



ABC Communications (Holdings) Limited

(Incorporated in Bermuda with limited liability)

(Stock Code: 30)

2006-2007 INTERIM REPORT

## **CORPORATE INFORMATION**

### **Board of Directors:**

*Non-Executive Chairman:*

Mr. Tse Chi Hung, Michael

*Executive Directors:*

Ms. Yeung Shuk Kwan, Patricia

Mr. George Joseph Ho

Mr. Joey Fan

*Non-Executive Directors:*

Mr. George Ho, GBS, OBE, JP

Mr. Leung Kwok Kit, FCPA, CPA (Aust)

Mr. David Miao  
(deceased on 26th November 2006)

*Independent Non-Executive Directors:*

Mr. Fu Hau Chak, Adrian

Mr. Kwok Chi Hang, Lester, JP

Mr. Li Kwok Sing, Aubrey

### **Committees:**

*Audit Committee*

Mr. Fu Hau Chak, Adrian

Mr. Leung Kwok Kit, FCPA, CPA (Aust)

Mr. Li Kwok Sing, Aubrey

*Remuneration Committee*

Mr. Fu Hau Chak, Adrian

Mr. Leung Kwok Kit, FCPA, CPA (Aust)

Mr. Li Kwok Sing, Aubrey

### **Company Secretary:**

Ms. Yeung Shuk Kwan, Patricia

### **Authorized Representatives:**

Mr. Tse Chi Hung, Michael

Ms. Yeung Shuk Kwan, Patricia

### **Registered Office:**

Clarendon House,

2 Church Street,

Hamilton HM11,

Bermuda.

### **Principal Place of Business:**

2nd Floor,

Jade Mansion,

40 Waterloo Road,

Yaumatei,

Kowloon, Hong Kong.

### **Auditors:**

PricewaterhouseCoopers

### **Registrars:**

Computershare Hong Kong Investor

Services Limited

17th Floor,

Hopewell Centre,

183 Queen's Road East,

Hong Kong.

### **Solicitors:**

Tanner de Witt

### **Homepage:**

[www.hkabc.com](http://www.hkabc.com)

**HIGHLIGHTS OF UNAUDITED RESULTS  
FOR THE SIX MONTHS ENDED 30TH SEPTEMBER 2006**

	<b>2006</b> HK\$	2005 HK\$	Percentage change
Turnover	<b>29,620,120</b>	17,828,325	+ 66.14%
Operating profit ( <i>Note</i> )	<b>5,595,844</b>	15,766,429	– 64.51%
Profit attributable to equity holders	<b>5,159,343</b>	15,641,111	– 67.01%
Profit per share	<b>1.11 cents</b>	3.35 cents	– 66.87%

*Note:* Operating profit for 2005 comprised a one-off investment gain of HK\$20.7 million arising from the partial disposal of shares in eAccess of Japan.

The Directors are pleased to present the Group's condensed consolidated interim financial information for the six months ended 30th September 2006. The condensed consolidated interim balance sheet, condensed consolidated interim income statement, condensed consolidated interim statement of changes in equity and condensed consolidated interim cash flow statement for the six months ended 30th September 2006, all of which are unaudited and condensed, along with selected explanatory notes, are set out on pages 3 to 18 of this report.

## CONDENSED CONSOLIDATED INTERIM BALANCE SHEET

		Unaudited 30th September 2006 HK\$	Audited 31st March 2006 HK\$
<b>ASSETS</b>			
<b>Non-current assets</b>			
Property, plant and equipment	5	2,607,045	2,603,471
Investment property		19,500,000	19,500,000
Land use rights		17,611,603	17,695,935
Available-for-sale financial assets		166,949,102	162,369,952
<b>Total non-current assets</b>		<b>206,667,750</b>	<b>202,169,358</b>
<b>Current assets</b>			
Trade receivables	5(a)	4,718,297	5,011,985
Other receivables, deposits and prepayments		7,650,895	7,863,550
Pledged deposits		101,993,840	81,934,830
Short-term deposits with original maturity more than 3 months		-	9,016,321
Cash and cash equivalents		66,072,988	91,151,138
<b>Total current assets</b>		<b>180,436,020</b>	<b>194,977,824</b>
<b>Total assets</b>		<b>387,103,770</b>	<b>397,147,182</b>

