

iOne Holdings Limited

卓智控股有限公司*

(incorporated in Bermuda with limited liability)

Stock code: 982

Interim Report
2011



* for identification purpose only

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Corporate Information

Board of Directors

Executive directors

Mr. Lee Wing Yin (*Chairman*)

Mr. Lau Wai Shu (*Managing Director*)

Independent non-executive directors

Mr. Yip Tai Him

Mr. Lung Hung Cheuk

Mr. Ng Chi Ming

Audit Committee

Mr. Yip Tai Him (*Chairman*)

Mr. Lung Hung Cheuk

Mr. Ng Chi Ming

Remuneration Committee

Mr. Lung Hung Cheuk (*Chairman*)

Mr. Ng Chi Ming

Mr. Yip Tai Him

Nomination Committee

Mr. Ng Chi Ming (*Chairman*)

Mr. Yip Tai Him

Mr. Lung Hung Cheuk

Solicitors

lu, Lai & Li

Auditor

BDO Limited

Company Secretary

Mr. Lee Wing Yin FCCA, CPA

Mr. Ira Stuart OUTERBRIDGE III*

(* *assistant secretary*)

Head Office and Principal Place of Business

Units 1204-6, 12th Floor Wheelock House

20 Pedder Street

Central

Hong Kong

Registered Office

Clarendon House

2 Church Street

Hamilton HM 11

Bermuda

Bermuda Principal Share Registrar and Transfer Office

Butterfield Fulcrum Group (Bermuda)

Limited

Hong Kong Branch Share Registrar and Transfer Office

Tricor Investor Services Limited

Principal Banker

Standard Chartered Bank (Hong Kong) Limited

Bermuda Resident Representatives

Mr. John Charles Ross COLLIS

Authorised Representatives

Mr. Lee Wing Yin

Mr. Lau Wai Shu

Place of Listing

The Stock Exchange of Hong Kong Limited

Stock Code

982

Website Address

www.ioneholdings.com

Condensed Consolidated Statement of Comprehensive Income

For the six months ended 30 June 2011

	Notes	Six months ended 30 June	
		2011 HK\$'000 (Unaudited)	2010 HK\$'000 (Unaudited)
Turnover	4	112,648	116,319
Cost of services provided		(50,565)	(50,858)
Gross profit		62,083	65,461
Other income and gains	5	1,520	236
Selling and distribution expenses		(9,204)	(10,408)
Administrative expenses		(13,857)	(12,328)
Profit before income tax expense	6	40,542	42,961
Income tax expense	7	(6,530)	(7,263)
Profit for the period		34,012	35,698
Other comprehensive income			
Net fair value loss on available-for-sale investments		(969)	-
Total comprehensive income for the period attributable to the owners of the Company		33,043	35,698
Earnings per share	9		
– Basic and diluted		HK0.37 cent	HK0.39 cent

Condensed Consolidated Statement of Financial Position

At 30 June 2011

	Notes	30 June 2011 HK\$'000 (Unaudited)	31 December 2010 HK\$'000 (Audited)
Non-current assets			
Property, plant and equipment	10	4,342	5,046
Available-for-sale investments	11	43,270	9,896
		47,612	14,942
Current assets			
Work in progress		2,485	3,059
Trade receivables	12	76,078	64,843
Other receivables, deposits and prepayments		6,917	6,339
Amount due from a related company		132	1,632
Income tax recoverable		33	33
Cash and bank balances	13	166,353	175,971
		251,998	251,877
Current liabilities			
Trade payables	14	23,797	20,344
Other payables and accruals		22,635	23,498
Deferred income		1,239	-
Income tax payable		12,735	6,696
		60,406	50,538
Net current assets		191,592	201,339
Total assets less current liabilities		239,204	216,281
Non-current liabilities			
Deferred tax liabilities		305	305
Net assets		238,899	215,976
Capital and reserves			
Share capital	15	2,300	2,300
Reserves		236,599	213,676
Total equity		238,899	215,976

Condensed Consolidated Statement of Changes in Equity

For the six months ended 30 June 2011

	Attributable to owners of the Company					Total HK\$'000
	Share capital HK\$'000	Share premium HK\$'000	Special reserve HK\$'000	Available- for-sale investments reserve HK\$'000	Retained profits HK\$'000	
At 1 January 2011 (Audited)	2,300	39,914	4,451	-	169,311	215,976
Profit for the period	-	-	-	-	34,012	34,012
Other comprehensive income						
Net fair value loss on available-for-sale investments	-	-	-	(969)	-	(969)
Total comprehensive income for the period	-	-	-	(969)	34,012	33,043
2010 final dividend recognised as distributions	-	-	-	-	(10,120)	(10,120)
At 30 June 2011 (Unaudited)	2,300	39,914	4,451	(969)	193,203	238,899
At 1 January 2010 (Audited)	2,300	39,914	4,451	-	119,624	166,289
2009 final dividend recognised as distributions	-	-	-	-	(10,120)	(10,120)
Total comprehensive income for the period	-	-	-	-	35,698	35,698
At 30 June 2010 (Unaudited)	2,300	39,914	4,451	-	145,202	191,867

