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, 2011

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, 2011 together with audited comparative figures for the year ended 31st March, 2010 as follows:

CONSOLIDATED STATEMENT OF COMPREHENSIVE INCOME
For the year ended 31st March, 2011

	Note	**2011** *HK$'000*	2010 *HK$'000*
TURNOVER	3	**940,006**	870,594
Cost of sales		**(838,800)**	(785,000)
GROSS PROFIT		**101,206**	85,594
(Loss)/gain on disposal of property, plant and equipment		**(20)**	82
Other income and gains	4	**8,745**	26,608
Other losses	4	**(204)**	(7,519)
Selling and distribution expenses		**(14,218)**	(14,842)
Administrative and other operating expenses		**(88,724)**	(82,731)
Finance costs	5	**(775)**	(829)
PROFIT BEFORE TAXATION	6	**6,010**	6,363
TAX EXPENSE	7	**(2,416)**	(3,271)
PROFIT FOR THE YEAR		**3,594**	3,092

	Note	2011 HK$'000	2010 HK$'000
OTHER COMPREHENSIVE INCOME/ (EXPENSE) NET OF TAX			
Exchange differences on translation of overseas operations		**(1,505)**	(2,166)
Fair value gain on available-for-sale financial assets		**117**	1,627
Reclassification adjustment of fair value loss to profit or loss on disposal of available-for-sale financial assets		**350**	–
OTHER COMPREHENSIVE EXPENSE FOR THE YEAR		**(1,038)**	(539)
TOTAL COMPREHENSIVE INCOME FOR THE YEAR		**2,556**	2,553
Profit/(loss) attributable to			
Equity holders of the company		**3,990**	3,165
Non-controlling interests		**(396)**	(73)
Profit for the year		**3,594**	3,092
Total comprehensive income/(expense) attributable to			
Equity holders of the company		**2,952**	2,400
Non-controlling interests		**(396)**	153
Total comprehensive income for the year		**2,556**	2,553
EARNINGS PER SHARE – (HK CENTS)			
– basic	8	**0.81 cents**	0.65 cents
– diluted	8	**0.81 cents**	0.65 cents

BALANCE SHEETS
As at 31st March, 2011

	Note	The group			The company	
		31.3.2011	31.3.2010	1.4.2009	**31.3.2011**	31.3.2010
	Note	***HK$'000***	*HK$'000*	*HK$'000*	***HK$'000***	*HK$'000*
			(restated)	(restated)		
NON-CURRENT ASSETS						
Property, plant and equipment		**20,110**	37,284	37,768	**–**	–
Investment properties		**60,108**	40,800	41,839	**–**	–
Leasehold land		**25,857**	25,905	26,627	**–**	–
Goodwill		**–**	–	6,314	**–**	–
Interests in subsidiaries		**–**	–	–	**216,137**	216,050
Available-for-sale financial assets		**5,828**	4,908	3,150	**–**	–
Deferred tax assets		**–**	57	2,514	**–**	–
Deposit paid for acquisition of investment properties		**2,688**	–	–	**–**	–
		114,591	108,954	118,212	**216,137**	216,050
CURRENT ASSETS						
Inventories		**72,223**	37,817	23,362	**–**	–
Gross amount due from customers for contract work		**5,706**	1,841	1,993	**–**	–
Debtors, deposits and prepayments	10	**45,818**	33,593	39,005	**5**	–
Financial assets at fair value through profit or loss		**15,410**	41,432	29,648	**–**	–
Tax recoverable		**120**	84	1,593	**–**	–
Cash and bank balances		**39,376**	62,116	84,415	**53**	52
		178,653	176,883	180,016	**58**	52
CURRENT LIABILITIES						
Creditors and accrued charges	11	**33,913**	23,679	18,895	**42**	44
Gross amount due to customers for contract work		**489**	266	712	**–**	–
Derivative financial instruments		**–**	48	10,881	**–**	–
Amount due to a director		**–**	684	684	**–**	–
Tax payable		**838**	1,263	688	**–**	–
Obligations under finance leases		**81**	69	68	**–**	–
Bank borrowings		**34,394**	35,624	37,450	**–**	–
		69,715	61,633	69,378	**42**	44

