributable to			
Equity holders of the company		**3,165**	(40,403)
Minority interests		**(73)**	(163)
Profit/(loss) for the year		**3,092**	(40,566)
Total comprehensive income/(expense) attributable to			
Equity holders of the company		**2,400**	(40,359)
Minority interests		**153**	(186)
Total comprehensive income/(expense) for the year		**2,553**	(40,545)
EARNINGS/(LOSS) PER SHARE – (HK CENTS)			
– basic	8	**0.65 cents**	(8.27) cents
– diluted	8	**0.65 cents**	(8.24) cents
DIVIDEND	9	**4,901**	4,901

CONSOLIDATED BALANCE SHEET
AS AT 31ST MARCH, 2010

	Note	**2010** *HK$'000*	2009 *HK$'000*
NON-CURRENT ASSETS			
Property, plant and equipment		**15,825**	15,053
Investment properties		**12,016**	12,341
Leasehold land		**74,181**	76,873
Goodwill		**–**	6,314
Available-for-sale financial assets		**4,908**	3,150
Deferred tax assets		**57**	2,514
		106,987	116,245
CURRENT ASSETS			
Inventories		**37,817**	23,362
Gross amount due from customers for contract work		**1,841**	1,993
Debtors, deposits and prepayments	10	**35,560**	40,972
Financial assets at fair value through profit or loss		**41,432**	29,648
Tax recoverable		**84**	1,593
Cash and bank balances		**62,116**	84,415
		178,850	181,983
CURRENT LIABILITIES			
Creditors and accrued charges	11	**23,679**	18,895
Gross amount due to customers for contract work		**266**	712
Derivative financial instruments		**48**	10,881
Amount due to a director		**684**	684
Tax payable		**1,263**	688
Obligations under finance leases		**69**	68
Bank borrowings		**1,988**	1,857
		27,997	33,785
NET CURRENT ASSETS		**150,853**	148,198
TOTAL ASSETS LESS CURRENT LIABILITIES		**257,840**	264,443

	Note	**2010**	2009
		HK$'000	*HK$'000*
NON-CURRENT LIABILITIES			
Obligations under finance leases		**168**	216
Bank borrowings		**33,636**	35,593
Deferred tax liabilities		**117**	106
		33,921	35,915
		223,919	228,528
CAPITAL AND RESERVES			
Share capital		**4,901**	4,901
Reserves		**219,018**	221,519
Equity attributable to equity holders of the company		**223,919**	226,420
Minority interests		**–**	2,108
TOTAL EQUITY		**223,919**	228,528

NOTES TO THE FINANCIAL STATEMENTS

1. 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.

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

HKICPA has issued one new HKFRSs, a number of amendments to HKFRSs and new Interpretations that are first effective for the current accounting period of the group and the company. Of these, the following developments are relevant to the group's financial statements:

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

HKFRS 8 is a disclosure standard that requires operating segments to be identified on the basis of internal reports about components of the group that are regularly reviewed by the chief operating decision maker for the purpose of allocating resources to segments and assessing their performance. The application of the HKFRS 8 has not resulted in a redesignation of the group's reportable segments (see note 3). In addition, there are no changes in the basis of measurement of segment revenue, segment profit or loss, segment assets and segment liabilities.

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

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

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

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

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

3. TURNOVER/SEGMENTAL INFORMATION

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

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

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

a) **Segment results, assets and liabilities**

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

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

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

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

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

b) Geographic information

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

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

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

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

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

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

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

- all liabilities are allocated to reportable segments other than deferred tax liabilities, and derivative financial instruments.

d) Information about major customers

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

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

4. OTHER INCOME AND GAINS

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

5. FINANCE COSTS

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

6. PROFIT/(LOSS) BEFORE TAXATION

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

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

and after crediting:

Gross rental income from investment properties under operating leases less outgoings	**3,469**	1,878

7. TAX EXPENSE/(INCOME)

a) Hong Kong profits tax has been provided at the rate of 16.5% (2009: 16.5%) on the estimated assessable profits arising in Hong Kong during the year. Taxes on profits assessable in elsewhere have been calculated at the rates of tax prevailing in those places in which the group operates, based on existing legislation, interpretations and practices in respect thereof.

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

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

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

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

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

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

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

9. DIVIDEND

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

Final dividend of HK$0.01 (2009: HK$0.01) per ordinary share for the year ended 31st March, 2010 has been proposed by the directors and is subject to the approval by the shareholders in annual general meeting. Shareholders may elect to receive final dividend in the form of new shares of the company or cash or partly in shares and partly in cash.

10. DEBTORS, DEPOSITS AND PREPAYMENTS

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

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

	2010	2009
	'000	*'000*
New Taiwan Dollars	**NTD 2,544**	NTD –

a) Ageing analysis

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

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

b) Trade debtors that are not impaired

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

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

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

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

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

c) **Impairment of trade debtors**

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

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

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

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

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

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

11. CREDITORS AND ACCRUED CHARGES

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

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

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

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

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

MANAGEMENT DISCUSSION AND ANALYSIS

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

SALES OF MOBILE PHONES

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

SALES OF BUSINESS SOLUTIONS

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

PROPERTY INVESTMENT

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

PROSPECTS

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

LIQUIDITY AND FINANCIAL RESOURCES

The group continues to maintain a strong financial position. As at 31st March, 2010, the group's bank balances and cash amounted to approximately HK$62 million (2009: HK$84 million) while the bank borrowing was HK$36 million (2009: HK$37 million). The gearing ratio was 15.91% (2009: 16.39%) which is expressed as a percentage of total borrowings to shareholders' funds.