Condensed Consolidated Statement of Cash Flows

For the six months ended 30 June 2011

	Six months ended 30 June	
	2011 HK\$'000 (Unaudited)	2010 HK\$'000 (Unaudited)
Net cash from operating activities	34,557	49,618
Net cash used in investing activities	(52,617)	(225)
Net cash used in financing activities	(10,120)	(10,120)
Net (decrease)/increase in cash and cash equivalents	(28,180)	39,273
Cash and cash equivalents at beginning of period	152,371	129,391
Cash and cash equivalents at end of period <i>(note 13)</i>	124,191	168,664

Notes to the Condensed Consolidated Financial Statements

For the six months ended 30 June 2011

1. Basis of Preparation

The condensed consolidated financial statements have been prepared in accordance with Hong Kong Accounting Standard 34 "Interim Financial Reporting" issued by the Hong Kong Institute of Certified Public Accountants ("HKICPA") and the applicable disclosure requirements of Appendix 16 to the Rules Governing the Listing of Securities on the Stock Exchange.

2. Principal Accounting Policies

The condensed consolidated financial statements have been prepared under the historical cost basis, except for certain financial instruments, which are measured at fair value.

The accounting policies and methods of computation used in the condensed consolidated financial statements are consistent with those set out in the Group's consolidated annual financial statements for the year ended 31 December 2010.

In the current interim period, the Group has applied, for the first time, a number of new or revised Standards and Interpretations ("new or revised HKFRSs") issued by the HKICPA.

The application of the new or revised HKFRSs in the current interim period has had no material effect on the amounts reported in these condensed consolidated financial statements and/or disclosures set out in these condensed consolidated financial statements.

The Group has not early applied new or revised standards that have been issued but are not yet effective. The following new or revised standards have been issued after the date the consolidated financial statements for the year ended 31 December 2010 were authorised for issuance and are not yet effective:

HKFRS 10	Consolidated Financial Statements ¹
HKFRS 11	Joint Arrangements ¹
HKFRS 12	Disclosures of Interests in Other Entities ¹
HKFRS 13	Fair Value Measurement ¹
HKAS 1 (Amendments)	Presentation of Items of Other Comprehensive Income ²
HKAS 19 (Revised 2011)	Employee Benefits ²
HKAS 27 (Revised 2011)	Separate Financial Statements ¹
HKAS 28 (Revised 2011)	Investments in Associates and Joint Ventures ¹

¹ Effective for annual periods beginning on or after 1 January 2013

² Effective for annual periods beginning on or after 1 July 2012

The directors of the Company anticipate that the application of these new or revised standards and interpretations will have no material impact on the results and the financial position of the Group.

3. Segment Information

The chief operating decision-maker of the Group has been identified as the executive directors of the Company. The executive directors regularly review revenue and operating result derived from provision of financial printing services on an aggregated basis and consider them as one single operating segment.

No geographical information is presented as the Group's operations are located in Hong Kong.

4. Turnover

An analysis of the Group's turnover for the period is as follows:

	Six months ended 30 June	
	2011 HK\$'000	2010 HK\$'000
Financial printing services:		
– Printing and translation	102,885	103,537
– Advertising	9,763	12,782
	112,648	116,319

5. Other Income and Gains

	Six months ended 30 June	
	2011 HK\$'000	2010 HK\$'000
Bank interest income	539	12
Interest income from corporate bonds	144	–
Dividend income	26	–
Exchange gains, net	790	–
Gain on disposal of financial asset at fair value through profit or loss	20	–
Sundry Income	1	224
	1,520	236

6. Profit Before Income Tax Expense

Profit before income tax expense has been arrived at after charging:

	Six months ended 30 June	
	2011 HK\$'000	2010 HK\$'000
Depreciation of property, plant and equipment	1,102	1,104
Loss on disposal of property, plant and equipment	43	16

7. Income Tax Expense

Hong Kong profits tax is calculated at 16.5% of the estimated assessable profit for both periods.

