



HKC INTERNATIONAL HOLDINGS LIMITED

香港通訊國際控股有限公司

(Incorporated in the Cayman Islands with limited liability)  
Stock code: 248



Interim Report 2009

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## CORPORATE INFORMATION

### BOARD OF DIRECTORS

#### *Executive Directors*

Chan Chung Yee, Hubert (*Chairman*)  
Chan Chung Yin, Roy  
Chan Man Min  
Tsui Hon Wing  
Chan Ming Him, Denny  
Wu Kwok Lam *CPA, FCCA*

#### *Non-executive Director*

Ng Ching Wah

#### *Independent Non-executive Directors*

Chu Chor Lup  
Chiu Ngar Wing *FCCA, ACA, CPA (Practising)*  
Leung Tai Wai, David

### COMPANY SECRETARY

Wu Kwok Lam *CPA, FCCA*

### REGISTERED OFFICE

Cricket Square  
Hutchins Drive  
P.O. Box 2681  
Grand Cayman KY1-1111  
Cayman Islands  
British West Indies

### PRINCIPAL OFFICE

25/F., Oxford House, TaiKoo Place  
979 King's Road, Quarry Bay  
Hong Kong

### PRINCIPAL REGISTRAR AND TRANSFER OFFICE

Bank of Bermuda (Cayman) Limited  
P.O. Box 513 GT  
2nd Floor, Strathvale House  
North Church Street, George Town  
Grand Cayman, Cayman Islands  
British West Indies

### AUDITORS

Li, Tang, Chen & Co.  
*Certified Public Accountants (Practising)*

### HONG KONG BRANCH REGISTRAR

Pilare Limited  
10th Floor, Sun Hung Kai Centre  
30 Harbour Road  
Hong Kong

### PRINCIPAL BANKERS

The Hongkong and Shanghai Banking  
Corporation Limited  
1 Queen's Road Central  
Hong Kong

