香港通訊

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, 2012

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, 2012 together with audited comparative figures for the year ended 31st March, 2011 as follows:

CONSOLIDATED STATEMENT OF COMPREHENSIVE INCOME

For the year ended 31st March, 2012

	Note	2012 HK$'000	2011 HK$'000 (restated)
TURNOVER	4	**361,691**	940,006
Cost of sales		**(295,332)**	(838,800)
GROSS PROFIT		**66,359**	101,206
Loss on disposal of property, plant and equipment		**(1,214)**	(20)
Other income and gains	5	**2,625**	8,745
Other losses	5	**(3,187)**	(204)
Fair value gain on investment properties		**27,527**	27,713
Selling and distribution expenses		**(10,688)**	(14,218)
Administrative and other operating expenses		**(86,978)**	(87,144)
Finance costs	6	**(807)**	(775)
(LOSS)/PROFIT BEFORE TAXATION	7	**(6,363)**	35,303
TAX EXPENSE	8	**(181)**	(2,416)
(LOSS)/PROFIT FOR THE YEAR		**(6,544)**	32,887

	Note	2012 HK$'000	2011 HK$'000 (restated)
OTHER COMPREHENSIVE (EXPENSE)/INCOME NET OF TAX			
Exchange differences on translation of overseas operations		**(18)**	(1,505)
Revaluation gain on properties transferred from property, plant and equipment and leasehold land to investment properties		**3,130**	28,948
Fair value (loss)/gain on available-for-sale financial assets		**(770)**	117
Reclassification adjustment of fair value loss to profit or loss on disposal of available-for-sale financial assets		**–**	350
OTHER COMPREHENSIVE INCOME FOR THE YEAR		**2,342**	27,910
TOTAL COMPREHENSIVE (EXPENSE)/INCOME FOR THE YEAR		**(4,202)**	60,797
(Loss)/profit attributable to			
Equity holders of the company		**(6,601)**	33,283
Non-controlling interests		**57**	(396)
(Loss)/profit for the year		**(6,544)**	32,887
Total comprehensive (expense)/income attributable to			
Equity holders of the company		**(4,259)**	61,193
Non-controlling interests		**57**	(396)
Total comprehensive (expense)/income for the year		**(4,202)**	60,797
(LOSS)/EARNINGS PER SHARE – (HK CENTS)			
– basic	9	**(1.33) cents**	6.78 cents
– diluted	9	**(1.32) cents**	6.75 cents

CONSOLIDATED BALANCE SHEETS AS AT 31ST MARCH, 2012

	Note	**31.3.2012** **HK$'000**	31.3.2011 HK$'000 (restated)	1.4.2010 HK$'000 (restated)
NON-CURRENT ASSETS				
Property, plant and equipment		**60,269**	20,110	37,284
Investment properties		**177,034**	150,900	73,440
Leasehold land		**364**	22,468	22,427
Available-for-sale financial assets		**4,110**	5,828	4,908
Deferred tax assets		**–**	–	57
Deposit paid for acquisition of investment properties		**–**	2,688	–
		241,777	201,994	138,116
CURRENT ASSETS				
Inventories		**22,934**	72,223	37,817
Gross amount due from customers for contract work		**4,402**	5,706	1,841
Debtors, deposits and prepayments	11	**35,088**	45,729	33,504
Financial assets at fair value through profit or loss		**–**	15,410	41,432
Tax recoverable		**37**	120	84
Cash and bank balances		**57,202**	39,376	62,116
		119,663	178,564	176,794
CURRENT LIABILITIES				
Creditors and accrued charges	12	**19,003**	33,913	23,679
Gross amount due to customers for contract work		**435**	489	266
Derivative financial instruments		**–**	–	48
Amount due to a director		**–**	–	684
Tax payable		**619**	838	1,263
Obligations under finance leases		**86**	81	69
Bank borrowings		**38,143**	34,394	35,624
		58,286	69,715	61,633
NET CURRENT ASSETS		**61,377**	108,849	115,161
TOTAL ASSETS LESS CURRENT LIABILITIES		**303,154**	310,843	253,277