	Six months ended 30 June	
	2011 HK\$'000	2010 HK\$'000
Current tax		
– Hong Kong profits tax	6,530	7,263

8. Dividends

The directors do not recommend the payment of any interim dividend for the six months ended 30 June 2011 and 2010.

9. Earnings Per Share

The calculation of basic earnings per share is based on the profit attributable to owners of the Company for the period of HK\$34,012,000 (six months ended 30 June 2010: HK\$35,698,000) and 9,200,000,000 (six months ended 30 June 2010: 9,200,000,000) shares in issue during the period.

Diluted earnings per share is the same as the basic earnings per share as there are no potential dilutive ordinary shares outstanding during both periods.

10. Property, Plant and Equipment

During the period, the Group spent approximately HK\$442,000 (six months ended 30 June 2010: HK\$397,000) on acquisition of property, plant and equipment.

11. Available-for-sale investments

	30 June 2011 HK\$'000	31 December 2010 HK\$'000
Unlisted equity investment, at cost	9,896	9,896
Corporate bonds, at fair value	7,453	–
Listed equity securities, at fair value	25,921	–
	43,270	9,896

	30 June 2011 HK\$'000
Movement of the available-for-sale investments during the period are as follows:	
At 1 January 2011	9,896
Additions	34,343
Fair value loss, net	(969)
At 30 June 2011	43,270

12. Trade Receivables

The Group generally allows a credit period of 30 days to its customers. The ageing analysis of trade receivables based on the invoice date at the end of reporting period is as follows:

	30 June 2011 HK\$'000	31 December 2010 HK\$'000
0 – 90 days	61,418	49,232
91 – 180 days	9,100	9,592
181 – 270 days	3,610	4,177
271 – 365 days	704	1,657
Over 365 days	1,246	185
	76,078	64,843

13. Cash and Bank Balances

	30 June 2011 HK\$'000	31 December 2010 HK\$'000
Cash at bank and on hand	74,177	52,371
Fixed deposits with original maturities of three months or less	50,014	100,000
Fixed deposits with original maturities of over three months	42,162	23,600
Cash and bank balances in the condensed consolidated statement of financial position	166,353	175,971
Less: Fixed deposits with original maturities of over three months	(42,162)	(23,600)
Cash and cash equivalents in the condensed consolidated statement of cash flows	124,191	152,371

14. Trade Payables

The Group normally receives credit terms of 30 days to 60 days from its suppliers. The ageing analysis of trade payables based on invoice date at the end of reporting period is as follows:

	30 June 2011 HK\$'000	31 December 2010 HK\$'000
0-90 days	20,998	14,216
91-180 days	1,967	4,471
181-365 days	620	1,645
Over 365 days	212	12
	23,797	20,344

15. Share Capital

	30 June 2011 HK\$'000	31 December 2010 HK\$'000
Authorised: 12,000,000,000 ordinary shares of HK\$0.00025 each	3,000	3,000
Issued and fully paid: 9,200,000,000 ordinary shares of HK\$0.00025 each	2,300	2,300

16. Commitments

At 30 June 2011, the Group had no capital commitments (31 December 2010: Nil).

17. Related Party Transactions

In addition to the transactions and balances detailed elsewhere in these condensed financial statements, the Group had the following material transactions with related parties during the period:

	Six months ended 30 June	
	2011 HK\$'000	2010 HK\$'000
Rental expenses to a related company <i>(note)</i>	816	588
Printing income from related companies <i>(note)</i>	366	82

Note: A controlling shareholder of the Company is also the controlling shareholders of the related companies.

Compensation of key management personnel

The remuneration of directors and other members of key management during the period is as follows:

	Six months ended 30 June	
	2011 HK\$'000	2010 HK\$'000
Short-term benefits	4,606	5,690
Post-employment benefits	14	15
	4,620	5,705

The remuneration of directors and key management is determined by having regard to the performance of individuals and market trends.

Management Discussion and Analysis

Business Review

Although Hong Kong economy grew positively in the first half of year, Hang Seng Stock Index dipped by about 10.3% since last year's high, amid increasing uncertainties in the global environment. Despite the fact that the Group's business was under pressure from weak stock market sentiment and fierce price competition, the overall performance is fairly satisfactory.

Financial Review

For the six months ended 30 June 2011 ("Period under Review"), the Group recorded a turnover of approximately 112.6 million (2010: approximately HK\$116.3 million), representing a decrease of about 3.2% compared with the corresponding period of last year. The Group's profit before income tax expenses decreased by 5.8% to approximately HK\$40.5 million (2010: approximately HK\$43 million). The decline in profit before income tax expenses was mainly due to decrease in turnover.

