

1. GENERAL

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

The principal activity of the company is that of investment holding. The principal activities of the subsidiaries are set out in note 38.

2. POTENTIAL IMPACT ARISING FROM THE RECENTLY ISSUED ACCOUNTING STANDARDS

In 2004, the Hong Kong Institute of Certified Public Accountants (the "HKICPA") issued a number of new or revised Hong Kong Accounting Standards and Hong Kong Financial Reporting Standards (hereinafter collectively referred to as "new HKFRSs") which are effective for accounting periods beginning on or after 1st January, 2005. The group has not early adopted these new HKFRSs in the financial statements for the year ended 31st March, 2005.

The group has commenced considering the potential impact of these new HKFRSs but is not yet in a position to determine whether these new HKFRSs would have a significant impact on how its results of operations and financial position are prepared and presented. These new HKFRSs may result in changes in the future as to how the results and financial position are prepared and presented.

3. PRINCIPAL ACCOUNTING POLICIES

The financial statements have been prepared in accordance with all applicable Hong Kong Financial Reporting Standards (which includes all applicable Statements of Standard Accounting Practice ("SSAP") and Interpretations) issued by the HKICPA, accounting principles generally accepted in Hong Kong and the disclosure requirements of the Hong Kong Companies Ordinance. The financial statements also comply with the applicable disclosure provisions of the Listing Rules on the Stock Exchange. A summary of the significant accounting policies adopted by the group is set out below.

(a) Basis of preparation of the financial statements:

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

(b) Basis of consolidation

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

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

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

3. PRINCIPAL ACCOUNTING POLICIES — continued**(c) Goodwill**

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

Goodwill arising on acquisition of subsidiary is capitalised and amortised on a straight line basis over 10 years and is presented separately in the balance sheet. The carrying amount of goodwill is reviewed annually and written down for impairment when it is considered necessary.

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

(d) Property, plant and equipment

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

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

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

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

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

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

3. PRINCIPAL ACCOUNTING POLICIES — continued**(e) Investment properties**

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

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

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

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

(f) Subsidiaries

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

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

(g) Investments in securities

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

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

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

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

(h) Inventories

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

3. PRINCIPAL ACCOUNTING POLICIES — continued**(i) Assets under finance leases**

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

(j) Impairment

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

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

(k) Income tax expense

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

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

Deferred tax liabilities are recognised for all taxable temporary differences:

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

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

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

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

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

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

(l) Revenue recognition

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

Service fee income is recognised when the relevant services are rendered.

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

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

(m) Operating leases

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

3. PRINCIPAL ACCOUNTING POLICIES — continued**(n) Foreign currencies**

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

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

(o) Retirement benefits scheme

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

(p) Cash and cash equivalents

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

4. TURNOVER/SEGMENTAL INFORMATION

The principal activity of the company is that of investment holding. The principal activities of the subsidiaries are set out in note 38.

Business segments

For management purposes, the group is currently organised into three operating divisions – sales of mobile phones, sales of business solutions and property investment. The group sells communication equipment and provides a wide range of services. In the opinion of the directors, all the sales of these goods and provision of installation, repairs and maintenance services are “business solutions” related and, in most of the time, are negotiated under a single contract with a single customer. Accordingly, the directors consider that it is more appropriate for all the above activities to be classified in one single business segment. The comparative figures of the segmental information have also been reclassified on this basis to conform with the current year's presentation.

4. TURNOVER/SEGMENTAL INFORMATION — continued**Business segments — continued**

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

For the year ended 31st March, 2005:

	Sales of mobile phones HK\$'000	Sales of business solutions HK\$'000	Connection services HK\$'000	Property investment HK\$'000	Eliminations HK\$'000	Consolidated HK\$'000
TURNOVER						
External sales	898,658	73,791	–	1,607	–	974,056
Inter-segment sales	773	–	–	1,860	(2,633)	–
Total turnover	<u>899,431</u>	<u>73,791</u>	<u>–</u>	<u>3,467</u>	<u>(2,633)</u>	<u>974,056</u>
Inter-segment sales are charged at prevailing market rates.						
RESULTS						
Segment results	<u>21,803</u>	<u>713</u>	<u>–</u>	<u>(568)</u>	<u>–</u>	21,948
Interest income from bank deposits						207
Unallocated other revenue						1,541
Amortisation of goodwill arising on acquisition of subsidiaries	–	(214)	–	–	–	(214)
Impairment loss recognised in respect of goodwill	–	(3,645)	–	–	–	(3,645)
Profit from operations						19,837
Finance costs						(748)
Profit before taxation						19,089
Tax expense						(7,239)
Profit before minority interests						11,850
Minority interests						150
Net profit attributable to shareholders						<u>12,000</u>

4. TURNOVER/SEGMENTAL INFORMATION — continued

At 31st March, 2005:

Balance sheet

	Sales of mobile phones HK\$'000	Sales of business solutions HK\$'000	Connection services HK\$'000	Property investment HK\$'000	Consolidated HK\$'000
ASSETS					
Segment assets	127,523	49,717	—	103,930	281,170
Unallocated corporate assets					40,808
Consolidated total assets					<u>321,978</u>
LIABILITIES					
Segment liabilities	32,652	8,586	—	19,188	60,426
Unallocated corporate liabilities					21,878
Consolidated total liabilities					<u>82,304</u>
OTHER INFORMATION					
Capital expenditures	2,144	993	—	—	3,137
Depreciation and amortisation	1,596	1,383	—	528	3,507
Amortisation of goodwill arising on acquisition of subsidiaries	—	214	—	—	214
Impairment loss recognised in respect of goodwill	—	3,645	—	—	<u>3,645</u>

4. TURNOVER/SEGMENTAL INFORMATION — continued

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

For the year ended 31st March, 2004:

	Sales of mobile phones HK\$'000	Sales of business solutions HK\$'000	Connection services HK\$'000	Property investment HK\$'000	Eliminations HK\$'000	Consolidated HK\$'000
TURNOVER						
External sales	879,878	69,810	1,171	3,278	–	954,137
Inter-segment sales	62,539	2,703	–	1,960	(67,202)	–
Total turnover	<u>942,417</u>	<u>72,513</u>	<u>1,171</u>	<u>5,238</u>	<u>(67,202)</u>	<u>954,137</u>

Inter-segment sales are charged at prevailing market rates.