	31.3.2012	31.3.2011	1.4.2010
	HK$'000	*HK$'000*	*HK$'000*
		(restated)	(restated)
NON-CURRENT LIABILITIES			
Obligations under finance leases	**16**	101	168
Deferred tax liabilities	**168**	168	117
	184	269	285
	302,970	310,574	252,992
CAPITAL AND RESERVES			
Share capital	**5,058**	4,951	4,901
Reserves	**297,851**	305,619	248,091
Equity attributable to equity holders of the company	**302,909**	310,570	252,992
Non-controlling interests	**61**	4	–
TOTAL EQUITY	**302,970**	310,574	252,992

Notes:

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 and investment properties, 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")**

a) The HKICPA has issued a number of amendments to HKFRSs and one new Interpretation that are first effective for the current accounting period of the group.

The following developments are relevant to the group's financial statements:

- HKAS 24 (revised 2009), Related party disclosures

- Improvements to HKFRSs (2010)

The impacts of the above developments are discussed below:

Hong Kong Accounting Standards 24 ("HKAS 24") (revised 2009) revises the definition of a related party. As a result, the group has re-assessed the identification of related parties and concluded that the revised definition does not have any material impact on the group's related party disclosures in the current and previous period. HKAS 24 (revised 2009) also introduces modified disclosure requirements for government-related entities. This does not impact the group because the group is not a government-related entity.

Improvements to HKFRSs (2010) omnibus standard introduces a number of amendments to the disclosure requirements in HKFRS 7, Financial instruments: Disclosures. The disclosures about the group's financial instruments have been conformed to the amended disclosure requirements. These amendments do not have any material impact on the classification, recognition and measurements of the amounts recognised in the financial statements in the current and previous periods.

b) **Amendments to HKAS 12 "Income Taxes" (applied in advance of their effective date)**

The group has applied amendments to HKAS 12 titled "Deferred Tax: Recovery of Underlying Assets" in advance of their effective date (annual periods beginning on or after 1st January, 2012). Under the amendments, investment properties that are measured using the fair value model in accordance with HKAS 40 "Investment Property" are presumed to be recovered through sale for the purposes of measuring deferred tax, unless the presumption is rebutted in certain circumstances.

As a result, the group's investment properties that are measured using the fair value model have been presumed to be recovered through sale for the purpose of measuring deferred tax in respect of such properties. The adoption of the amendments have no impact on the result and financial position of the group.

c) The HKICPA has issued a number of amendments, new standards and new interpretations which are not yet effective for the year ended 31st March, 2012 and which have not been adopted in these financial statements except for amendment to HKAS 12 as mentioned in note 2(b) above.

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 results of operations and financial position.

3. CHANGES IN ACCOUNTING POLICIES

In previous years, the group's investment properties were carried in the balance sheet at historical cost less accumulated depreciation and impairment losses. The directors reassessed the appropriateness of this accounting policy during the year and concluded that by using the fair value model under HKAS 40, the financial statements would provide more appropriate and relevant information about the group's results and financial position.

Consequently, the group changed its accounting policies on investment properties to follow the fair value model under HKAS 40 with effect from 1st December, 2011.

The change in accounting policy of the investment property has been accounted for retrospectively and the comparative figures for the prior years have been restated.

Such change in accounting policy has no impact on deferred assets, as mentioned in note 2(b), the group has also early adopted amendment to HKAS 12 "Deferred Tax: Recovery of Underlying Assets".