Wing Hang Bank, Limited  
161 Queen's Road Central  
Hong Kong

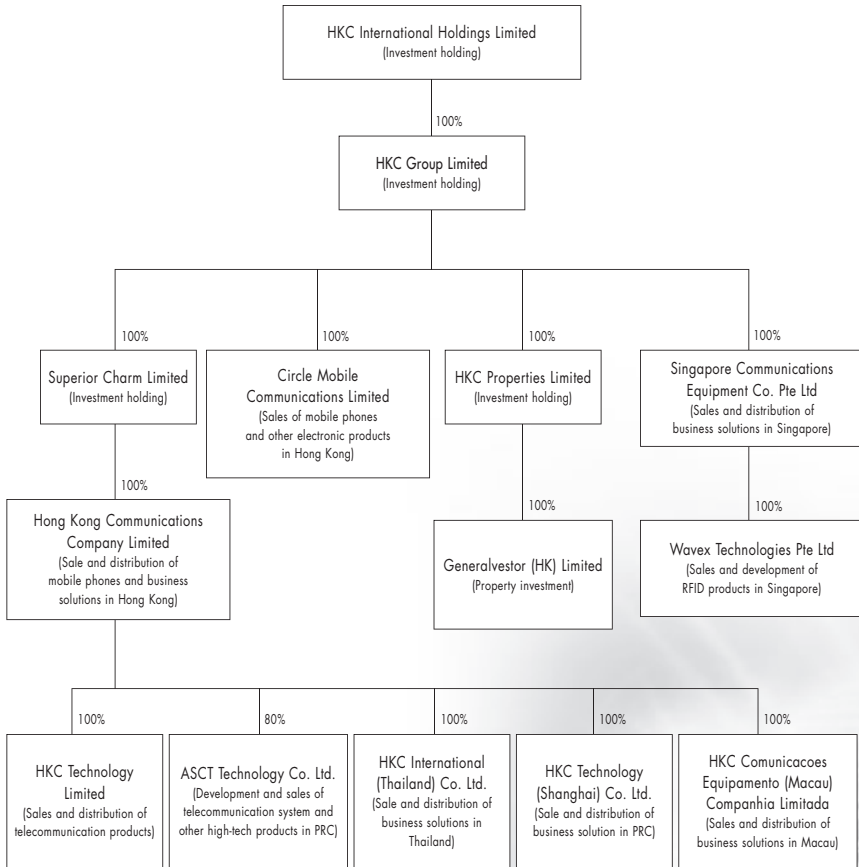
### STOCK CODE

248

### WEBSITE ADDRESS

<http://www.hkc.com.hk>

## GROUP STRUCTURE



## INTERIM REPORT

The directors of HKC International Holdings Limited (the "Company") are pleased to announce the unaudited condensed consolidated results of the Company and its subsidiaries (collectively, the "Group") for the six months ended 30th September, 2009 as follows:

### CONDENSED CONSOLIDATED STATEMENT OF COMPREHENSIVE INCOME

FOR THE SIX MONTHS ENDED 30TH SEPTEMBER, 2009

		<b>Six months ended</b>	
	Note	<b>30.9.2009 HK\$'000 (unaudited)</b>	30.9.2008 HK\$'000 (unaudited)
Turnover	3	<b>484,904</b>	626,160
Cost of sales		<b>(440,613)</b>	(566,609)
Gross profit		<b>44,291</b>	59,551
Other income and gains	4	<b>19,966</b>	3,820
Other losses	5	<b>(6,314)</b>	(6,793)
Selling and distribution expenses		<b>(5,279)</b>	(6,222)
Administrative and other operating expenses		<b>(43,021)</b>	(46,798)
Finance costs	6	<b>(480)</b>	(134)
Profit before taxation	7	<b>9,163</b>	3,424
Tax expense	8	<b>(3,506)</b>	(909)
Profit for the period		<b>5,657</b>	2,515
Other comprehensive income/(loss)			
Fair value change on available- for-sales financial assets		<b>1,534</b>	(918)
Exchange difference arising on translation of foreign operations		<b>(562)</b>	128
Other comprehensive income/(loss) for the period		<b>972</b>	(790)
Total comprehensive income for the period		<b>6,629</b>	1,725

## CONDENSED CONSOLIDATED STATEMENT OF COMPREHENSIVE INCOME (Continued)

FOR THE SIX MONTHS ENDED 30TH SEPTEMBER, 2009

		<b>Six months ended</b>	
		<b>30.9.2009</b>	30.9.2008
		<b>HK\$'000</b>	HK\$'000
		<b>(unaudited)</b>	(unaudited)
Note			
Profit attributable to:			
	Equity holders of the Company	<b>5,657</b>	2,163
	Minority interests	–	352
		<u><b>5,657</b></u>	<u>2,515</u>
Total comprehensive income attributable to:			
	Equity holders of the Company	<b>6,629</b>	1,373
	Minority interests	–	352
		<u><b>6,629</b></u>	<u>1,725</u>
Dividends	9	<u><b>4,901</b></u>	<u>4,901</u>
Earnings per share – (HK cents)			
– basic	10	<u><b>1.16 cents</b></u>	<u>0.44 cents</u>
– diluted	10	<u><b>1.15 cents</b></u>	<u>0.44 cents</u>

**CONDENSED CONSOLIDATED STATEMENT OF FINANCIAL POSITION**

AS AT 30TH SEPTEMBER, 2009

	Note	<b>30.9.2009</b> <b>HK\$'000</b> <b>(unaudited)</b>	31.3.2009 HK\$'000 (audited)
<b>Non-current assets</b>			
Property, plant and equipment		<b>14,651</b>	15,053
Investment properties		<b>12,262</b>	12,341
Leasehold land		<b>75,888</b>	76,873
Goodwill		-	6,314
Available-for-sale financial assets		<b>3,940</b>	3,150
Deferred tax assets		<b>2,801</b>	2,514
		<b>109,542</b>	116,245
<b>Current assets</b>			
Inventories		<b>25,967</b>	23,362
Gross amount due from customers for contract work	11	<b>1,140</b>	1,993
Debtors, deposits and prepayments	12	<b>40,028</b>	40,972
Financial assets at fair value through profit or loss		<b>40,169</b>	29,648
Tax recoverable		<b>1,577</b>	1,593
Cash and bank balances		<b>76,409</b>	84,415
		<b>185,290</b>	181,983
<b>Current liabilities</b>			
Creditors and accrued charges	13	<b>23,131</b>	18,895
Gross amount due to customers for contract work	11	<b>527</b>	712
Derivative financial instruments	14	<b>1,524</b>	10,881
Amount due to a director		<b>684</b>	684
Tax payable		<b>3,985</b>	688
Obligations under finance leases		<b>44</b>	68
Bank borrowings		<b>1,857</b>	1,857
		<b>31,752</b>	33,785