RESULTS

Segment results	<u>2,263</u>	<u>(1,045)</u>	<u>365</u>	<u>2,177</u>	<u>–</u>	3,760
Interest income from bank deposits						299
Unallocated other revenue						848
Amortisation of goodwill arising on acquisition of subsidiaries	–	(429)	–	–	–	(429)
Loss on disposal of investment properties	–	–	–	(2,053)	–	(2,053)
Profit from operations						2,425
Finance costs						(864)
Profit before taxation						1,561
Tax expense						(1,340)
Profit before minority interests						221
Minority interests						302
Net profit attributable to shareholders						<u>523</u>

4. TURNOVER/SEGMENTAL INFORMATION — continued**At 31st March, 2004:****Balance sheet**

	Sales of mobile phones	Sales of business solutions	Connection services	Property investment	Consolidated
	HK\$'000	HK\$'000	HK\$'000	HK\$'000	HK\$'000
ASSETS					
Segment assets	77,941	70,899	372	77,578	226,790
Unallocated corporate assets					<u>49,702</u>
Consolidated total assets					<u><u>276,492</u></u>
LIABILITIES					
Segment liabilities	32,851	9,479	—	236	42,566
Unallocated corporate liabilities					<u>38,428</u>
Consolidated total liabilities					<u><u>80,994</u></u>
OTHER INFORMATION					
Capital expenditures	1,334	2,971	—	—	4,305
Depreciation and amortisation	1,096	2,690	—	102	3,888
Amortisation of goodwill arising on acquisition of subsidiaries	—	429	—	—	429
Loss on disposal of investment properties	—	—	—	2,053	<u><u>2,053</u></u>

Geographical segments

During the years ended 31st March, 2004 and 2005, more than 90% of the group's turnover, profit from operations, assets and liabilities were derived from and located in Hong Kong and, therefore, no geographical segments are presented in the financial statements.

5. OTHER OPERATING INCOME

	2005 HK\$'000	2004 HK\$'000
Interest income from bank deposits	207	299
Dividend income from unlisted investments	312	–
Other income	1,099	848
Exchange gain	130	–
	<u>1,748</u>	<u>1,147</u>

6. PROFIT FROM OPERATIONS

	2005 HK\$'000	2004 HK\$'000
Profit from operations has been arrived at after charging:		
Auditors' remuneration		
– current year	442	398
– overprovision in respect of prior year	(170)	–
	272	398
Depreciation and amortisation		
– owned assets	3,476	3,862
– assets under finance leases	31	26
	3,507	3,888
Loss on disposal of property, plant and equipment	1,211	963
Rental payments in respect of properties under operating leases		
– minimum lease payment	7,661	10,861
– contingent rent	1,613	1,098
	9,274	11,959
Staff costs inclusive of directors' emoluments	46,486	44,103
Retirement benefits scheme contribution	2,558	2,182
Total staff costs	<u>49,044</u>	<u>46,285</u>
and after crediting:		
Gross rental income from properties under operating leases after outgoings of HK\$202,000 (2004: HK\$143,000)	<u>1,405</u>	<u>3,135</u>

7. FINANCE COSTS

	2005 HK\$'000	2004 HK\$'000
Interest on:		
– Bank borrowings wholly repayable within five years	18	23
– Bank borrowings with instalments repayable after five years	722	834
– Interest on obligations under finance leases	8	7
	<u>748</u>	<u>864</u>

8. DIRECTORS' EMOLUMENTS

	2005 HK\$'000	2004 HK\$'000
Directors' fees to independent non-executive directors	40	40
Other emoluments to executive directors:		
Salaries and other benefits	2,939	4,668
Bonus	1,472	1,167
Retirement benefit schemes contributions	45	55
	<u>4,456</u>	<u>5,890</u>
Total directors' emoluments	<u>4,496</u>	<u>5,930</u>

The remunerations of the directors were within the following bands:

	2005 Number of directors	2004 Number of directors
Nil to HK\$1,000,000	9	8
HK\$1,000,001 to HK\$1,500,000	1	–
HK\$1,500,001 to HK\$2,000,000	–	1
HK\$2,000,001 to HK\$2,500,000	–	1
	<u>10</u>	<u>10</u>

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

9. EMPLOYEES' EMOLUMENTS

The five highest paid individuals of the group included four directors (2004: four directors), details of whose emoluments are included in the amounts disclosed in note 8 above. The emoluments of the remaining highest paid employee, other than directors of the company, are as follows:

	2005 HK\$'000	2004 HK\$'000
Salaries and other benefits	750	496
Bonus	20	144
Retirement benefit schemes contributions	12	12
	782	652

His emoluments were within the following band:

	2005 Number of employees	2004 Number of employees
Nil to HK\$1,000,000	1	1

10. TAX EXPENSE

Hong Kong Profits Tax has been provided at the rate of 17.5% (2004: 17.5%) on the estimated assessable profits arising in Hong Kong during the year. Taxes on profits assessable in elsewhere have been calculated at the rates of tax prevailing in those places in which the group operates, based on existing legislation, interpretations and practices in respect thereof.