## CONDENSED CONSOLIDATED INTERIM BALANCE SHEET (continued)

	Note	Unaudited 30th September 2006 HK\$	Audited 31st March 2006 HK\$
<b>EQUITY</b>			
<b>Capital and reserves attributable to the Company's equity holders</b>			
Share capital	6	46,688,600	46,688,600
Reserves		187,883,149	201,903,282
Retained earnings		56,063,470	69,579,564
<b>Total equity</b>		<b>290,635,219</b>	<b>318,171,446</b>
<b>LIABILITIES</b>			
<b>Non-current liability</b>			
Bank borrowings, secured	7	33,141,686	32,811,719
<b>Current liabilities</b>			
Advance subscriptions and licence fees received		2,051,311	2,058,517
Customer deposits		531,154	542,354
Trade and other payables	8	5,025,368	5,195,882
Bank borrowings, secured	7	55,719,032	38,367,264
<b>Total current liabilities</b>		<b>63,326,865</b>	<b>46,164,017</b>
<b>Total liabilities</b>		<b>96,468,551</b>	<b>78,975,736</b>
<b>Total equity and liabilities</b>		<b>387,103,770</b>	<b>397,147,182</b>
<b>Net current assets</b>		<b>117,109,155</b>	<b>148,813,807</b>
<b>Total assets less current liabilities</b>		<b>323,776,905</b>	<b>350,983,165</b>

## CONDENSED CONSOLIDATED INTERIM INCOME STATEMENT

	Note	Unaudited	
		Six months ended 30th September	
		2006 HK\$	2005 HK\$
Turnover	4	29,620,120	17,828,325
Cost of sales		<u>(23,435,863)</u>	<u>(13,112,553)</u>
<b>Gross profit</b>		<b>6,184,257</b>	<b>4,715,772</b>
Other gains (net)	9	8,371,331	20,220,169
Operating expenses		<u>(8,959,744)</u>	<u>(9,169,512)</u>
<b>Operating profit</b>	4, 9	<b>5,595,844</b>	<b>15,766,429</b>
Finance costs		<u>(436,501)</u>	<u>(125,318)</u>
<b>Profit before income tax</b>		<b>5,159,343</b>	<b>15,641,111</b>
Income tax expense		<u>-</u>	<u>-</u>
<b>Profit for the half-year</b>		<b><u>5,159,343</u></b>	<b><u>15,641,111</u></b>
<b>Attributable to:</b>			
- Equity holders of the Company		5,159,343	15,641,111
- Minority interest		<u>-</u>	<u>-</u>
		<b><u>5,159,343</u></b>	<b><u>15,641,111</u></b>
<b>Earnings per share for profit attributable to the Company's equity holders</b>	11		
- basic		1.11 cents	3.35 cents
- diluted		<u>1.11 cents</u>	<u>3.35 cents</u>
<b>Dividends</b>	12	<b><u>4,668,860</u></b>	<b><u>9,337,720</u></b>

## CONDENSED CONSOLIDATED INTERIM STATEMENT OF CHANGES IN EQUITY

	Note	Unaudited			Total equity HK\$
		Attributable to the Company's equity holders			
		Share capital HK\$	Reserves HK\$	Retained Earnings HK\$	
<b>Balance at 1st April 2005</b>		46,688,600	292,037,164	52,487,703	391,213,467
Fair value losses on available-for-sale financial assets		-	(32,990,371)	-	(32,990,371)
<b>Net income recognised directly in equity</b>		-	(32,990,371)	-	(32,990,371)
Profit for the half-year		-	-	15,641,111	15,641,111
<b>Total recognised income for the half-year ended 30th September 2005</b>		-	(32,990,371)	15,641,111	(17,349,260)
Dividends relating to 2004 paid in August 2005	12	-	(51,357,460)	-	(51,357,460)
<b>Balance at 30th September 2005</b>		<u>46,688,600</u>	<u>207,689,333</u>	<u>68,128,814</u>	<u>322,506,747</u>
<b>Balance at 1st April 2006</b>		46,688,600	201,903,279	69,579,567	318,171,446
Fair value losses on available-for-sale financial assets		-	(14,020,130)	-	(14,020,130)
<b>Net income recognised directly in equity</b>		-	(14,020,130)	-	(14,020,130)
Profit for the half-year		-	-	5,159,343	5,159,343
<b>Total recognised income for the half-year ended 30th September 2006</b>		-	(14,020,130)	5,159,343	(8,860,787)
Dividends relating to 2005 paid in August 2006	12	-	-	(18,675,440)	(18,675,440)
<b>Balance at 30th September 2006</b>		<u>46,688,600</u>	<u>187,883,149</u>	<u>56,063,470</u>	<u>290,635,219</u>