## CONDENSED CONSOLIDATED STATEMENT OF FINANCIAL POSITION (Continued)

AS AT 30TH SEPTEMBER, 2009

	<b>30.9.2009</b> <b>HK\$'000</b> <b>(unaudited)</b>	31.3.2009 HK\$'000 (audited)
<b>Net current assets</b>	<b>153,538</b>	148,198
<b>Total assets less current liabilities</b>	<b>263,080</b>	264,443
<b>Non-current liabilities</b>		
Obligations under finance leases	<b>44</b>	216
Bank borrowings	<b>34,839</b>	35,593
Deferred tax liabilities	<b>49</b>	106
	<b>34,932</b>	35,915
	<b>228,148</b>	228,528
<b>Capital and reserves</b>		
Share capital	<b>4,901</b>	4,901
Reserves	<b>223,247</b>	221,519
Equity attributable to equity holders of the Company	<b>228,148</b>	226,420
Minority interests	-	2,108
Total equity	<b>228,148</b>	228,528



## CONDENSED CONSOLIDATED STATEMENT OF CHANGES IN EQUITY

FOR THE SIX MONTHS ENDED 30TH SEPTEMBER, 2009

	Share capital HK\$'000	Share premium HK\$'000	Shares	Share award reserve HK\$'000	Investment			Retained profits HK\$'000	Total HK\$'000	Minority interests HK\$'000	Total HK\$'000
			held for share award plan HK\$'000		Capital reserve HK\$'000	revaluation reserve HK\$'000	Translation reserve HK\$'000				
At 1st April, 2009	4,901	41,404	(2,287)	1,601	28,325	(135)	2,813	149,798	226,420	2,108	228,528
Total comprehensive income for the period	-	-	-	-	-	1,534	(562)	5,657	6,629	-	6,629
Acquisition of the remaining minority interest of a subsidiary	-	-	-	-	-	-	-	-	-	(2,108)	(2,108)
Shares awarded to staff under the share award plan	-	-	1,791	(1,791)	-	-	-	-	-	-	-
Dividend paid	-	-	-	-	-	-	-	(4,901)	(4,901)	-	(4,901)
At 30th September, 2009 (unaudited)	<u>4,901</u>	<u>41,404</u>	<u>(496)</u>	<u>(190)</u>	<u>28,325</u>	<u>1,399</u>	<u>2,251</u>	<u>150,554</u>	<u>228,148</u>	<u>-</u>	<u>228,148</u>
At 1st April, 2008	4,901	41,404	(947)	373	28,325	1,254	1,380	195,150	271,840	2,308	274,148
Total comprehensive income for the period	-	-	-	-	-	(918)	128	2,163	1,373	352	1,725
Shares purchased for share award plan	-	-	(1,358)	-	-	-	-	-	(1,358)	-	(1,358)
Transfer upon share award plan	-	-	-	(373)	-	-	-	-	(373)	-	(373)
Dividend paid	-	-	-	-	-	-	-	(4,901)	(4,901)	-	(4,901)
At 30th September, 2008 (unaudited)	<u>4,901</u>	<u>41,404</u>	<u>(2,305)</u>	<u>-</u>	<u>28,325</u>	<u>336</u>	<u>1,508</u>	<u>192,412</u>	<u>266,581</u>	<u>2,660</u>	<u>269,241</u>