	2005 HK\$'000	2004 HK\$'000
Current – Hong Kong		
Charge for the year	5,190	1,442
Under/(over)provision in respect of prior years	1,845	(354)
Current – Elsewhere		
Charge for the year	59	139
(Over)/underprovision in respect of prior years	(213)	32
Deferred tax (<i>note 27</i>)	358	81
Tax expense for the year	7,239	1,340

10. TAX EXPENSE — continued

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

	2005 HK\$'000	2004 HK\$'000
Profit before taxation	<u>19,089</u>	<u>1,561</u>
Tax at the domestic income tax rate of 17.5% (2004: 17.5%)	3,340	273
Under/(over)provision of profits tax in respect of prior years	1,632	(321)
Effect on opening deferred tax resulting from an increase in tax rate	-	62
Tax effect of income not taxable	(217)	(45)
Tax effect of expenses that are not deductible in determining taxable income	825	672
Effect on unrecognised tax losses	1,182	1,400
Tax losses utilised from previous year	-	(312)
Effect of different tax rates in other jurisdiction	33	(146)
Others	<u>444</u>	<u>(243)</u>
Tax expense for the year	<u>7,239</u>	<u>1,340</u>

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

11. NET PROFIT ATTRIBUTABLE TO SHAREHOLDERS

The net consolidated profit attributable to shareholders includes a profit of HK\$9,175,000 (2004: HK\$9,601,000) which has been dealt with in the financial statements of the company.

12. DIVIDEND

	2005 HK\$'000	2004 HK\$'000
Final dividend for the year 2004 of HK\$0.01 per ordinary share (2004: final dividend for the year 2003 of HK\$0.01 per ordinary share)	<u>4,496</u>	<u>4,348</u>

The final dividend of HK\$0.01 per ordinary share for the year ended 31st March, 2005 has been proposed by the directors and is subject to the approval by the shareholders in general meeting.

13. EARNINGS PER SHARE

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

	THE GROUP	
	2005 HK\$'000	2004 HK\$'000
Net profit attributable to shareholders	<u>12,000</u>	<u>523</u>
	Number of shares	Number of shares
Weighted average number of ordinary shares for the purposes of basic earnings per share	451,845,975	442,757,574
Effect of dilutive potential ordinary shares: Options	<u>354,982</u>	<u>2,118,002</u>
Weighted average number of ordinary shares for the purposes of diluted earnings per share	<u>452,200,957</u>	<u>444,875,576</u>

14. GOODWILL

	THE GROUP	
	2005 HK\$'000	2004 HK\$'000
Cost		
At 1st April	4,759	471
Arising on acquisition of subsidiaries during the year	<u>—</u>	<u>4,288</u>
At 31st March	<u>4,759</u>	<u>4,759</u>
Amortisation and impairment		
At 1st April	900	471
Amortisation for the year	214	429
Impairment loss recognised	<u>3,645</u>	<u>—</u>
At 31st March	<u>4,759</u>	<u>900</u>
Carrying amount		
At 31st March	<u>—</u>	<u>3,859</u>

14. GOODWILL — continued

The Group has recognised an impairment loss on the unamortised goodwill arising from the acquisition of HKC Technology Limited (“HKCTL”) and HKC Technology (Shanghai) Limited, during the year, which are engaged in the development and sales of electronics and telecommunication products. In the opinion of the directors, such impairment loss arose from the huge operating losses sustained by HKCTL and the prevailing competitive market conditions in Mainland China.

15. INVESTMENT PROPERTIES

	THE GROUP	
	2005 HK\$'000	2004 HK\$'000
VALUATION		
At 1st April	75,946	85,338
Disposal	–	(8,900)
Transfer to property, plant and equipment	–	(1,259)
Surplus arising on revaluation	15,355	767
	<u>91,301</u>	<u>75,946</u>
At 31st March	<u>91,301</u>	<u>75,946</u>

The group's investment properties comprise:

	2005 HK\$'000	2004 HK\$'000
Properties in Hong Kong		
– Long lease	90,311	75,186
– Medium-term lease	990	760
	<u>91,301</u>	<u>75,946</u>

All of the investment properties of the group were revalued at 31st March 2005 by LCH (Asia-Pacific) Surveyors Limited, an independent firm of professional property valuer, on an open market value existing use basis. The resulting surplus arising on revaluation, which amounted to HK\$15,355,000 (2004: HK\$767,000), has been credited to the investment property revaluation reserve.