## CONDENSED CONSOLIDATED INTERIM CASH FLOW STATEMENT

	Note	Unaudited	
		Six months ended 30th September	
		2006	2005
		HK\$	HK\$
<b>Cash flows from operating activities</b>			
<b>Cash flows from operating activities – net</b>		<b>(754,950)</b>	<b>(2,275,155)</b>
<b>Cash flows from investing activities</b>			
Purchase of plant and equipment	5	(393,534)	(85,523)
Purchase of available-for-sale financial assets		(17,480,361)	(1,939,250)
Proceeds from sale of plant and equipment		–	2,000
Net cash used in deregistration of a subsidiary		(1,630)	–
Proceeds from sale of available-for-sale financial assets		–	29,634,797
Dividends received from available-for-sale financial assets		1,507,509	2,023,613
Interest received		3,768,068	3,197,140
Other investing cash flow – net		(11,042,689)	–
<b>Cash flows from investing activities – net</b>		<b>(23,642,637)</b>	<b>32,832,777</b>
<b>Cash flows from financing activities</b>			
New bank borrowing	7	17,480,361	–
Dividends paid	12	(18,675,440)	(51,357,460)
<b>Cash flows from financing activities – net</b>		<b>(1,195,079)</b>	<b>(51,357,460)</b>
<b>Net decrease in cash and cash equivalents</b>		<b>(25,592,666)</b>	<b>(20,799,838)</b>
Cash and cash equivalents at start of period		91,151,138	211,711,865
Exchange gains/(losses)		514,516	(1,207,264)
<b>Cash and cash equivalents at end of period</b>		<b>66,072,988</b>	<b>189,704,763</b>



## NOTES TO CONDENSED CONSOLIDATED INTERIM FINANCIAL INFORMATION

### 1 General information

ABC Communications (Holdings) Limited ("the Company") is an investment holding company. Its subsidiaries are principally engaged in providing financial information services, wireless applications development, securities trading system licensing, property and investment holding.

The Company is incorporated in Bermuda with limited liability and its shares are listed on the Stock Exchange of Hong Kong Limited. The address of its registered office is Clarendon House, 2 Church Street, Hamilton HM11, Bermuda.

The immediate holding company and ultimate holding company is H.C.B.C. Enterprises (BVI) Limited, a company incorporated in the British Virgin Islands.

This condensed consolidated interim financial information was approved for issue on 12th December 2006.

### 2 Basis of preparation

This condensed consolidated interim financial information for the half-year ended 30th September 2006 has been prepared in accordance with HKAS 34, "Interim financial reporting". The interim condensed financial information should be read in conjunction with the annual financial statements for the year ended 31st March 2006.

### 3 Accounting policies

The accounting policies adopted are consistent with those of the annual financial statements for the year ended 31st March 2006, as described in the annual financial statements for the year ended 31st March 2006.

The following new standards, amendments to standards and interpretations are mandatory for financial year ending 31st March 2007.

- HK(IFRIC) – Int 4, ‘Determining whether an arrangement contains a lease’, effective for annual periods beginning on or after 1st January 2006. The Group has reviewed its contracts. This amendment is not relevant for the Group.

The following new standards, amendments to standards and interpretations have been issued but are not effective for 2006 and have not been early adopted:

- HK(IFRIC)-Int 7, ‘Applying the Restatement Approach under HKFRS 29’, effective for annual periods beginning on or after 1st March 2006. Management do not expect the interpretation to be relevant for the Group;
- HK(IFRIC)-Int 8, ‘Scope of HKFRS 2’, effective for annual periods beginning on or after 1st May 2006. Management believes that this interpretation should not have a significant impact to the Group;
- HK(IFRIC)-Int 9, ‘Reassessment of Embedded Derivatives’, effective for annual periods beginning on or after 1st June 2006. Management believes that this interpretation should not have a significant impact to the Group;
- HKFRS 7, ‘Financial instruments: Disclosures’, effective for annual periods beginning on or after 1st January 2007. HKAS 1, ‘Amendments to capital disclosures’, effective for annual periods beginning on or after 1st January 2007. The Group assessed the impact of HKFRS 7 and the amendment to HKAS 1 and concluded that the main additional disclosures will be the sensitivity analysis to market risk and capital disclosures required by the amendment of HKAS 1. The Group will apply HKFRS 7 and the amendment to HKAS 1 from annual periods beginning 1st April 2007.