**CONDENSED CONSOLIDATED STATEMENT OF CASH FLOW**

FOR THE SIX MONTHS ENDED 30TH SEPTEMBER, 2009

	<b>Six months ended</b>	
	<b>30.9.2009</b>	30.9.2008
	<b>HK\$'000</b>	HK\$'000
	<b>(unaudited)</b>	(unaudited)
Net cash generated from/(used in) operating activities	<b>2,858</b>	(22,670)
Net cash used in investing activities	<b>(4,791)</b>	(26,308)
Net cash used in financing activities	<b>(5,851)</b>	(7,006)
Net decrease in cash and cash equivalents	<b>(7,784)</b>	(55,984)
Cash and cash equivalents at beginning of the period	<b>71,745</b>	140,408
Effect of foreign exchange rates changes	<b>(32)</b>	(27)
Cash and cash equivalents at end of the period	<b><u>63,929</u></b>	<u>84,397</u>
Analysis of the balances of cash and cash equivalents:		
Cash and bank balances	<b><u>63,929</u></b>	<u>84,397</u>

## NOTES TO THE CONDENSED FINANCIAL STATEMENTS

FOR THE SIX MONTHS ENDED 30TH SEPTEMBER, 2009

### 1. BASIS OF PREPARATION AND PRINCIPAL ACCOUNTING POLICIES

The condensed financial statements have been prepared in accordance with the applicable disclosure requirements of Appendix 16 to the Rules ("the Listing Rules") Governing the Listing of Securities on the Stock Exchange of Hong Kong Limited (the "Stock Exchange") and with Hong Kong Accounting Standard ("HKAS") 34 "Interim Financial Reporting" issued by the Hong Kong Institute of Certified Public Accountants ("HKICPA"). The condensed financial statements have been prepared under the historical cost convention, except for certain financial instruments, which are measured at fair values. This unaudited condensed consolidated interim financial information should be read in conjunction with the annual financial statements for the year ended 31st March, 2009.

### 2. PRINCIPAL ACCOUNTING POLICIES

In the current interim period, the Group has applied, for the first time, the following new Hong Kong Financial Reporting Standard ("HKFRS"), revised Hong Kong Accounting Standards ("HKAS"), amendments and interpretations ("INT"s) (hereinafter collectively referred to as "new and revised HKFRSs") issued by the HKICPA, which are effective for the Group's financial year beginning on 1st April, 2009.

HKAS 1 (Revised 2007)	Presentation of financial statements
HKAS 23 (Revised 2007)	Borrowing costs
HKAS 32 & 1 (Amendments)	Puttable financial instruments and obligations arising on liquidation
HKFRS 1 & HKAS 27 (Amendment)	Cost of an investment in a Subsidiary, Jointly Controlling Entity or Associate
HKFRS 2 (Amendment)	Vesting conditions and cancellations
HKFRS 7 (Amendment)	Improving disclosures about financial instruments
HKFRS 8	Operating segments
HK(IFRIC)* – INT 9 & HKAS39 (Amendment)	Embedded derivatives
HK(IFRIC) – INT 13	Customer loyalty programmes
HK(IFRIC) – INT 15	Agreements for the construction of real estate
HK(IFRIC) – INT 16	Hedges of a net investment in a foreign operation
HKFRSs (Amendments)	Improvements to HKFRSs issued in 2008, except for the amendment to HKFRS 5 that is effective for annual periods beginning or after 1st July, 2009
HKFRSs (Amendments)	Improvements to HKFRSs issued in 2009 in relation to the amendment to paragraph 80 of HKAS 39

\* IFRIC represents the International Financial Reporting Interpretations Committee.

The adoption of the new and revised HKFRSs has had no material effect on the reported results and financial position of the Group for the current or prior accounting periods. Accordingly, no prior period adjustment has been required.