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

16. PROPERTY, PLANT AND EQUIPMENT

	Leasehold improvements, land and buildings HK\$'000	Office equipment, leasehold and furniture and fixtures HK\$'000	Computer equipment HK\$'000	Motor vehicles HK\$'000	Moulds HK\$'000	Plant and machinery HK\$'000	Total HK\$'000
THE GROUP							
Cost or valuation							
At 1st April, 2004	46,384	19,719	5,172	2,398	2,133	987	76,793
Currency realignment	120	61	34	15	–	–	230
Additions	–	1,330	1,130	335	251	91	3,137
Disposals	–	(12,074)	(1,535)	(1,170)	–	–	(14,779)
Surplus on revaluation	13,275	–	–	–	–	–	13,275
At 31st March, 2005	<u>59,779</u>	<u>9,036</u>	<u>4,801</u>	<u>1,578</u>	<u>2,384</u>	<u>1,078</u>	<u>78,656</u>
Comprising:							
At cost	–	9,036	4,801	1,578	2,384	1,078	18,877
At valuation	<u>59,779</u>	<u>–</u>	<u>–</u>	<u>–</u>	<u>–</u>	<u>–</u>	<u>59,779</u>
	<u>59,779</u>	<u>9,036</u>	<u>4,801</u>	<u>1,578</u>	<u>2,384</u>	<u>1,078</u>	<u>78,656</u>
Accumulated depreciation and amortisation							
At 1st April, 2004	–	15,838	4,094	1,524	252	197	21,905
Currency realignment	13	48	40	15	–	–	116
Provided for the year	743	1,120	797	172	470	205	3,507
Eliminated on disposals	–	(10,951)	(1,487)	(816)	–	–	(13,254)
Eliminated on revaluation	(756)	–	–	–	–	–	(756)
At 31st March, 2005	<u>–</u>	<u>6,055</u>	<u>3,444</u>	<u>895</u>	<u>722</u>	<u>402</u>	<u>11,518</u>
Net book value							
At 31st March, 2005	<u>59,779</u>	<u>2,981</u>	<u>1,357</u>	<u>683</u>	<u>1,662</u>	<u>676</u>	<u>67,138</u>
At 31st March, 2004	<u>46,384</u>	<u>3,881</u>	<u>1,078</u>	<u>874</u>	<u>1,881</u>	<u>790</u>	<u>54,888</u>

All of the leasehold land and buildings of the group were revaluated at 31st March, 2005 by LCH (Asia Pacific) Surveyors Limited, an independent firm of professional property valuer, on an open market value existing use basis. The resulting surplus arising on revaluation, which amounted to HK\$14,031,000 (2004: HK\$2,512,000) has been credited to the leasehold property revaluation reserve.

At 31st March, 2005, had all the leasehold land and buildings been carried at cost less accumulated depreciation and amortisation, the carrying value of these properties would have been stated at HK\$14,170,000 (2004: HK\$14,381,000).

16. PROPERTY, PLANT AND EQUIPMENT — continued

The group's leasehold land and buildings comprise:

	2005	2004
	HK\$'000	HK\$'000
Properties held under long leases		
– in Hong Kong	56,179	42,904
– overseas	3,600	3,480
	<u>59,779</u>	<u>46,384</u>
The net book value of office equipment, leasehold improvements and furniture and fixtures held under finance leases	<u>176</u>	<u>198</u>
The net book value of motor vehicles held under finance leases	<u>158</u>	<u>–</u>

17. INTERESTS IN SUBSIDIARIES

	THE COMPANY	
	2005	2004
	HK\$'000	HK\$'000
Unlisted shares, at cost	163,654	163,654
Amounts due from subsidiaries	41,206	35,370
	<u>204,860</u>	<u>199,024</u>

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

Particulars of the subsidiaries as at 31st March, 2005 are set out in note 38.

18. INVESTMENTS IN SECURITIES

	Investments in securities		Other investments		Total	
	2005 HK\$'000	2004 HK\$'000	2005 HK\$'000	2004 HK\$'000	2005 HK\$'000	2004 HK\$'000
THE GROUP						
Shares listed in Hong Kong, at cost	3,751	2,753	–	–	3,751	2,753
ING China WTO guaranteed fund, at cost	3,887	3,887	–	–	3,887	3,887
	<u>7,638</u>	<u>6,640</u>	<u>–</u>	<u>–</u>	<u>7,638</u>	<u>6,640</u>
Unlisted debt securities	–	–	3,862	3,862	3,862	3,862
	<u>–</u>	<u>–</u>	<u>3,862</u>	<u>3,862</u>	<u>3,862</u>	<u>3,862</u>
Total	<u>7,638</u>	<u>6,640</u>	<u>3,862</u>	<u>3,862</u>	<u>11,500</u>	<u>10,502</u>
Carrying amount analysed for reporting purposes as:						
Non-current	7,638	6,640	–	–	7,638	6,640
Current	–	–	3,862	3,862	3,862	3,862
	<u>7,638</u>	<u>6,640</u>	<u>3,862</u>	<u>3,862</u>	<u>11,500</u>	<u>10,502</u>
Market value of listed shares	<u>5,259</u>	<u>2,889</u>	<u>–</u>	<u>–</u>	<u>5,259</u>	<u>2,889</u>
THE COMPANY						
Unlisted debt securities Current	<u>–</u>	<u>–</u>	<u>3,862</u>	<u>3,862</u>	<u>3,862</u>	<u>3,862</u>

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

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

19. INVENTORIES

	THE GROUP	
	2005	2004
	HK\$'000	HK\$'000
Inventories	51,493	51,689

The cost of inventories recognised in the consolidated income statement during the year amounted to HK\$869,404,000 (2004: HK\$872,038,000).

The amount of inventories carried at net realisable value is HK\$3,588,000 (2004: HK\$4,379,000).

20. DEBTORS, DEPOSITS AND PREPAYMENTS

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

The aged analysis of trade debtors of HK\$30,476,000 (2004: HK\$30,786,000) which are included in the group's debtors, deposits and prepayments is as follows:

	THE GROUP	
	2005	2004
	HK\$'000	HK\$'000
0 – 30 days	18,818	18,276
31 – 60 days	2,938	2,769
61 – 90 days	2,796	2,457
91 – 120 days	752	597
Over 120 days	5,172	6,687
	30,476	30,786

21. DEPOSITS FOR ACQUISITIONS OF PROPERTIES

It represents deposits paid for the acquisitions of properties in Hong Kong and Shanghai. These transactions had been completed after the balance sheet date (see note 39).