## 4 Segment information

### Primary reporting format – business segments

At 30th September 2006, the Group is organised on a worldwide basis into the three main business segments:

- Financial quotation and securities trading system licensing
- Wireless applications
- Corporate activities and investment holdings – holding of corporate assets and liabilities

Turnover consists of financial quotation subscription fee, sale from securities trading system licensing and wireless applications.

The segment results for the six months ended 30th September 2006 are as follows:

Business segments	Financial quotation and securities trading system licensing HK\$	Wireless applications HK\$	Corporate activities and investment holdings HK\$	Total HK\$
Turnover	29,476,826	143,294	–	29,620,120
Operating profit/ (loss)	1,066,116	(838,093)	5,367,821	5,595,844
Finance costs				(436,501)
Profit before income tax				5,159,343
Income tax expense				–
Profit for the period				<u>5,159,343</u>

#### 4 Segment information (continued)

##### Primary reporting format – business segments (continued)

The segment results for the six months ended 30th September 2005 are as follows:

Business segments	Financial quotation and securities trading system licensing HK\$	Wireless applications HK\$	Corporate activities and investment holdings HK\$	Total HK\$
Turnover	17,603,085	225,240	–	17,828,325
Operating profit/ (loss)	297,182	(925,099)	16,394,346	15,766,429
Finance costs				(125,318)
Profit before income tax				15,641,111
Income tax expense				–
Profit for the period				15,641,111

Other segment terms included in the consolidated income statements are as follows:

	Six months ended 30th September 2006				Six months ended 30th September 2005			
	Financial quotation and securities trading system licensing HK\$	Wireless applications HK\$	Corporate activities and investment holdings HK\$	Total HK\$	Financial quotation and securities trading system licensing HK\$	Wireless applications HK\$	Corporate activities and investment holdings HK\$	Total HK\$
Depreciation	347,957	9,471	32,532	389,960	242,240	8,886	1,087,393	1,338,519
Amortisation	–	–	84,333	84,333	–	–	84,333	84,333

#### 4 Segment information (continued)

##### Primary reporting format – business segments (continued)

The segment assets and liabilities at 30th September 2006 and capital expenditure for the six months ended 30th September 2006 are as follows:

	Financial quotation and securities trading system licensing HK\$	Wireless applications HK\$	Corporate activities and investment holdings HK\$	Total HK\$
Assets	9,602,951	299,976	377,200,843	387,103,770
Liabilities	7,879,411	79,146	88,509,994	96,468,551
Capital expenditure	363,554	23,741	6,239	393,534

The segment assets and liabilities at 31st March 2006 and capital expenditure for the six months ended 30th September 2005 are as follows:

	Financial quotation and securities trading system licensing HK\$	Wireless applications HK\$	Corporate activities and investment holdings HK\$	Total HK\$
Assets	8,201,397	127,512	388,818,273	397,147,182
Liabilities	7,524,155	58,755	71,392,826	78,975,736
Capital expenditure	85,523	–	–	85,523

Segment assets consist of property, plant and equipment, investment property, land use rights, available-for-sale financial assets, trade receivables and other receivables, other non-financial assets and operating cash.

Segment liabilities comprise operating liabilities (trade payables and other payables and other non-current liabilities).

Capital expenditure comprises additions to equipment.

#### 4 Segment information (continued)

##### Secondary reporting format – geographical segments

Although the Group's three business segments are managed on a worldwide basis, they operate in the following main geographical areas:

Hong Kong	:	Financial quotation, securities trading system licensing, wireless applications, and corporate activities and investment holdings
Asia	:	Investment holdings
Canada and United States	:	Investment holdings

##### Turnover

Turnover is allocated based on the places/countries in which customers are located. All turnover of the Group was generated in Hong Kong.

##### Total assets

	As at	
	30th September 2006 HK\$	31st March 2006 HK\$
Hong Kong	220,721,557	235,422,300
Asia		
– Japan	137,981,382	143,711,263
– Others	831	931
Canada and United States	28,400,000	18,012,688
	<u>387,103,770</u>	<u>397,147,182</u>

Total assets are allocated based on where the assets are located.