### 3. TURNOVER/SEGMENT INFORMATION

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

The Group has adopted HKFRS 8 "Operating Segments" with effect from 1st January 2009. HKFRS 8 requires operating segments to be identified on the basis of internal reports about components of the Group that are regularly reviewed by the chief operating decision maker in order to allocate resources to segments and to assess their performance. In contrast, the predecessor standard (HKAS 14, "Segment Reporting") required an entity to identify two sets of segments (business and geographical) using a risks and returns approach, with the entity's "system of internal financial reporting to key management personnel" serving only as the starting point for the identification of such segments. In the past, the Group's primary reporting format was business segments. The application of HKFRS 8 has not resulted in a redesignation of the Group's reportable segments as compared with the primary reportable segments determined in accordance with HKAS 14, nor has the adoption of HKFRS 8 changed the basis of the measurement of segment profit or loss.

The Group is currently organised into three divisions – sales of mobile phones, sales of business solutions and property investment. Segment information about the Group's business is presented below:

#### For the six months ended 30th September, 2009:

	Sales of mobile phones HK\$'000	Sales of business solutions HK\$'000	Property investment HK\$'000	Elimination HK\$'000	Consolidated HK\$'000
<b>TURNOVER</b>					
External sales	468,493	15,610	801	-	484,904
Inter-segment sales	58	-	320	(378)	-
Total turnover	<u>468,551</u>	<u>15,610</u>	<u>1,121</u>	<u>(378)</u>	<u>484,904</u>

Inter-segment sales were charged at prevailing market prices.

#### RESULTS

Segment results	<u>1,580</u>	<u>(5,037)</u>	<u>(552)</u>		(4,009)
Other income and gains					19,966
Other losses					(6,314)
Finance costs					(480)
Profit before taxation					9,163
Tax expense					(3,506)
Profit for the period					<u>5,657</u>

### 3. TURNOVER/SEGMENT INFORMATION (Continued)

For the six months ended 30th September, 2008:

	Sales of mobile phones HK\$'000	Sales of business solutions HK\$'000	Property investment HK\$'000	Elimination HK\$'000	Consolidated HK\$'000
<b>TURNOVER</b>					
External sales	557,560	68,127	473	–	626,160
Inter-segment sales	62	–	–	(62)	–
	<u>557,622</u>	<u>68,127</u>	<u>473</u>	<u>(62)</u>	<u>626,160</u>

Inter-segment sales were charged at prevailing market prices.

### RESULTS

Segment results	<u>4,394</u>	<u>1,844</u>	<u>293</u>		6,531
Other income and gains					3,820
Other losses					(6,793)
Finance costs					(134)
Profit before taxation					3,424
Tax expense					(909)
Profit for the period					<u>2,515</u>

### 4. OTHER INCOME AND GAINS

	Six months ended	
	30.9.2009 HK\$'000 (unaudited)	30.9.2008 HK\$'000 (unaudited)
Interest income from banks	18	1,183
Investment income	18,938	1,671
Sundry income	1,010	966
	<u>19,966</u>	<u>3,820</u>

**5. OTHER LOSSES**

	<b>Six months ended</b>	
	<b>30.9.2009</b> <b>HK\$'000</b> <b>(unaudited)</b>	30.9.2008 HK\$'000 (unaudited)
Impairment loss recognised in respect of goodwill	<b>6,314</b>	–
Net realized and unrealized losses on financial assets at fair value through profit or loss – equity-linked deposits and equity-linked notes	–	6,793
	<b><u>6,314</u></b>	<b><u>6,793</u></b>

**6. FINANCE COSTS**

	<b>Six months ended</b>	
	<b>30.9.2009</b> <b>HK\$'000</b> <b>(unaudited)</b>	30.9.2008 HK\$'000 (unaudited)
Interest on obligations under hire purchase contracts	<b>4</b>	10
Interest on bank borrowings wholly repayable within five years	–	–
Interest on bank borrowings wholly repayable after five years	<b>476</b>	124
	<b><u>480</u></b>	<b><u>134</u></b>