	The group			The company	
	31.3.2011	31.3.2010	1.4.2009	**31.3.2011**	31.3.2010
	HK$'000	*HK$'000*	*HK$'000*	***HK$'000***	*HK$'000*
		(restated)	(restated)		
NET CURRENT ASSETS	**108,938**	115,250	110,638	**16**	8
TOTAL ASSETS LESS CURRENT LIABILITIES	**223,529**	224,204	228,850	**216,153**	216,058
NON-CURRENT LIABILITIES					
Obligations under finance leases	**101**	168	216	**–**	–
Deferred tax liabilities	**168**	117	106	**–**	–
	269	285	322	**–**	–
	223,260	223,919	228,528	**216,153**	216,058
CAPITAL AND RESERVES					
Share capital	**4,951**	4,901	4,901	**4,951**	4,901
Reserves	**218,305**	219,018	221,519	**211,202**	211,157
Equity attributable to equity holders of the company	**223,256**	223,919	226,420	**216,153**	216,058
Non-controlling interests	**4**	–	2,108	**–**	–
TOTAL EQUITY	**223,260**	223,919	228,528	**216,153**	216,058

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) issued by the Hong Kong Institute of Certified Public Accountants, 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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

	As at 1.4.2009 (originally stated)	Adjustments	As at 1.4.2009 (restated)
	HK$'000	*HK$'000*	*HK$'000*
Property, plant and equipment	15,053	22,715	37,768
Investment properties	12,341	29,498	41,839
Leasehold land	79,584	(52,213)	27,371
Bank borrowings			
– current	1,857	35,593	37,450
– non-current	35,593	(35,593)	–

	As at 31.3.2010 (originally stated) *HK$'000*	Adjustments *HK$'000*	As at 31.3.2010 (restated) *HK$'000*
Property, plant and equipment	**15,825**	**21,459**	**37,284**
Investment properties	**12,016**	**28,784**	**40,800**
Leasehold land	**76,892**	**(50,243)**	**26,649**
Bank borrowings			
– current	**1,988**	**33,636**	**35,624**
– non-current	**33,636**	**(33,636)**	**–**

3. TURNOVER/SEGMENTAL INFORMATION

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

a) Segment results, assets and liabilities

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

	Sales of mobile phones in Hong Kong *HK$'000*	Sales of business solution in Hong Kong *HK$'000*	Sales of business solution in mainland China and other countries in South East Asia *HK$'000*	Property investment *HK$'000*	Total *HK$'000*
REVENUES					
Revenue from external customers	843,061	36,912	57,607	2,426	940,006
Inter-segment sales	485	1,861	7,079	–	9,425
Reportable segment revenue	843,546	38,773	64,686	2,426	949,431
Reportable segment profit/(loss)	4,522	654	(4,225)	(718)	233
Interest income from bank deposits	71	–	21	–	92
Finance cost	–	–	(11)	(764)	(775)
Depreciation and amortisation for the year	(2,684)	(545)	(2,552)	(2,239)	(8,020)
Reportable segment assets	141,474	7,083	63,827	59,622	272,006
Additions to non-current assets during the year	8,095	462	218	–	8,775
Reportable segment liabilities	18,839	5,792	11,259	33,926	69,816

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

	Sales of mobile phones in Hong Kong HK$'000	Sales of business solution in Hong Kong HK$'000	Sales of business solution in mainland China and other countries in South East Asia HK$'000	Property investment HK$'000	Total HK$'000
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 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*	
	2011	2010	**2011**	2010
	HK$'000	*HK$'000*	***HK$'000***	*HK$'000*
				(restated)
Hong Kong (place of domicile)	**882,399**	836,464	**75,932**	70,181
Mainland China	**18,398**	12,600	**30,132**	30,702
Singapore	**31,436**	20,036	**2,689**	3,088
Other countries in South East Asia	**7,773**	1,494	**10**	18
	57,607	34,130	**32,831**	33,808
	940,006	870,594	**108,763**	103,989

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

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

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

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

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

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

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

d) Information about major customers

For the year ended 31st March, 2011, revenue from a major customer contributed to the group's revenue of approximately HK$308,638,000 (2010: HK$181,702,000) was included in reportable segment "sales of mobile phones in Hong Kong" which individually accounted for more than 10% of the group's total revenue during the year.