22. AMOUNT DUE FROM A RELATED COMPANY**THE GROUP:**

Particulars of the amount due from a related company are as follows:

Name of related entity	2005	2004	Maximum amount outstanding during the year
	HK\$'000	HK\$'000	HK\$'000
BIA Technology Limited	-	809	809
Hong Kong Communications Holdings Limited	1,016	1,016	1,016
	1,016	1,825	

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

The amount due from a related company was unsecured, interest free and is repayable on demand.

23. CREDITORS AND ACCRUED CHARGES

The aged analysis of trade creditors of HK\$23,115,000 (2004: HK\$37,563,000) which are included in the group's creditors and accrued charges is as follows:

	THE GROUP	
	2005 HK\$'000	2004 HK\$'000
0 – 30 days	21,371	34,996
31 – 60 days	893	365
61 – 90 days	851	2,202
	23,115	37,563

24. OTHER DEPOSIT RECEIVED

On 8th December, 2004, the group entered into an agreement with an independent third party ("purchaser") to dispose of some of its investment properties and leasehold land and buildings at a cash consideration of HK\$180,000,000. A deposit of HK\$18,000,000 was paid by the purchaser upon signing the said agreement. This transaction had been completed after the balance sheet date (see note 39).

25. OBLIGATIONS UNDER FINANCE LEASES

	THE GROUP			
	Minimum lease payments		Present value of minimum lease payments	
	2005 HK\$'000	2004 HK\$'000	2005 HK\$'000	2004 HK\$'000
Amounts payable under finance leases				
Within one year	38	54	33	47
More than one year but not exceeding two years	131	4	113	4
	169	58	146	51
Less: Future finance charges	(23)	(7)		
Present value of finance leases	146	51		
Less: Amount due for settlement within one year shown under current liabilities			(33)	(47)
Amount due for settlement after one year			113	4

26. BANK BORROWINGS

	THE GROUP	
	2005 HK\$'000	2004 HK\$'000
Bank borrowings comprise:		
Bank overdraft (unsecured)	-	56
Bank loans (secured)	22,157	30,349
	22,157	30,405

26. BANK BORROWINGS — continued

The maturity of the bank borrowings is as follows:

	THE GROUP	
	2005 HK\$'000	2004 HK\$'000
Due within one year	3,365	3,187
Due more than one year, but not exceeding two years	3,331	3,147
Due more than two years, but not exceeding five years	9,928	9,441
Due more than five years	5,533	14,630
	22,157	30,405
Less: Amount due within one year shown under current liabilities	3,365	3,187
Amount due after one year	18,792	27,218

27. DEFERRED TAX

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

Deferred tax liabilities:

	THE GROUP			
	Accelerated tax depreciation HK\$'000	Revaluation of leasehold land and buildings (note) HK\$'000	Tax losses HK\$'000	Total HK\$'000
At 1st April, 2003	918	4,590	(260)	5,248
Charged/(credited) to consolidated income statement	254	—	(115)	139
Charged to equity	—	867	—	867
At 31st March, 2004 and 1st April, 2004	1,172	5,457	(375)	6,254
Charged/(credited) to consolidated income statement	535	—	(188)	347
Credited to equity	—	(5,455)	—	(5,455)
At 31st March, 2005	<u>1,707</u>	<u>2</u>	<u>(563)</u>	<u>1,146</u>

Note: During the year, the group entered into an agreement with an independent third party to dispose of some of its leasehold land and buildings (see note 24). The deferred tax is therefore recognised only to the extent of tax payable arising from the disposal of these leasehold land and buildings.

27. DEFERRED TAX — continued

Deferred tax assets:

	THE GROUP Deductible temporary differences HK\$'000
At 1st April, 2003	—
Credited to consolidated income statement	58
At 31st March, 2004 and 1st April, 2004	58
Charged to consolidated income statement	(11)
At 31st March, 2005	<u>47</u>

At the balance sheet date, the group has unused tax losses of HK\$20,995,000 (2004: HK\$12,419,000) available for offset against future profits. A deferred tax asset has been recognised in respect of HK\$3,219,000 (2004: HK\$2,147,000) of such losses. No deferred tax asset has been recognised in respect of the remaining HK\$17,776,000 (2004: HK\$10,272,000) due to the unpredictability of future profit streams.

At the balance sheet date, the company has unused tax losses of HK\$1,616,000 (2004: HK\$659,000) available for offset against future profits. No deferred tax asset has been recognised due to the unpredictability of future profit streams.

The tax losses can be carried forward to offset against the taxable profits of subsequent years for up to 15 years from the year in which they were incurred or there is no restriction on their expiry depending on the tax jurisdiction concerned.

28. SHARE CAPITAL

	Number of shares		Amount	
	2005	2004	2005 HK\$'000	2004 HK\$'000
Ordinary shares of HK\$0.01 each				
Authorised:				
At beginning of the year and at end of the year	2,000,000,000	2,000,000,000	20,000	20,000
Issued and fully paid:				
At beginning of the year	449,637,603	434,825,306	4,496	4,348
Issued pursuant to scrip dividend scheme for 2003 final dividend	-	14,812,297	-	148
Exercise of share options	11,136,000	-	112	-
At end of the year	460,773,603	449,637,603	4,608	4,496

During the year ended 31st March, 2005, certain directors of the company and the employees of the group exercised all the options granted to them to subscribe for ordinary share of HK\$0.01 each. Details of the company's share option scheme are set out in note 29 to the financial statements.