**7. PROFIT BEFORE TAXATION**

	<b>Six months ended</b>	
	<b>30.9.2009</b> <b>HK\$'000</b> <b>(unaudited)</b>	30.9.2008 HK\$'000 (unaudited)
Profit before taxation has been arrived at after charging:		
Operating lease rentals in respect of rented premises		
– minimum lease payment	<b>4,655</b>	4,867
– contingent rent	<b>547</b>	741
Amortisation of prepaid operating lease payments	<b>1,015</b>	62
Depreciation		
– owned assets	<b>2,520</b>	1,625
– leased assets	<b>36</b>	18
	<b><u>2,556</u></b>	<b><u>1,643</u></b>

**8. TAX EXPENSE**

	<b>Six months ended</b>	
	<b>30.9.2009</b> <b>HK\$'000</b> <b>(unaudited)</b>	30.9.2008 HK\$'000 (unaudited)
The charge comprises:		
Hong Kong Profits Tax	<b>3,553</b>	994
PRC Income Tax	<b>79</b>	87
Deferred tax	<b>(126)</b>	(172)
	<b><u>3,506</u></b>	<b><u>909</u></b>

**8. TAX EXPENSE (Continued)**

Hong Kong Profits Tax is provided at the rate of 16.5% (2008: 16.5%) of the estimated assessable profit for the period.

PRC Income Tax is calculated at the applicable PRC tax rates on the estimated assessable profit for the period.

**9. DIVIDENDS**

Final dividend for the year 2009 of HK\$0.01 per ordinary share (2008: final dividend for the year 2008 of HK\$0.01 per ordinary share)

<b>Six months ended</b>	
<b>30.9.2009</b>	30.9.2008
<b>HK\$'000</b>	HK\$'000
<b>(unaudited)</b>	(unaudited)
<b>4,901</b>	4,901

The directors do not recommend the payment of any interim dividend for the six months ended 30th September, 2009 (2008: HK\$ Nil).

**10. EARNINGS PER SHARE ATTRIBUTABLE TO ORDINARY EQUITY HOLDERS OF THE COMPANY**

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

<b>Six months ended</b>	
<b>30.9.2009</b>	30.9.2008
<b>HK\$'000</b>	HK\$'000
<b>(unaudited)</b>	(unaudited)
<b>5,657</b>	2,163
<b>Profit attributable to equity holders of the Company</b>	
<b>Number of shares</b>	Number of shares
<b>Basic</b>	
<b>488,322,997</b>	486,976,756
<b>Weighted average number of ordinary shares in issue less shares held for Share Award Plan for the purposes of calculating basic earnings per share</b>	
<b>Diluted</b>	
<b>488,322,997</b>	486,976,756
<b>Weighted average number of ordinary shares in issue less shares held for Share Award Plan</b>	
<b>1,790,060</b>	3,136,301
<b>Effect of dilutive potential ordinary shares:</b>	
<b>1,790,060</b>	3,136,301
<b>Weighted average number of ordinary shares for the purpose of calculating diluted earnings per share</b>	
<b>490,113,057</b>	490,113,057

**11. GROSS AMOUNT DUE FROM/(TO) CUSTOMERS FOR CONTRACT WORK**

	<b>30.9.2009</b> <b>HK\$'000</b> <b>(unaudited)</b>	31.3.2009 HK\$'000 (audited)
Contract costs incurred	<b>24,144</b>	20,235
Recognised profits	<b>6,333</b>	3,131
	<b>30,477</b>	23,366
Progress billings	<b>(29,864)</b>	(22,085)
Due from customers	<b>613</b>	1,281
Classified as:		
Gross amount due from customers	<b>1,140</b>	1,993
Gross amount due (to) customers	<b>(527)</b>	(712)

It is expected that the gross amount due from customers for contract work at 30th September, 2009 will be recovered within one year (2008: HK\$1,300,000).

The directors consider that the carrying amounts of gross amount due from customers for contract work approximate to their fair values.