The effect of the changes in accounting policies to the financial statements is as follows:

Effect on consolidated balance sheets

	31st March, 2012	31st March, 2011	1st April, 2010
	HK$'000	*HK$'000*	*HK$'000*
Increase in property, plant and equipment	**38,205**	–	–
Increase in investment properties	**106,593**	90,792	32,640
Decrease in leasehold land	**(22,667)**	(3,389)	(3,478)
Decrease in debtors, deposits and prepayments	**(753)**	(89)	(89)
Increase in property revaluation reserve	**32,078**	28,948	–
Increase in retained profits	**89,300**	58,366	29,073

Effect on consolidated statement of comprehensive income

	For the year ended 31st March, 2012	For the year ended 31st March, 2011
	HK$'000	*HK$'000*
Profit for the year		
Increase in fair value gain on investment properties	**27,527**	27,713
Decrease in administrative and other operating expenses	**3,407**	1,580
	30,934	29,293
Other comprehensive income		
Increase in property revaluation reserve	**3,130**	28,948
	34,064	58,241

4. 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, 2012 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	**264,785**	**45,825**	**46,849**	**4,232**	**361,691**
Inter-segment sales	**251**	**14**	**1,319**	**–**	**1,584**
Reportable segment revenue	**265,036**	**45,839**	**48,168**	**4,232**	**363,275**
Reportable segment (loss)/profit	**(29,578)**	**6,068**	**(8,906)**	**1,406**	**(31,010)**
Interest income from bank deposits	**268**	**–**	**19**	**–**	**287**
Finance cost	**–**	**–**	**(8)**	**(799)**	**(807)**
Depreciation and amortisation for the year	**(4,077)**	**(491)**	**(1,644)**	**(12)**	**(6,224)**
Reportable segment assets	**124,054**	**25,912**	**64,826**	**142,538**	**357,330**
Additions to non-current assets during the year	**6,893**	**371**	**1,192**	**13,993**	**22,449**
Reportable segment liabilities	**4,852**	**7,182**	**7,402**	**38,866**	**58,302**

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

	Sales of mobile phones in Hong Kong *HK$'000* (restated)	Sales of business solution in Hong Kong *HK$'000*	Sales of business solution in mainland China and other countries in South East Asia *HK$'000*	Property investment *HK$'000* (restated)	Total *HK$'000* (restated)
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)	4,722	654	(4,225)	662	1,813
Interest income from bank deposits	71	–	21	–	92
Finance cost	–	–	(11)	(764)	(775)
Depreciation and amortisation for the year	(2,484)	(545)	(2,552)	(859)	(6,440)
Reportable segment assets	169,929	7,083	63,827	118,481	359,320
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 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*	
	2012	2011	**2012**	2011
	HK$'000	*HK$'000*	***HK$'000***	*HK$'000*
				(restated)
Hong Kong (place of domicile)	**314,842**	882,399	**201,580**	163,335
Mainland China	**20,097**	18,398	**33,698**	30,132
Singapore	**21,371**	31,436	**2,383**	2,689
Other countries in South East Asia	**5,381**	7,773	**6**	10
	46,849	57,607	**36,087**	32,831
	361,691	940,006	**237,667**	196,166

* 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

	2012	2011
	HK$'000	*HK$'000*
		(restated)
REVENUES		
Reportable segment revenue	**363,275**	949,431
Elimination of inter-segment revenue	**(1,584)**	(9,425)
Consolidated turnover	**361,691**	940,006
PROFIT OR LOSS		
Reportable segment (loss)/profit	**(31,010)**	1,813
Unallocated other income and gains	**937**	6,001
Fair value gain on investment properties	**27,527**	27,713
Loss on disposal of property, plant and equipment	**(1,214)**	(20)
Other losses	**(2,603)**	(204)
Consolidated (loss)/profit before taxation	**(6,363)**	35,303

	2012	2011
	HK$'000	*HK$'000*
		(restated)
ASSETS		
Reportable segment assets	**357,330**	359,320
Non-current financial assets	**4,110**	5,828
Unallocated corporate assets	**–**	15,410
Consolidated total assets	**361,440**	380,558
LIABILITIES		
Reportable segment liabilities	**58,302**	69,816
Deferred tax liabilities	**168**	168
Consolidated total liabilities	**58,470**	69,984

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.

- 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, 2012, revenue from a major customer contributed to the group's revenue of approximately HK$34,576,000 (2011: HK$308,638,000) was included in reportable segment "sales of mobile phones in Hong Kong" which individually accounted for 10% or more of the group's total revenue during the year.