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

CAPITAL EXPENDITURE

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

EMPLOYEES

As at 31st March, 2010, the total number of employees of the group was approximately 320 (2009: 330) and the aggregate remuneration of employees (excluding directors' emoluments) amounted to HK$54 million (2009: HK$62 million). The remuneration and bonus packages of the employees are based on the individual merits and performance and are reviewed at least annually. There is a share option scheme and a share award plan in place designed to award employees for their performance at the discretion of the directors. The group maintains a good relationship with its employees.

PLEDGE OF ASSETS

As at 31st March, 2010, the group's general banking facilities were secured by (1) first legal charge on certain leasehold land and buildings and investment properties with aggregate net book value of HK$61,829,000 (2009: HK$64,042,000), (2) bank deposits of HK$8,581,000 (2009: HK$12,670,000) and (3) financial assets at fair value through profit or loss of HK$22,819,000 (2009: Nil).

CONTINGENT LIABILITIES

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

DIVIDEND

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

CLOSURE OF REGISTER OF MEMBERS

The register of members of the company will be closed from Monday, 9th August, 2010 to Wednesday, 11th August, 2010, both days inclusive, for the purpose of, among other things, establishing entitlements to the proposed final dividend, during which period no transfer of shares will be effected. In order to qualify for the final dividend, all transfers, accompanied by the relevant share certificates, should be lodged with the company's Share Registrars in Hong Kong, Pilare Limited, at 10th Floor, Sun Hung Kai Centre, 30 Harbour Road, Wanchai, Hong Kong not later than 4:30 p.m. on Friday, 6th August, 2010.

CODE ON CORPORATE GOVERNANCE PRACTICES

The Board considers that good corporate governance is central to safeguarding the interests of the shareholders and enhancing the performance of the group. The company had complied throughout the year ended 31st March, 2010 with the code provisions ("Code Provision") set out in the Code of Corporate Governance Practices ("Code") contained in Appendix 14 to the Rules Governing the Listing of Securities on The Stock Exchange of Hong Kong Limited ("Listing Rules"), except for Code Provision A.2.1 which stipulates that the roles of Chairman and Chief Executive Officer should be separate and should not be performed by the same individual. The company does not segregate the roles of Chairman and Chief Executive Officer and Mr. Chan Chung Yee, Hubert currently holds both positions. The Board believes that vesting the roles of Chairman and Chief Executive Officer in the same person provides the group with strong and consistent leadership in the development and execution of long-term business strategies. The Board will continuously review and improve the corporate governance practices and standards of the company to ensure that business activities and decision making processes are regulated in a proper and prudent manner.

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

The company has adopted the Model Code for Securities Transactions by Directors of Listed Issuers ("Model Code") set out in Appendix 10 to the Listing Rules as its own code of conduct regarding directors' securities transactions. Having made specific enquiry of all directors, each of the directors confirmed that he had complied with the required standard set out in the Model Code during the year ended 31st March, 2010.

AUDIT COMMITTEE

The company's audit committee comprises three independent non-executive directors namely, Mr. Chiu Ngar Wing, Dr. Chu Chor Lup and Mr. Leung Tai Wai, David and Mr. Chiu Ngar Wing is the Chairman of the audit committee. During the year, the audit committee reviewed the unaudited interim financial statements for the six months ended 30th September, 2009 and the audited financial statements for the year ended 31st March, 2010 with recommendations to the Board for approval, reviewed reports on internal control system of the group, and discussed with the management and the external auditors the audit plans, the accounting policies and practices which may affect the group and financial reporting matters.

REMUNERATION COMMITTEE

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

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

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

There was no purchase, sale or redemption of the company's listed shares by the company or any of its subsidiaries during the year.

APPRECIATION

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

ANNUAL GENERAL MEETING AND DESPATCH OF ANNUAL REPORT

The annual general meeting ("AGM") of the company will be held on Monday, 6th September, 2010. The annual report of the company for the year ended 31st March, 2010 together with the notice of the AGM will be dispatched to shareholders of the company and will be published on the company's website at "www.hkc.com.hk" and the website of The Hong Kong Exchange and Clearing Limited at "www.hkexnews.hk" in due course.

BOARD OF DIRECTORS

As at the date of this announcement, the Board comprises Mr. Chan Chung Yee, Hubert, Mr. Chan Chung Yin, Roy, Mr. Chan Man Min, Mr. Chan Ming Him, Denny, Mr. Tsui Hon Wing, and Mr. Wu Kwok Lam as executive directors, Mr. Ng Ching Wah as non-executive director and Mr. Chiu Ngar Wing, Dr. Chu Chor Lup and Mr. Leung Tai Wai, David as independent non-executive directors.

On behalf of the Board
Chan Chung Yee, Hubert
Chairman

Hong Kong, 16th July, 2010

* *For identification purpose only*