During the Period under Review, the profit attributable to shareholders of the Company was approximately HK\$34 million (2010: approximately HK\$35.7 million), representing a decrease of approximately 4.8% compared with the corresponding period of last year. Basic earnings per share was approximately HK0.37 cent (2010: HK0.39 cent).

Liquidity and Financial Resources

As at 30 June 2011, the Group's cash and bank balances amounted to approximately HK\$166.4 million (31 December 2010: approximately HK\$176 million) with no borrowings (31 December 2010: Nil). The Group had total current assets of approximately HK\$252 million (31 December 2010: approximately HK\$251.9 million) and total current liabilities of approximately HK\$60.4 million (31 December 2010: approximately HK\$50.5 million). The Group's current ratio, defined as total current assets over total current liabilities, was 4.2 (31 December 2010: 5).

Total equity of the Group as at 30 June 2011 stood at approximately HK\$238.9 million (31 December 2010: approximately HK\$216 million). The increase was mainly driven by the net profit after tax for the year. The Group's gearing ratio, being total liabilities over total assets was 20.3% (31 December 2010: 19%).

Pledge of Assets

As at 30 June 2011, the Group had no pledge of assets.

Capital Structure

There was no change in the Group's capital structure for the six months ended 30 June 2011.

Management Discussion and Analysis *(continued)*

Contingent Liabilities

As at 30 June 2011, the Group did not have any material contingent liabilities.

Business Plan

The Group's fundamental business objective is to establish itself as an international financial printing service provider in the financial sector by strengthening its core competitiveness.

In light of the external economic and financial environments, the Group will take a prudent approach to its expansion plan. It will continue to seek any opportunities for strategic alliance with regional partners for new market and business development. The Group is reviewing the expansion plans, including the establishment of a backup production and translation hub in mainland China as stated in the Initial Public Offer prospectus, in view of lower production costs and economic growth in mainland China. Furthermore, the Group will continue to refine its office facilities, to streamline work procedure and to upgrade the software and equipment with an aim to enhancing its competitiveness in the sector.

Employees

As at 30 June 2011, the Group had a total of approximately 142 (2010: approximately 134) full-time employees. The staff cost of the Group during the Period under Review was about HK\$24.8 million (2010: approximately HK\$24.7 million). The staff cost included salaries, commissions, bonuses, other allowances and contributions to retirement benefits scheme. The Group operates a defined contribution scheme under the Mandatory Provident Fund Schemes Ordinance and medical insurance for all its employees. Basically, the Group structured remuneration packages of employees in reference to general market practice, employees' duties and responsibilities and the Group's financial performance.

Management Discussion and Analysis *(continued)*

Significant Investment Held

Saved for those disclosed in the condensed consolidated financial statements, the Group did not acquire any significant investments or properties during the Period under Review. There was no material acquisition and disposal of subsidiaries and associated companies during the Period under Review.

Interim Dividend

The Board did not recommend the payment of any interim dividend for the six months ended 30 June 2011.

Interest Rate Risk

The Group had interest bearing financial assets at various fixed interest rates which comprised bank deposits and corporate bonds. As there was no significant financial risk of change in interest rates, the Group currently did not have any interest rate hedging policy.

Foreign Exchange Risk

The Group conducted its business transactions principally in Hong Kong dollars ("HK\$"). As at 30 June 2011, most of the Group's bank and cash balances are denominated in Hong Kong dollars and Renminbi. As Renminbi was relatively stable and under appreciation pressure, the foreign exchange risk exposure is limited. Other non-HK\$ asset holdings were relatively small. As such, the Group did not adopt any foreign exchange derivatives for hedging purpose as at 30 June 2011.

Other Information

Share Option Scheme

Pursuant to the resolution passed by the Shareholders on 25 June 2008, the Company approved and conditionally adopted a share option scheme whereby selected classes of the participants may be granted options to subscribe for shares at the discretion of the Board. No options were granted under the share option scheme for the six months ended 30 June 2011.

Purchase, Sale or Redemption of the Company's Listed Securities

Neither the Company nor any of its subsidiaries purchased, sold or redeemed any of the Company's listed securities during the six months ended 30 June 2011.

Audit Committee

The Group established an audit committee which consisted of three independent non-executive Directors, namely Mr. Yip Tai Him, Ng Chi Ming and Lung Hung Cheuk. Mr. Yip Tai Him is the chairman of the audit committee. The primary duties of the audit committee are to review and supervise the financial reporting and the internal control system of the Group. The audit committee has reviewed the Group's interim report for the six months ended 30 June 2011.