29. SHARE OPTION SCHEME

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

- (i) any eligible employee of the company, any of its subsidiaries or any entity ("Invested Entity");
- (ii) any non-executive directors (including independent non-executive directors) of the company, any of its subsidiaries or any Invested Entity;
- (iii) any supplier of goods or services to any member of the group or any Invested Entity;
- (iv) any customer of the group or any Invested Entity;
- (v) any person or entity that provides research, development or other technological support to the group or any Invested Entity;
- (vi) any shareholder of any member of the group or any Invested Entity or any holder of any securities issued by any member of the group or any Invested Entity; and

29. SHARE OPTION SCHEME — continued

(vii) any other group or classes of participants from time to time determined by the director as having contributed or may contribute by way of joint venture, business alliance or other business arrangement to the development and growth of the group.

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

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

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

The maximum number of shares which may be issued upon exercise of all outstanding options granted and yet to be exercised under the Scheme and any other share option scheme of the group must not in aggregate exceed 30% of the relevant class of securities of the company (or any of its subsidiaries) in issue from time to time. The total number of shares in respect of which options may be granted under the Scheme and any other share option scheme of the group shall not exceed 10% of the shares of the company in issue as at the date of which dealing in the shares of the company on the Stock Exchange, without prior approval from the company's shareholders. The number of shares in respect of which options may be granted to any participant in any 12 month period is not permitted to exceed 1% of the shares of the company in issue at any point in time, without prior approval from the company's shareholders. Options granted to directors, chief executives or substantial shareholders of the company or any of their respective associates (as defined under the Listing Rules) must be approved by independent non-executive directors of the company (excluding any independent non-executive director who is the grantee of the options). Options granted to substantial shareholders or independent non-executive directors or any of their respective associates in the 12 month period up to and including the date of such grant in excess of 0.1% of the shares of the company in issue and with a value in excess of HK\$5 million must be approved in advance by the company's shareholders.

29. SHARE OPTION SCHEME — continued

At 31st March, 2005, the number of shares in respect of which options had been granted, and yet to be exercised, under the scheme was 3,860,000 (2004: 13,300,000), representing 1% (2004: 3%) of shares of the company in issue at that date.

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

The directors are of the view that the value of the theoretical value of the share options granted during the year depends on a number of variables which are either difficult to ascertain or can only be ascertained on a number of theoretical basis and speculative assumptions. Accordingly, the directors believed that any calculation of the value of options will not be meaningful and may be misleading to shareholders in the circumstances.

Movements in the options to subscribe for shares for the year ended 31st March, 2005 are as follows:

	Exercisable period	Exercise price per share HK\$	Outstanding at 1st April, 2004	Lapsed during the year	Granted during the year	Exercised during the year	Outstanding at 31st March, 2005
Directors:							
Chan Chung Yee, Hubert	21.2.2003 – 20.2.2005	0.17	4,300,000	–	–	(4,300,000)	–
Chan Chung Yin, Roy	21.2.2003 – 20.2.2005	0.17	2,000,000	–	–	(2,000,000)	–
Chan Man Min	21.2.2003 – 20.2.2005	0.17	1,000,000	–	–	(1,000,000)	–
Chan Ming Him, Denny	21.2.2003 – 20.2.2005	0.17	1,000,000	–	–	(1,000,000)	–
Kwok Cheuk Tim, Rockie	21.2.2003 – 20.2.2005	0.17	2,000,000	(2,000,000)	–	–	–
Tsui Hon Wing	21.2.2003 – 20.2.2005	0.17	1,000,000	–	–	(1,000,000)	–
Wu Kwok Lam	21.2.2003 – 20.2.2005	0.17	1,000,000	(1,000,000)	–	–	–
Yeh Yui Fong	21.2.2003 – 20.2.2005	0.17	1,000,000	–	–	(1,000,000)	–
			13,300,000	(3,000,000)	–	(10,300,000)	–
Employees	4.11.2004 – 3.5.2006	0.196	–	–	4,696,000	(836,000)	3,860,000
			<u>13,300,000</u>	<u>(3,000,000)</u>	<u>4,696,000</u>	<u>(11,136,000)</u>	<u>3,860,000</u>

29. SHARE OPTION SCHEME — continued

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

	Exercisable period	Exercise price per share HK\$	Outstanding at 1st April, 2003	Lapsed during the year	Granted during the year	Outstanding at 31st March, 2004
Directors:						
Chan Chung Yee, Hubert	21.2.2003 – 20.2.2005	0.17	4,300,000	–	–	4,300,000
Chan Chung Yin, Roy	21.2.2003 – 20.2.2005	0.17	2,000,000	–	–	2,000,000
Chan Man Min	21.2.2003 – 20.2.2005	0.17	1,000,000	–	–	1,000,000
Chan Ming Him, Denny	21.2.2003 – 20.2.2005	0.17	1,000,000	–	–	1,000,000
Kwok Cheuk Tim, Rockie	21.2.2003 – 20.2.2005	0.17	2,000,000	–	–	2,000,000
Tsui Hon Wing	21.2.2003 – 20.2.2005	0.17	1,000,000	–	–	1,000,000
Wu Kwok Lam	21.2.2003 – 20.2.2005	0.17	1,000,000	–	–	1,000,000
Yeh Yui Fong	21.2.2003 – 20.2.2005	0.17	1,000,000	–	–	1,000,000
			13,300,000	–	–	13,300,000
Employees	23.5.2002 – 23.11.2004	0.38	3,800,000	(3,800,000)	–	–
Customers	23.5.2002 – 30.6.2003	0.38	6,500,000	(6,500,000)	–	–
			23,600,000	(10,300,000)	–	13,300,000

30. RESERVES**THE GROUP**

The amounts of the group's reserves and the movements therein for the current and prior years are presented in the consolidated statement of changes in equity on page 26 of the annual report.