5. OTHER INCOME AND GAINS

	2012	2011
	HK$'000	*HK$'000*
OTHER INCOME		
Bank interest income	**287**	92
Computer service fee income	**89**	154
Commission income	**35**	69
Rental income for application software provider	**360**	320
Bad debts recovered	**4**	957
Dividend income from listed equity securities	**224**	842
Waiver of amount due to a director	**–**	684
Others	**689**	280
	1,688	3,398
OTHER GAINS		
Gain on disposal of leasehold property	**937**	–
Reversal of impairment loss on trade debts	**–**	188
Net realised and unrealised gains and interest income on financial assets at fair value through profit or loss		
– listed equity and debt securities	**–**	932
Net gain on derivative financial instruments	**–**	48
Net exchange gains	**–**	4,179
	937	5,347
TOTAL OTHER INCOME AND GAINS	**2,625**	8,745
OTHER LOSSES		
Net exchange loss	**1,058**	–
Impairment loss on available-for-sale financial assets		
– unlisted equity investment	**1,545**	–
Loss on disposal of available-for-sale financial assets		
– unlisted investment fund	**–**	204
Loss on disposal of financial assets at fair value through profit or loss	**584**	–
	3,187	204

6. FINANCE COSTS

	2012	2011
	HK$'000	*HK$'000*
Interest on		
– Bank borrowings not wholly repayable within five years	**800**	766
– Interest on obligations under finance leases	**7**	9
	807	775

7. (LOSS)/PROFIT BEFORE TAXATION

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

	2012	2011
	HK$'000	*HK$'000*
		(restated)
Auditor's remuneration	**580**	583
Depreciation		
– Owned assets	**6,128**	5,678
– Leased assets	**89**	96
	6,217	5,774
Amortisation of prepaid operating lease payments	**7**	666
Operating lease rentals in respect of rented premises		
– Minimum lease payments	**14,654**	10,831
– Contingent rent	**590**	632
	15,244	11,463
Employee benefits expenses (including directors' remuneration)		
– Salaries, allowances and benefits in kind	**47,945**	54,467
– Retirement benefit scheme contributions	**3,999**	4,460
– Equity-settled share-based payment expenses	**147**	–
Total staff costs	**52,091**	58,927
(Write back)/write-down of inventories	**(1,809)**	1,051
Loss on disposal of property, plant and equipment	**1,214**	20
Impairment loss on trade debtors	**303**	11
Bad debts written off	**–**	481
Donations	**278**	591

and after crediting:

Gross rental income from investment properties under operating leases less outgoings	**4,232**	2,426

8. TAX EXPENSE

a) Hong Kong profits tax has been provided at the rate of 16.5% (2011: 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.

	2012	2011
	HK$'000	*HK$'000*
Hong Kong		
Charge for the year	**117**	2,305
Underprovision in respect of prior years	**64**	3
Deferred tax		
Charge for the year	**–**	108
Tax expense for the year	**181**	2,416

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

	2012	2011
	HK$'000	*HK$'000*
		(restated)
(Loss)/profit before taxation	**(6,363)**	35,303
Tax at the income tax rate of 16.5% (2011: 16.5%)	**(1,050)**	5,825
Tax effect of income not taxable	**(4,334)**	(5,349)
Tax effect of expenses that are not deductible in determining taxable income	**978**	680
Tax effect of unrecognised tax losses	**4,798**	2,493
Tax effect of different tax rates in other jurisdiction	**(135)**	(319)
Tax effect of utilisation of tax losses previously unrecognized	**(234)**	(671)
Underprovision of profits tax in respect of prior year	**64**	3
Others	**94**	(246)
Tax expense for the year	**181**	2,416

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

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

	2012	2011
	HK$'000	*HK$'000*
		(restated)
(Loss)/profit attributable to equity holders of the company	**(6,601)**	33,283