4. OTHER INCOME AND GAINS

	2011	2010
	HK$'000	*HK$'000*
OTHER INCOME		
Bank interest income	**92**	87
Computer service fee income	**154**	126
Commission income	**69**	52
Rental income for application software provider	**320**	328
Bad debts recovered	**957**	425
Dividend income from listed equity securities	**842**	548
Waiver of amount due to a director	**684**	–
Others	**280**	1,245
	3,398	2,811
OTHER GAINS		
Reversal of impairment loss on trade debts	**188**	566
Net realized and unrealised gains and interest income on financial assets at fair value through profit or loss – listed equity and debt securities	**932**	19,420
Net gain on derivative financial instruments	**48**	–
Net exchange gains	**4,179**	3,811
	5,347	23,797
TOTAL OTHER INCOME AND GAINS	**8,745**	26,608
OTHER LOSSES		
Loss on disposal of available-for-sale financial assets – unlisted investment fund	**204**	–
Net losses on derivative financial instruments	**–**	16
Loss on disposal of a subsidiary	**–**	62
Impairment losses recognised in respect of goodwill	**–**	6,432
Impairment losses recognised in respect of the amount due from an associate	**–**	1,009
	204	7,519

5. FINANCE COSTS

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

6. PROFIT BEFORE TAXATION

Profit before taxation has been arrived at after charging:

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

and after crediting:

	2011	2010
Gross rental income from investment properties under operating leases less outgoings	**2,426**	3,469

7. TAX EXPENSE

a) Hong Kong profits tax has been provided at the rate of 16.5% (2010: 16.5%) on the estimated assessable profits arising in Hong Kong during the year.

Taxes on profits assessable in elsewhere have been calculated at the rates of tax prevailing in those places in which the group operates, based on existing legislation, interpretations and practices in respect thereof.

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

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

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

8. 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:

	2011	2010
	HK$'000	*HK$'000*
Profit attributable to equity holders of the company	**3,990**	3,165
	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 earnings per share	**490,621,831**	488,377,057
Diluted		
Weighted average number of ordinary shares in issue less shares held for Share Award Plan	**490,621,831**	488,377,057
Effect of dilutive potential ordinary shares: Awarded shares	**2,136,000**	1,736,000
Weighted average number of ordinary shares for the purpose of calculating diluted earnings per share	**492,757,831**	490,113,057

9. DIVIDEND

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

Final dividend of HK$0.01 (2010: HK$0.01) per ordinary share for the year ended 31st March, 2011 has been proposed by the directors and is subject to the approval by the shareholders in annual general meeting.

Shareholders may elect to receive final dividend in the form of new shares of the company or cash or partly in shares and partly in cash.

10. DEBTORS, DEPOSITS AND PREPAYMENTS

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

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

	2011	2010
	'000	*'000*
New Taiwan Dollars	**NTD –**	NTD 2,544

a) Ageing analysis

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

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

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

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

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

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

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

At 31st March, 2011, the group's trade debtors of HK$2,937,000 (2010: HK$2,970,000) were individually determined to be impaired. The individually impaired receivables related to customers that were in financial difficulties and management assessed that such trade receivables cannot be fully recovered. Consequently, specific allowances for doubtful debts of HK$2,937,000 (2010: HK$2,970,000) were recognised. The group does not hold any collateral over these balances.

The amount of the group's deposits, other debtors and prepayments expected to be recovered or recognised as expense after more than one year is HK$5,704,000 (2010: HK$3,823,000). All of the remaining deposits, other debtors and prepayments are expected to be recovered or recognised as expense within one year.