THE COMPANY

	Share premium	Special reserve	Retained profits	Total
	HK\$'000	HK\$'000	HK\$'000	HK\$'000
At 1st April, 2003	27,239	163,453	408	191,100
Shares issued pursuant to scrip dividend scheme	2,296	–	–	2,296
Net profit for the year	–	–	9,601	9,601
Dividend paid	–	–	(4,348)	(4,348)
	<u>29,535</u>	<u>163,453</u>	<u>5,661</u>	<u>198,649</u>
At 31st March, 2004	29,535	163,453	5,661	198,649
Exercise of share option	1,804	–	–	1,804
Net profit for the year	–	–	9,175	9,175
Dividend paid	–	–	(4,496)	(4,496)
	<u>31,339</u>	<u>163,453</u>	<u>10,340</u>	<u>205,132</u>
At 31st March, 2005	<u>31,339</u>	<u>163,453</u>	<u>10,340</u>	<u>205,132</u>

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

The company's reserves available for distribution represent the share premium, special reserve and retained profits. Under the Companies Laws of the Cayman Islands, the share premium of the company is available for paying distributions or dividends to shareholders subject to the provisions of Memorandum and Articles of Association and provided that immediately following the distribution or dividend the company is able to pay its debt as they fall due in the ordinary course of business. The company's reserves available for distributions to shareholders as at 31st March, 2005 amounted to HK\$205,132,000 (2004: HK\$198,649,000).

31. CAPITAL COMMITMENTS

	THE GROUP		THE COMPANY	
	2005 HK\$'000	2004 HK\$'000	2005 HK\$'000	2004 HK\$'000
Capital expenditure				
Contracted for but not provided in the financial statements:				
– Acquisitions of investment properties	58,318	–	–	–
– Acquisitions of property, plant and equipment	157	170	–	–
	58,475	170	–	–

32. OPERATING LEASE ARRANGEMENTS**The group as lessee:**

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

	THE GROUP	
	2005 HK\$'000	2004 HK\$'000
Within one year	764	1,258
In the second to fifth years, inclusive	420	753
	1,184	2,011

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

The group as lessor:

Property rental income earned during the year was HK\$1,607,000 (2004: HK\$3,278,000). The properties held have committed tenants in the range from one to three years.

32. OPERATING LEASE ARRANGEMENTS — continued

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

	THE GROUP	
	2005 HK\$'000	2004 HK\$'000
Within one year	408	736
In the second to fifth years, inclusive	211	619
	619	1,355

33. NOTES TO CONSOLIDATED CASH FLOW STATEMENT**a) Acquisition of subsidiaries:**

	2005 HK\$'000	2004 HK\$'000
Net liabilities acquired:		
Property, plant and equipment	-	1,104
Inventories	-	2,183
Debtors, deposits and prepayments	-	976
Amounts due from related companies	-	1,150
Bank balances and cash	-	611
Creditors and accrued charges	-	(7,892)
Bank borrowings	-	(88)
Taxation payable	-	(32)
	-	(1,988)
Goodwill on acquisition	-	4,288
	-	2,300
Satisfied by:		
Cash consideration	-	300
Reclassification from investments in securities	-	2,000
	-	2,300
Analysis of net inflow of cash and cash equivalents in respect of the acquisition of subsidiaries is as follows:		
Cash consideration	-	(300)
Cash and cash equivalents acquired	-	611
Bank borrowings acquired	-	(88)
	-	223

33. NOTES TO CONSOLIDATED CASH FLOW STATEMENT — continued**b) Non-cash transactions**

During the year ended 31st March, 2005, the group entered into finance lease arrangements in respect of assets with a total capital value at the inception of the contract of HK\$161,000. However, no such finance lease arrangement was made by the group during the year ended 31st March, 2004.

34. CONTINGENT LIABILITIES

	THE GROUP		THE COMPANY	
	2005 HK\$'000	2004 HK\$'000	2005 HK\$'000	2004 HK\$'000
Banking facilities to subsidiaries in respect of which guarantees were given	–	–	86,740	96,740
Credit facilities from third parties in respect of which guarantees were given	40,000	40,000	–	–
Corporate guarantee to an independent landlord in respect of shop premises leased to a subsidiary	–	–	160	600
	40,000	40,000	86,900	97,340

35. PLEDGE OF ASSETS

At 31st March, 2005, certain leasehold land and buildings and investment properties with aggregate carrying values of HK\$4,360,000 (2004: HK\$4,170,000) and HK\$65,740,000 (2004: HK\$55,000,000) respectively were pledged to banks to secure general banking facilities granted to the group. At 31st March, 2004, the group's bank deposits of HK\$280,000 were pledged to banks to secure the performance bonds. No such bank deposits were pledged at 31st March, 2005.

36. RETIREMENT BENEFITS SCHEMES

- (a) The subsidiary in Singapore participates in the state-managed retirement benefits scheme operated by the government of Singapore, whereby the group is required to contribute to the scheme to fund the retirement benefits of the eligible employees. Contributions made to the scheme are calculated based on 16% of the applicable payroll costs. The only obligation of the group with respect to the retirement benefits scheme is to make the required contributions under the scheme.
- (b) The subsidiary in Thailand participates in the state-managed retirement benefits scheme operated by the government of Thailand, whereby the group is required to contribute to the scheme to fund the retirement benefits of the eligible employees. Contributions made to the scheme are calculated based on 5% of the applicable payroll costs. The only obligation of the group with respect to the retirement benefits scheme is to make the required contributions under the scheme.