	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 (loss)/earnings per share	**495,747,146**	490,621,831
Diluted		
Weighted average number of ordinary shares in issue less shares held for Share Award Plan	**495,747,146**	490,621,831
Effect of dilutive potential ordinary shares:		
Awarded shares	**4,776,000**	2,136,000
Weighted average number of ordinary shares for the purpose of calculating diluted (loss)/earnings per share	**500,523,146**	492,757,831

10. DIVIDEND

	2012	2011
	HK$'000	*HK$'000*
Final dividend for the year 2011 of HK$0.01 per ordinary share (2011: final dividend for the year 2010 of HK$0.01 per ordinary share)	**4,951**	4,901
Less: Dividends for shares held by Share Award Plan	**(16)**	(112)
	4,935	4,789

Final dividend of HK$0.01 (2011: HK$0.01) per ordinary share for the year ended 31st March, 2012 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.

11. DEBTORS, DEPOSITS AND PREPAYMENTS

	2012	2011
	HK$'000	*HK$'000*
		(restated)
Trade debtors	**25,260**	34,882
Less: allowance for doubtful debts	**(2,425)**	(2,937)
	22,835	31,945
Deposits, other debtors and prepayments	**12,253**	13,784
	35,088	45,729

a) Ageing analysis

The ageing analysis of trade debtors of HK$22,835,000 (2011: HK$31,945,000) which are included in the debtors, deposits and prepayments are as follows:

	2012	2011
	HK$'000	*HK$'000*
0-30 days	**12,069**	20,095
31-60 days	**1,909**	3,765
61-90 days	**742**	853
91-120 days	**2,137**	1,122
121-360 days	**3,191**	2,906
Over 360 days	**2,787**	3,204
	22,835	31,945

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:

	2012	2011
	HK$'000	*HK$'000*
Neither overdue nor impaired	**11,678**	22,193
Less than 1 month overdue	**2,222**	3,950
1 to 3 months overdue	**2,349**	1,560
More than 3 months	**6,586**	4,242
	11,157	9,752
	22,835	31,945

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:

	2012	2011
	HK$'000	*HK$'000*
At 1st April	**2,937**	2,970
Reversal of impairment losses	**(4)**	(188)
Impairment losses recognised	**303**	11
Uncollectable amount written off	**(897)**	–
Currency realignment	**86**	144
At 31st March	**2,425**	2,937

At 31st March, 2012, the group's trade debtors of HK$2,425,000 (2011: HK$2,937,000) 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$2,425,000 (2011: HK$2,937,000) 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$4,346,000 (2011: HK$5,704,000). 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.

12. CREDITORS AND ACCRUED CHARGES

The ageing analysis of trade creditors of HK$7,826,000 (2011: HK$25,551,000) which is included in the group's creditors and accrued charges is as follows:

	2012	2011
	HK$'000	*HK$'000*
0 – 30 days	**5,957**	19,515
31 – 60 days	**559**	2,946
61 – 90 days	**14**	461
Over 90 days	**1,296**	2,629
	7,826	25,551

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:

		2012		2011
		'000		*'000*
United States Dollars	**USD**	2	USD	61
Chinese Renminbi	**RMB**	14	RMB	14

MANAGEMENT DISCUSSION AND ANALYSIS

For the year ended 31st March, 2012, the group's turnover decreased by 62% to HK$362 million (2011: HK$ 940 million) and net loss attributable to equity holders of the company was HK$6.6 million (2011: profit of HK$33.3 million).

In previous years, the group's investment properties were carried in the balance sheet at historical cost less accumulated depreciation and impairment losses. The directors reassessed the appropriateness of this accounting policy during the year and concluded that by using the fair value model under HKAS 40, the financial statements would provide more appropriate and relevant information about the group's results and financial position. Excluding the fair value gain of HK$27.5 million, the net loss attributable to equity holders of the company for the year would have been HK$34.1 million.

SALES OF MOBILE PHONES

The turnover was substantially decreased from HK$843 million to HK$265 million due to the termination of agreement with Nokia (H.K.) Limited for distributing the mobile phones. Since the fixed costs for logistic facilities could not be cut within short period of time, this led to the loss of HK$29.6 million compared with the profit of HK$4.7 million last year.