##### Capital expenditure

	Six months ended	
	30th September 2006 HK\$	2005 HK\$
Hong Kong	<u>393,534</u>	<u>85,523</u>

Capital expenditure is allocated based on where the assets are located.

## 5 Capital expenditure

During the six-month period, the Group acquired some new computer equipment.

	Property, plant and equipment HK\$
<b>Six months ended 30th September 2005</b>	
<b>Opening net book amount 1st April 2005</b>	4,796,705
Additions	85,523
Disposals	(3,320)
Depreciation	(1,338,519)
	<u>3,540,389</u>
<b>Six months ended 30th September 2006</b>	
<b>Opening net book amount 1st April 2006</b>	2,603,471
Additions	393,534
Depreciation	(389,960)
	<u>2,607,045</u>

### 5(a) Trade receivables

At 30th September 2006 and 31st March 2006, the ageing analysis of the trade receivables were as follows:

	As at	
	30th September 2006 HK\$	31st March 2006 HK\$
0 – 30 days	3,697,949	3,656,321
31 – 60 days	893,208	935,772
61 – 90 days	70,645	411,305
91 – 120 days	56,495	8,587
	<u>4,718,297</u>	<u>5,011,985</u>

## 6 Share capital

	As at	
	30th September 2006 HK\$	31st March 2006 HK\$
Authorised:		
600,000,000 ordinary shares of HK\$0.1 each	<u>60,000,000</u>	<u>60,000,000</u>
Issued and fully paid:		
466,886,000 (2005: 466,886,000) ordinary shares of HK\$0.1 each	<u>46,688,600</u>	<u>46,688,600</u>

No share option had been granted or exercised during the six months ended 30th September 2006. The outstanding number of options as at 30th September 2006 are 2,500,000 (31st March 2006: 2,500,000) with exercise price HK\$1.41 per share (31st March 2006: HK\$1.41). Details have been disclosed at Directors' interest in the interim report.

## 7 Bank borrowings

	As at	
	30th September 2006 HK\$	31st March 2006 HK\$
<b>Non-current</b>		
Bank borrowings ( <i>Note (a)</i> )	33,141,686	32,811,719
<b>Current</b>		
Bank borrowings	<u>55,719,032</u>	<u>38,367,264</u>
	<u>88,860,718</u>	<u>71,178,983</u>

(a) The bank borrowings will mature on 22nd December 2008.

The bank borrowings are secured by fixed deposits placed in the banks. The carrying amounts of the bank borrowings approximate their fair value. The carrying amounts of the borrowings are denominated in Japanese Yen.



## 7 Bank borrowings (continued)

Movements in bank borrowings are analysed as follows:

	HK\$
<b>Six months ended 30th September 2005</b>	
Opening amount as at 1st April 2005	42,541,305
Exchange difference	(2,730,079)
	<u>39,811,226</u>
<b>Closing amount as at 30th September 2005</b>	
<b>Six months ended 30th September 2006</b>	
Opening amount as at 1st April 2006	71,178,983
Additions	17,480,361
Exchange difference	201,374
	<u>88,860,718</u>
<b>Closing amount as at 30th September 2006</b>	

## 8 Trade and other payables

	As at	
	30th September 2006 HK\$	31st March 2006 HK\$
Amount due to the ultimate holding company	–	253,045
Trade payables	3,703,478	3,627,065
Other payables	1,321,890	1,315,772
	<u>5,025,368</u>	<u>5,195,882</u>

At 30th September 2006 and 31st March 2006, the ageing analysis of the trade payables were as follows:

	As at	
	30th September 2006 HK\$	31st March 2006 HK\$
0 – 30 days	3,614,537	3,553,293
31 – 60 days	44,429	36,359
61 – 90 days	44,512	37,413
	<u>3,703,478</u>	<u>3,627,065</u>

## 9 Operating profit

The following items have been credited/(charged) to the operating profit during the interim period:

	<b>Six months ended 30th September</b>	
	<b>2006 HK\$</b>	<b>2005 HK\$</b>
Gain on disposal of listed available-for-sale financial assets	–	20,692,820
Unrealised exchange gains/(losses) on available-for-sale financial assets	<b>1,118,918</b>	(8,063,875)
Other exchange differences	<b>313,144</b>	1,522,816
Loss on deregistration of a subsidiary	<b>(1,630)</b>	–
Interest income	<b>4,267,244</b>	3,197,140
Rental income from investment property	<b>690,000</b>	637,774
Dividend income from listed available-for-sale financial assets	<b><u>1,507,509</u></b>	<b><u>2,023,613</u></b>

## 10 Income taxes

Hong Kong profits tax has not been provided as the Group has no estimated assessable profit for the year (2005: Nil).