**12. DEBTORS, DEPOSITS AND PREPAYMENTS**

The Group has a policy of allowing average credit period ranging from 2 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\$30,581,000 (31st March, 2009: HK\$29,141,000) which are included in the Group's debtors, deposits and prepayments is as follows:

	<b>30.9.2009</b> <b>HK\$'000</b> <b>(unaudited)</b>	31.3.2009 HK\$'000 (audited)
Neither overdue nor impaired	<b>15,424</b>	11,587
Less than 1 month overdue	<b>3,220</b>	5,377
1 to 3 months overdue	<b>4,554</b>	6,986
More than 3 months but less than 12 months overdue	<b>7,383</b>	5,191
	<b>30,581</b>	29,141

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



**13. CREDITORS AND ACCRUED CHARGES**

The aged analysis of trade creditors of HK\$11,269,000 (31st March, 2009: HK\$11,578,000) which are included in the Group's creditors and accrued charges is as follows:

	<b>30.9.2009</b> <b>HK\$'000</b> <b>(unaudited)</b>	31.3.2009 HK\$'000 (audited)
0-30 days	<b>9,177</b>	7,651
31-60 days	<b>238</b>	1,060
61-90 days	<b>454</b>	102
Over 90 days	<b>1,400</b>	2,765
	<b><u>11,269</u></b>	<u>11,578</u>

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

**14. DERIVATIVE FINANCIAL INSTRUMENTS**

	<b>30.9.2009</b> <b>HK\$'000</b> <b>(unaudited)</b>	31.3.2009 HK\$'000 (audited)
Equity contracts	-	1
Equity-linked contracts	<b>1,524</b>	10,880
	<b><u>1,524</u></b>	<u>10,881</u>

The carrying amounts of equity contracts and equity-linked contracts are the same as their fair values. The above transactions involving derivative financial instruments are with creditworthy financial institutions.

**15. RELATED PARTY TRANSACTIONS**

The Group had no transactions with its related parties during the period under review.

## MANAGEMENT DISCUSSION AND ANALYSIS

For the six months ended 30th September, 2009, the Group's turnover was HK\$485 million which represented a decrease of approximately 23% when compared with the HK\$626 million recorded for the corresponding period last year. The net profit attributable to equity holders increased by 125% to HK\$6 million when compared with HK\$2 million during the same period last year. The increase in profit was due to mark to market gain of approximately HK\$17 million on the Group's investment due to rebound of stock market. The Group has also written off the impairment loss recognised in respect of goodwill of HK6 million during the period under review.

### Sales of mobile phones

Due to weakened demand arising from uncertain economic climate, the turnover decreased from HK\$558 million to HK\$469 million and the profit decreased from HK\$4 million to HK\$2 million when compared to the corresponding period of last year.

### Sales of business solutions

The sales of business solutions relate to the sales of business solutions, security systems and integrated services. Due to the completion of several large projects last year, the turnover decreased from HK\$68 million to HK\$16 million. The division recorded loss of HK\$5 million (2008: profit of HK\$2 million).

### Property investment

The loss of this division was HK\$0.6 million (2008: profit of HK\$0.3 million). The loss was mainly due to the increase in amortisation of leasehold land of approximately HK\$0.7 million.

## PROSPECTS

In expectation of the continued uncertainties in economy, we will adopt prudent measures for financial management and resources allocation to maintain the market share and solidify our market position.

## LIQUIDITY AND FINANCIAL RESOURCES

The Group continues to maintain a strong financial position. As at 30th September, 2009, the Group's cash and bank balances amounted to approximately HK\$76 million (31st March, 2009: HK\$84 million) while the bank borrowings were HK\$37 million (31st March, 2009: HK\$38 million). The gearing ratio was 16.08% (31st March, 2009: 16.39%) which is expressed as a percentage of total borrowings to shareholders' funds.

As substantial portions of the Group's transactions are dominated in Hong Kong dollar, the Group's exposure to exchange fluctuation is low.

## EMPLOYEES

As at 30th September, 2009, the total number of employees of the Group was approximately 330 (31st March, 2009: 330) and the aggregate remuneration of employees (excluding directors' emoluments) amounted to HK\$24 million (2008: HK\$26 million). The remuneration and bonus packages of the employees are based on the individual merits and performance and are reviewed at least annually. There are share option scheme and share award plan in place designed to award employees for their performance at the discretion of the directors. The Group maintains a good relationship with its employees.