SALES OF BUSINESS SOLUTIONS

During the year under review, the turnover decreased by 2% to HK$92.7 million (2011: HK$94.5 million). The division recorded loss of HK$2.8 million compared with the loss of HK$3.6 million last year.

PROPERTY INVESTMENT

The rental income increased from HK$2.4 million to HK$4.2 million and the profit of this division was HK$1.4 million (2011: HK$0.7 million).

PROSPECTS

Regarding the mobile phone business, the adverse effect for termination of distributing mobile phones business was one-off. The number of employees has gradually reduced to 170 from 290. The group will continually monitor costs closely.

In business solutions segment, we will launch some new products and solutions for home automation systems and other applications. We expect that the performance will be improved.

As at the date of this announcement, all the group's investment properties have been fully let. We expect that the rental income will be stable.

LIQUIDITY AND FINANCIAL RESOURCES

The group continues to maintain a strong financial position. As at 31st March, 2012, the group's cash and bank balances amounted to approximately HK$57 million (2011: HK$ 39 million) while the bank borrowing was HK$38 million (2011: HK$34 million).

CAPITAL STRUCTURE

There was no change to the group's capital structure for the year ended 31st March, 2012.

CAPITAL EXPENDITURE

The group invested HK$8.5 million in property, plant and equipment during the year.

EMPLOYEES

As at 31st March, 2012, the total number of employees of the group was approximately 170 (2011: 290) and the aggregate remuneration of employees (excluding directors' emoluments) amounted to HK$48 million (2011: 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 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, 2012, the group's general banking facilities were secured by (1) first legal charge on certain investment properties with total of fair value of HK$131,670,000 (2011: HK$105,000,000), (2) bank deposits of HK$9,185,000 (2011: HK$3,122,000) and (3) financial assets at fair value through profit or loss of HK$Nil (2011: HK$8,174,000).

GEARING RATIO

The gearing ratio was 12.6% (2011: 11.1%) which is expressed as a percentage of total borrowings to shareholders' funds.

FOREIGN EXCHANGE FLUCTUATIONS

The group's assets and liabilities are mainly denominated in Hong Kong Dollars, Renminbi and Singapore Dollars. Income and expenses derived from operations in PRC and Singapore are mainly denominated in Renminbi and Singapore Dollars respectively. There is no significant exposure to the fluctuations of foreign exchange rates, but the group is closely monitoring the financial market and would consider appropriate measures if required. The group has no hedging arrangement for foreign currencies and has not involved in the financial derivatives.

CONTINGENT LIABILITIES

As at 31st March, 2012, the company had provided corporate guarantees of HK$103 million (2011: HK$102 million) to secure general banking facilities granted to the subsidiaries.

DIVIDEND

The directors recommend the payment of a final dividend of HK$0.01 (2011: 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, 22nd August, 2012. Subject to the approval of the shareholders of the company at the forthcoming annual general meeting, the dividend will be paid about Friday, 5th October, 2012. 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 about Monday, 10th September, 2012.

CLOSURE OF REGISTER OF MEMBERS

The register of members of the company will be closed from Monday, 20th August, 2012 to Wednesday, 22nd August, 2012, 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, 17th August, 2012.

CORPORATE GOVERNANCE

The Board considers that good corporate governance is central to safeguarding the interests of the shareholders, customers, employees and other stakeholders of the group. The company had complied throughout the year ended 31st March, 2012 with the code provisions of the Corporate Governance 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 until 16th March, 2012.

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, 2012.

AUDIT COMMITTEE

During the year, the audit committee reviewed the unaudited interim financial statements for the six months ended 30th September, 2011 and the audited financial statements for the year ended 31st March, 2012 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.

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, 13th August, 2012. The annual report of the company for the year ended 31st March, 2012 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 Dr. George Leung as independent non-executive directors.

On behalf of the Board
Chan Chung Yee, Hubert
Chairman

Hong Kong, 22nd June, 2012

* *For identification purpose only*