	<b>Six months ended 30th September</b>	
	<b>2006 HK\$</b>	<b>2005 HK\$</b>
Current income tax	–	–
Deferred taxation	–	–
	<b><u>–</u></b>	<b><u>–</u></b>

## 11 Earnings per share

Earnings per share attributable to equity holders of the company arises from operations as follows:

	<b>Six months ended 30th September (cents per share)</b>	
	<b>2006</b>	<b>2005</b>
Earnings per share for profit attributable to the equity holder of the company (expressed in cents per share)		
– basic	<b>1.11</b>	<b>3.35</b>
– diluted	<b>1.11</b>	<b>3.35</b>

## 12 Dividends

	Six months ended 30th September	
	2006	2005
	HK\$	HK\$
Interim dividend, of HK1 cent (2005: HK2 cents) per ordinary share	<u>4,668,860</u>	<u>9,337,720</u>

- (a) At a meeting held on 14th July 2006, the directors proposed a final dividend of HK4 cents per ordinary share for the year ended 31st March 2006, which was paid on 24th August 2006 and has been reflected as an appropriation of retained earnings for the six months ended 30th September 2006.
- (b) At a meeting held on 12th December 2006, the directors declared an interim dividend of HK1 cent per ordinary share for the year ending 31st March 2007. This dividend is not reflected as a dividend payable in these condensed interim financial statements, but will be reflected as an appropriation of retained earnings for the year ending 31st March 2007.

## 13 Related-party transactions

Key management compensation amounted to HK\$2,111,000 for the six months ended 30th September 2006 (HK\$2,110,280 for the six months ended 30th September 2005), as set out below.

	Six months ended 30th September	
	2006	2005
	HK\$	HK\$
Salaries and other short-term benefits	<u>2,111,000</u>	<u>2,110,280</u>

## 14 Events occurring after the balance sheet date

A dividend of HK1 cent per share amounting to an aggregate of HK\$4,668,860 was declared on 12th December 2006 by the Board of Directors. This interim financial report does not reflect this dividend payable, which will be recognised in shareholders' equity as an appropriation of retained earnings in the year ending 31st March 2007.

## INTERIM DIVIDEND

The Directors have declared an interim dividend of HK1 cent per ordinary share (2005: HK2 cents) for the fiscal year ending 31st March 2007 payable to shareholders whose names appear in the Register of Members at the close of business on 11th January 2007. Dividend warrants will be posted to shareholders on 15th January 2007.

## CLOSURE OF REGISTER OF MEMBERS

The Register of Members of the Company will be closed from **8th January 2007 (Monday) to 11th January 2007 (Thursday)**, both dates inclusive, during which period no transfer of shares will be effected. In order to qualify for the interim dividend, all completed transfer forms accompanied by the relevant share certificates must be lodged with the Company's share registrars, Computershare Hong Kong Investor Services Limited, 17th Floor, Hopewell Centre, 183 Queen's Road East, Hong Kong not later than 4:00 pm on **5th January 2007 (Friday)**.

## MANAGEMENT DISCUSSION AND ANALYSIS

### Business Review

Turnover of the Group rose by 66% to HK\$29.6 million for the half-year under review. The increase was primarily attributed to a buoyant stock market and the consequent revenue growth for QuotePower International Limited ("QuotePower"), a subsidiary that supplies financial data to financial institutions and investors.

QuotePower turned in a net profit of HK\$1 million in the first-half of the fiscal year, representing a two-and-a-half fold increase on last year's results. Net profit of the Group, totalling HK\$5.1 million (included therein an unrealized exchange gain of approximately HK\$1.1 million over our investments in Japan), fell by 67% as compared against the preceding year. This profit decline is due to the fact that the Group made a disposal gain of HK\$20.7 million in the comparable period last year while no asset sale was made in the period under review.

**MANAGEMENT DISCUSSION AND ANALYSIS** *(continued)***Outlook**

While the fiscal performance of eAccess in the first half-year has exceeded forecasts, its share price has languished during the period, in keeping with the overall trend of the Japanese market. As the fundamentals of the company have remained intact, we believe our remaining holdings in eAccess should still be able to generate good returns to our Group in the long run despite the short-term stock movements in recent months.