36. RETIREMENT BENEFITS SCHEMES — continued

- (c) The subsidiary in Malaysia participates in a state-managed retirement benefits scheme operated by the government of Malaysia, whereby the group is required to contribute to the scheme to fund the retirement benefits of the eligible employees. Contributions made to the scheme are calculated based on 12% of the applicable payroll costs. The only obligation of the group with respect to the retirement benefits scheme is to make the required contributions under the scheme.
- (d) Employees which are employed by subsidiaries in the PRC are members of the state-managed retirement benefits scheme operated by the PRC government. These subsidiaries are required to contribute 36.5% of payroll costs to the retirement benefits scheme to fund the benefits. The only obligation of the group with respect to the retirement benefits scheme is to make the required contributions under the scheme.
- (e) The group operates a Mandatory Provident Fund Scheme ("MPF scheme") for all qualifying employees in Hong Kong. The group is required to contribute 5% to 10%, while the employees are required to contribute 5% of their salaries to the MPF scheme.

37. RELATED PARTY TRANSACTIONS

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

Name of related company	Notes	Nature of transactions	2005 HK\$'000	2004 HK\$'000
HKC Intown Limited	(i)	Internet access fee paid	114	80
Hong Kong Communications Computer Company Limited	(i)	Computer software maintenance fee and purchase of computer hardwares	362	502
	(ii)	Rental income	180	221
		Repairs and maintenance fees paid	-	10
BIA Technology Limited	(i)	Purchase of goods from Sales of goods to	3,362 -	1,695 32
	(ii)	Rental income	36	36
		Purchase of plant and machinery	-	987
Koywa HKC Company Limited	(iii)	Rental expenses	79	-

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

Messrs. Chan Chung Yee, Hubert and Chan Man Min, directors of the company, have beneficial interest in Hong Kong Communications Computer Company Limited, BIA Technology Limited and Koywa HKC Company Limited.

Mr. Chan Min Him, Denny, director of the company, has beneficial interest in Koywa HKC Company Limited.

37. RELATED PARTY TRANSACTIONS — continued

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

Details of balances with related companies are set out in note 22 to the financial statements.

Notes:

- (i) The transactions are based on cost plus a percentage of profit mark-up.
- (ii) Rental income was charged based on the area used, which management considered to be an appropriate basis of allocation.
- (iii) Rental expense was charged at prevailing market rates.

38. SUBSIDIARIES

Particulars of the subsidiaries as at 31st March, 2005 are as follows:

Name	Place of incorporation/ registration	Principal place of operation	Issued and fully paid ordinary/ registered share capital	Percentage of effective interest attributable to the Group	Principal activities
HKC Group Limited	British Virgin Islands	Hong Kong	Ordinary shares US\$100,000	100%	Investment holding
HKC Properties Limited	British Virgin Islands	Hong Kong	Ordinary shares US\$30	100%	Investment holding
Superior Charm Limited	British Virgin Islands	Hong Kong	Ordinary shares US\$1,200	100%	Investment holding
Hong Kong Communications Equipment Company Limited	Hong Kong	Hong Kong	Ordinary shares HK\$10,560	100%	Sales and distribution of mobile phones and business solutions
Circle Mobile Communications Limited	Hong Kong	Hong Kong	Ordinary shares HK\$1,000,000	100%	Sales of mobile phones and other electronic products
Generalvestor (H.K.) Limited	Hong Kong	Hong Kong	Ordinary shares HK\$10,000,000	100%	Property investment
HKC Technology Limited	Hong Kong	Hong Kong	Ordinary shares HK\$6,000,100	100%	Research and development
HKC International (Thailand) Limited	Thailand	Thailand	Ordinary shares THB3,000,000	100%	Sales and distribution of mobile phones

38. SUBSIDIARIES — continued

Name	Place of incorporation/ registration	Principal place of operation	Issued and fully paid ordinary/ registered share capital	Percentage of effective interest attributable to the Group	Principal activities
Singapore Communications Equipment Co. (Pte) Ltd.	The Republic of Singapore	Singapore	Ordinary shares S\$160,000	100%	Sales and distribution of business solutions
Circle Communication Products, Inc.	United States of America	United States of America	Ordinary shares US\$15,000	100%	Sales and distribution of telecommunication products
HKC International (M) SDN BHD	Malaysia	Malaysia	Ordinary shares RM250,000	100%	Sales and distribution of mobile phones and its related accessories
上海希華通訊科技有限公司 (note 1) (HKC Technology (Shanghai) Limited)	PRC	PRC	Registered capital US\$550,000	100%	Sales and distribution of business solutions
亞衛通智能系統(上海)有限公司 (Note 2) (ASCT Technology Co. Ltd.)	PRC	PRC	Registered capital US\$610,000	80%	Development and sales of telecommunication system and other high-tech products

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

None of the subsidiaries had any debt securities subsisting as at 31st March, 2005 or at any time during the year.

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

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

39. SUBSEQUENT EVENTS

Subsequent to the balance sheet date, the group had completed the acquisitions of investment properties in Hong Kong and Shanghai at total cash consideration of HK\$69,715,741 (see note 21).

On 8th April, 2005, the group had also completed the disposal of some of its investment properties and leasehold land and buildings with a total carrying value of HK\$140,590,000 to an independent third party at a cash consideration of HK\$180,000,000 (see note 24). Profit arising from this disposal is estimated to be HK\$63,000,000.