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

11. CREDITORS AND ACCRUED CHARGES

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

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

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

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

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

MANAGEMENT DISCUSSION AND ANALYSIS

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

SALES OF MOBILE PHONES

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

SALES OF BUSINESS SOLUTIONS

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

PROPERTY INVESTMENT

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

PROSPECTS

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

LIQUIDITY AND FINANCIAL RESOURCES

The group continues to maintain a strong financial position. As at 31st March, 2011, the group's bank balances and cash amounted to approximately HK$39 million (2010: HK$ 62 million) while the bank borrowing was HK$34 million (2010: HK$ 36 million). The gearing ratio was 15.4% (2010: 15.9%) which is expressed as a percentage of total borrowings to shareholders' funds. The decrease in cash of HK$ 23 million during the year was due to the increase in stock of HK$34 million in fear of short supply after the earthquake of Japan in March 2011. As at the date of this announcement, the stock has been reduced by HK$ 26 million when compared with the balance at 31st March, 2011. We expect that the stock will resume to normal level at the end of June 2011.

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

CAPITAL EXPENDITURE

The group invested HK$8.8 million in property, plant and equipment during the year.

EMPLOYEES

As at 31st March, 2011, the total number of employees of the group was approximately 290 (2010: 320) and the aggregate remuneration of employees (excluding directors' emoluments) amounted to HK$54 million (2010: HK$54 million). The remuneration and bonus packages of the employees are based on the individual merits and performance and are reviewed at least annually. There is a share option scheme and a share award plan in place designed to award employees for their performance at the discretion of the directors. The group maintains a good relationship with its employees.

PLEDGE OF ASSETS

As at 31st March, 2011, the group's general banking facilities were secured by (1) first legal charge on certain leasehold land and buildings and investment properties with aggregate net book value of HK$52,229,000 (2010: HK$61,829,000), (2) bank deposits of HK$3,122,000 (2010: HK$8,581,000) and (3) financial assets at fair value through profit or loss of HK$8,174,000 (2010: HK$22,819,000).

CONTINGENT LIABILITIES

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

DIVIDEND

The directors recommend the payment of a final dividend of HK$0.01 (2010: HK$0.01) per ordinary share payable to shareholders of the company whose names appear on the register of members of the company on Wednesday, 24th August, 2011. Subject to the approval of the shareholders of the company at the forthcoming annual general meeting, the dividend will be paid on or about Wednesday, 28th September, 2011. The final dividend will be payable in cash but shareholders may elect to receive final dividend in the form of new shares of the company in lieu of cash or partly in shares and partly in cash. A circular containing details thereof and the election form are expected to be sent to shareholders on or about Friday, 2nd September, 2011.

CLOSURE OF REGISTER OF MEMBERS

The register of members of the company will be closed from Monday, 22nd August, 2011 to Wednesday, 24th August, 2011, both days inclusive, for the purpose of, among other things, establishing entitlements to the proposed final dividend, during which period no transfer of shares will be effected. In order to qualify for the final dividend, all transfers, accompanied by the relevant share certificates, should be lodged with the company's Share 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, 19th August, 2011.

CODE ON CORPORATE GOVERNANCE PRACTICES

The Board considers that good corporate governance is central to safeguarding the interests of the shareholders and enhancing the performance of the group. The company had complied throughout the year ended 31st March, 2011 with the code provisions ("Code Provision") set out in the Code of Corporate Governance Practices contained in Appendix 14 to the Rules Governing the Listing of Securities on The Stock Exchange of Hong Kong Limited, 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, 2011.

AUDIT COMMITTEE

The company's audit committee comprises three independent non-executive directors namely, Mr. Chiu Ngar Wing, Dr. Chu Chor Lup and Mr. Leung Tai Wai, David and Mr. Chiu Ngar Wing is the chairman of the audit committee. During the year, the audit committee reviewed the unaudited interim financial statements for the six months ended 30th September, 2010 and the audited financial statements for the year ended 31st March, 2011 with recommendations to the Board for approval, reviewed reports on internal control system of the group, and discussed with the management and the external auditors the audit plans, the accounting policies and practices which may affect the group and financial reporting matters.

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, 15th August, 2011. The annual report of the company for the year ended 31st March, 2011 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. Wu Kwok Lam and Mr. Ip Man Hon as executive directors 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, 24th June, 2011

* *For identification purpose only*