In the meantime, the competitive landscape of the cellular market in Japan has changed for the better for eMobile, in which our Group has invested approximately HK\$49.93 million. Consequent upon the acquisition of Vodafone Japan by Softbank in the middle of this year, the number of 3G players in that market will ultimately be reduced from five to four. This should enhance the prospects of eMobile when it launches its service in the not too distant future.

**LIQUIDITY, CAPITAL STRUCTURE AND TREASURY MANAGEMENT**

As at 30th September 2006, our Group had cash and bank balances of HK\$168.07 million of which HK\$102 million had been pledged to secure four Japanese Yen borrowings equivalent to approximately HK\$88.9 million (translated at the then prevailing exchange rate) at the end of the period under review. All bank borrowings are denominated in Japanese Yen, with defined repayable terms and bear interests at prevailing market rates.

	<b>30th September 2006</b>		<b>31st March 2006</b>	
	<b>HK\$</b>	<b>%</b>	<b>HK\$</b>	<b>%</b>
Bank borrowings	<b>88,860,718</b>	<b>23</b>	71,178,983	18
Total equity	<b>290,635,219</b>	<b>77</b>	318,171,446	82
Total capital employed	<b>379,495,937</b>	<b>100</b>	389,350,429	100

## PLEDGE OF ASSETS

As at 30th September 2006, time deposits of HK\$102 million were pledged to secure general banking facilities granted to our Group.

## CAPITAL COMMITMENTS

As at 30th September 2006, the Group had an outstanding funding commitment of up to HK\$2.7 million to a Wireless Internet Fund.

## CONTINGENT LIABILITIES

As at 30th September 2006, the Group had no material contingent liabilities.

## EMPLOYEE REMUNERATION POLICY

As at 30th September 2006, the Group had 42 employees. Total salaries and related costs incurred for the period under review amounted to HK\$6.3 million. Our remuneration policies are in line with prevailing market practices and formulated on the basis of the performance and experience of individual employees. Apart from basic salaries, other staff benefits include provident funds and medical schemes. The Company may also grant share options to eligible employees.

## PURCHASE, SALE OR REDEMPTION OF LISTED SECURITIES

Neither the Company nor any of its subsidiaries has purchased or sold any of the Company's securities during the period and the Company has not redeemed any of its securities during the period.

## DIRECTORS' INTERESTS

At 30th September 2006, the interests of the directors in the shares and options of the Company and its associated corporations (within the meaning of the Securities and Futures Ordinance (SFO)), as recorded in the register maintained by the Company under Section 352 of the SFO or as notified to the Company were as follows:

Name	Personal interests	Number of Ordinary Shares			Total interests	Percentage
		Corporate interests	Family interests			
Mr. George Ho	7,530,000	265,331,600	-	272,861,600	58.44%	
Mr. Joey Fan	13,040,000	-	-	13,040,000	2.79%	
Mr. Michael Tse Chi Hung	9,204,006	-	-	9,204,006	1.97%	
Ms. Patricia Yeung Shuk Kwan	6,450,000	-	-	6,450,000	1.38%	
Mr. George Joseph Ho	3,500,000	-	-	3,500,000	0.75%	
Mr. Leung Kwok Kit	906,600	-	-	906,600	0.19%	
Mr. Li Kwok Sing Aubrey	186,000	-	-	186,000	0.04%	

**DIRECTORS' INTERESTS** (continued)

Rights in respect of which options are held/exercisable under the Company's Employee Share Option Scheme:

Name of Director	Outstanding Options	Exercise Price	Exercise Period
Ms. Patricia Yeung Shuk Kwan	1,000,000	\$1.41	23 March 2000 to 22 February 2010
	1,000,000	\$1.41	23 February 2001 to 22 February 2010
Mr. George Joseph Ho	250,000	\$1.41	23 March 2000 to 22 February 2010
	250,000	\$1.41	23 February 2001 to 22 February 2010

*Note:*

- (i) H.C.B.C. Communications (International) Limited and its parent, H.C.B.C. Enterprises Limited, together held 265,331,600 shares of the Company, Mr. George Ho is deemed to have interests in the voting shares of H.C.B.C. Communications (International) Limited and H.C.B.C. Enterprises Limited as a result of his holdings in H.C.B.C. Enterprises (BVI) Limited, the ultimate holding company of H.C.B.C. Enterprises Limited.