Other Information *(continued)*

Directors' and Chief Executive's Interests and Short Positions in Shares

As at 30 June 2011, the interests or short positions of the Directors and chief executives and their associates in the shares, underlying shares and debentures of the Company and any of its associated corporations (within the meaning of Part XV of the Securities and Futures Ordinance ("SFO")) as recorded in the register required to be kept under Section 352 of the SFO or as otherwise notified to the Company and the Stock Exchange pursuant to the Model Code for Securities of Transaction by Directors of Listed Issuers (the "Model Code") set out in Appendix 10 to the Listing Rules Governing the Listing of Securities on the Stock Exchange (the "Listing Rules") were as follows:

Long position in ordinary share of HK\$0.00025 each of the Company

Name of Directors	Capacity	Number of shares held	Approximate percentage of interested shares to the issued shares capital of the Company (%)
Lee Wing Yin	Beneficial ownership	640,000	0.01
Lau Wai Shu	Beneficial ownership	2,000,000	0.02

Saved as disclosed above, none of the directors and chief executive of the Company had any interests or short positions in the shares, underlying shares or debentures of the Company or any of its associated corporations (within the meaning of Part XV of the SFO) that was required to be recorded pursuant to Section 352 of the SFO, or as otherwise notified to the Company and the Stock Exchange pursuant to the Model Code for Securities Transactions by Directors or Listed Companies contained in the Listing Rules.

Other Information *(continued)*

Interest of Substantial Shareholders

As at 30 June 2011, so far as is known to any Director or chief executive of the Company, the following persons or corporations, other than a Director or chief executive of the Company, had interests or short positions in the shares or underlying shares of the Company as recorded in the register required to be kept under Section 336 of the SFO or as otherwise notified to the Company:

Long position in ordinary shares of HK\$0.00025 each of the Company

Name of Substantial Shareholders	Capacity/ Nature of interest	Number of shares held	Approximate percentage of interested shares to the issued shares capital of the Company [%]
Mr. Pong Wai San, Wilson ("Mr. Pong")	Beneficial ownership	6,880,000,000	74.78
Tung Ching Yee, Helena <i>(Note 1)</i>	Interest of Spouse	6,880,000,000	74.78
Profit Allied Limited <i>(Note 2)</i>	Controlled corporation	5,712,000,000	62.09
Richfield Group Holdings Limited <i>(Note 3)</i>	Controlled corporation	400,000,000	4.35
Virtue Partner Group Limited <i>(Note 4)</i>	Controlled corporation	400,000,000	4.35

Notes:

1. Ms. Tung Ching Yee, Helena is the spouse of Mr. Pong who beneficially owns 74.78% of the Company.
2. Profit Allied Limited is beneficially owned as to 100% by Mr. Pong. Therefore, it is deemed to be interested in the shares of which Mr. Pong is deemed to be interested in for the purpose of the SFO.
3. Richfield Group Holdings Limited is beneficially owned as to about 37.06% by Mr. Pong.
4. Richfield Group Holdings Limited is held as to about 26.93% by Virtue Partner Group Limited which is 100% wholly owned by Mr. Pong.

Save as disclosed above, the register required to be kept under section 336 of the SFO shows that as at 30 June 2011, the Company had not been notified of any other person who had an interest or short position in the shares and underlying shares of the Company.

Other Information *(continued)*

Outlook

Looking ahead, Hong Kong's economic and financial fundamentals remain solid and healthy. However, the recent global stock market is vulnerable to slow economic recovery in the USA, debts crisis in European countries, and interest rate hikes in Asia. The Group still holds cautiously optimistic view on the business prospect in the second half of year.

The Group will continue to strengthen its competitiveness by constantly upgrading and improving its technical know-how and global distribution network. We are reviewing the plans to establish a production and translation hub in mainland China. We also strive to expand our client base by exploring business network across the border. e.g. forging strategic alliance with overseas financial printing company.

Corporate Governance Practices

During the six months ended 30 June 2011, the Company had complied with the code provisions set out in the Code on Corporate Governance Practices in Appendix 14 of the Listing Rules.

Model Code for Securities Transactions by Directors

The Company adopted the Model Code set out in the Appendix 10 to the Listing Rules as its own code of conduct regarding Directors' securities transactions. Having made specific enquiries, all Directors confirmed that they had complied with the Model Code during the six months ended 30 June 2011.

Appreciation

I would like to express my sincere gratitude to our clients and shareholders for their continuous and valuable support. I would also like to take this opportunity to thank our board of directors, management team and staff for their dedication and hard work.

By order of the Board

Lee Wing Yin

Chairman

Hong Kong 30 August 2011