As at 30th September 2006, the directors' interests in associated corporations of the Company (within the meaning of the SFO) were as follows:

- (a) Mr. George Ho held 18,112 non-voting "B" shares in H.C.B.C. Communications (International) Limited. H.C.B.C. Enterprises Limited held all the issued 312,000 "A" voting shares and 12,488 non-voting "B" shares in H.C.B.C. Communications (International) Limited.
- (b) Mr. George Ho was beneficially interested in 110,000 Management Shares and 795,600 Ordinary Shares, in H.C.B.C. Enterprises (BVI) Limited. Mr. George Ho was beneficially interested in 16.67% in the issued share capital of Goddard & Company Limited. Goddard & Company Limited held 5,000 Management Shares and 933,250 Ordinary Shares of H.C.B.C. Enterprises (BVI) Limited. H.C.B.C. Enterprises (BVI) Limited held all the issued share capital of H.C.B.C. Enterprises Limited.

**DIRECTORS' INTERESTS** *(continued)*

- (c) Those directors set out below were personally interested in the following numbers of non-voting Deferred Shares in the capital of ABC Communications Limited, a subsidiary of the Company:

<b>Name</b>	<b>Number of Deferred Shares</b>
Mr. George Ho	10,605(i)
Mr. Michael Tse Chi Hung	11,642
Ms. Patricia Yeung Shuk Kwan	4,000
Mr. Leung Kwok Kit	5,900

*Note:*

- (i) Mr. George Ho also held corporate interests through H.C.B.C. Enterprises Limited in 190,690 non-voting Deferred Shares in the capital of ABC Communications Limited.

All the interests stated above represent long positions. Save as disclosed in the above paragraphs, as at 30th September 2006 none of the directors or any chief executive of the Company or any of their spouse or children under the age of 18 years had any (nor was deemed under the SFO to have any) interests or short positions in the securities of the Company or any associated corporation (within the meaning of the SFO) which were required to be entered in the register kept by the Company pursuant to the SFO.

**SUBSTANTIAL SHAREHOLDERS' INTERESTS IN THE COMPANY**

As at 30th September 2006, the register of substantial shareholders maintained under Section 336 of the SFO shows that the Company had been notified of the following substantial shareholders' interests, being 5 per cent or more of the Company's issued share capital.

<b>Name</b>	<b>Number of Ordinary Shares held</b>	<b>Percentage</b>
H.C.B.C. Enterprises (BVI) Limited	265,331,600	56.83%

*Note:* For the avoidance of doubt and double counting, it should be noted that the above shareholding has been included in the shareholding stated against Mr. George Ho shown under Directors' interests.



**SUBSTANTIAL SHAREHOLDERS' INTERESTS IN THE COMPANY** *(continued)*

All the interests stated above represent long positions. Save as disclosed herein, there is no person known to the directors who, as at 30th September 2006, was directly or indirectly interested in 5% or more of the nominal value of any class of share capital of the Company required to be recorded in the register kept pursuant to Section 336 of the SFO.

**COMPLIANCE WITH CODE PROVISIONS OF THE CODE ON CORPORATE GOVERNANCE PRACTICES**

Non-executive directors of the Company are not appointed for a specific term as per Code A.4.1 of the Code on Corporate Governance set out in appendix 14 of the Listing Rules of the Stock Exchange of Hong Kong Limited, but every director of the Company will be subject to retirement no later than the third annual general meeting after his election, under the Company's revised Bye-Laws passed at the Annual General Meeting on 23rd August 2006. Apart from the above, the Company has complied with the Code Provisions of the Code on Corporate Governance Practices during the period.

Code Provision C.2.1. of the Code in respect of a review of the effectiveness of the Group's internal controls is first applicable to the Company for its fiscal year ending 31st March 2007. The Board has already engaged external advisory service to conduct a review to enable the Board to report on the said Code in its Corporate Governance Report for the fiscal year 2006/2007.

The Company has adopted the Model Code for Directors' Securities Transactions set out in Appendix 10 of the Listing Rules. All Directors have confirmed that they fully complied with the Model Code during the period under review.

**AUDIT COMMITTEE**

The Group's unaudited interim results have been reviewed by the Audit Committee of the Company.

By Order of the Board  
**Patricia Yeung Shuk Kwan**  
*Managing Director*

Hong Kong, 12th December 2006