## PLEDGE OF ASSETS

As at 30th September, 2009, the Group's general banking facilities were secured by (1) first legal charge on certain leasehold land and buildings and investment properties with aggregate net book value of HK\$64,042,000 (31st March, 2009: HK\$9,044,000), (2) bank deposits of HK\$12,480,000 (31st March, 2009: HK\$12,670,000).

## CONTINGENT LIABILITIES

As at 30th September, 2009, the Company has provided corporate guarantees of HK\$79 million (31st March, 2009: HK\$79 million) to secure the banking facilities granted to subsidiary companies.

## DIRECTORS' AND CHIEF EXECUTIVE'S INTERESTS AND SHORT POSITIONS IN SHARES, UNDERLYING SHARES AND DEBENTURES OF THE COMPANY AND ITS ASSOCIATED CORPORATIONS

As at 30th September, 2009, the interests and short positions of the directors and chief executive of the Company in shares, underlying shares or debentures of the Company or its associated corporations (within the meaning of the Securities and Futures Ordinance (Chapter 571 of the Laws of Hong Kong) ("SFO")) which were required to be notified to the Company and The Stock Exchange of Hong Kong Limited (the "Stock Exchange") pursuant to Divisions 7 and 8 of Part XV of the SFO (including interests and short positions which he has taken or was deemed to have under such provisions of the SFO), or which were required, pursuant to section 352 of the SFO, to be entered in the register maintained by the Company referred to therein, or which were required, pursuant to the Model Code for Securities Transactions by Directors of Listed Issuers ("Model Code") contained in the Listing Rules, to be notified to the Company and the Stock Exchange were as follows:

<b>Name of Director</b>	<b>The Company/ associated corporation</b>	<b>Capacity/nature of interest</b>	<b>Number and class of securities</b>	<b>Percentage of interests in the issued share capital as at 30th September, 2009</b>
Chan Chung Yee, Hubert	The Company	Interest of controlled corporation	242,224,575 ordinary shares (each a "Share") of HK\$0.01 each (L) (Notes 1 and 2)	49.42%
	The Company	Beneficial owner	9,260,000 Shares (L) (Note 3)	1.88%
	Matrix World Group Limited	Beneficial owner	1 share of US\$1.00 each (L)	100%

Name of Director	The Company/ associated corporation	Capacity/nature of interest	Number and class of securities	Percentage of interests in the issued share capital as at 30th September, 2009
Chan Chung Yin, Roy	The Company	Interest of controlled corporation	66,417,400 Shares (L) (Note 4)	13.55%
	The Company	Beneficial owner	100,000 Shares (L) (Note 5)	0.02%
	Star Global International Limited	Beneficial owner	1 share of US\$1.00 each (L)	100%
Chan Man Min	The Company	Interest of controlled corporation	24,709,650 Shares (L) (Note 6)	5.04%
	The Company	Beneficial owner	1,000,000 Shares (L) (Note 7)	0.20%
Tsui Hon Wing	The Company	Beneficial owner	3,495,200 Shares (L) (Note 8)	0.71%
Chan Ming Him, Denny	The Company	Beneficial owner	1,000,000 Shares (L) (Note 9)	0.20%
Wu Kwok Lam	The Company	Beneficial owner	100,000 Shares (L) (Note 10)	0.02%

## Notes:

1. The Letter "L" represents the director's or the chief executive's long position in the Shares of the Company or its associated corporations.
2. Among these Shares, 233,459,727 Shares were held by Matrix World Group Limited, a company wholly owned by Mr. Chan Chung Yee, Hubert. and 8,764,848 Shares were held by Light Emotion Limited, a company of which Matrix World Group Limited and Mr. Chan Chung Yee, Hubert's wife each owned 50% of the issued share capital. By virtue of the provisions of Divisions 7 and 8 of Part XV of the SFO, Matrix World Group Limited was deemed to be interested in the Shares held by Light Emotion Limited and Mr. Chan Chung Yee, Hubert is deemed to be interested in the Shares in which Matrix World Group Limited is interested.
3. These Shares are registered in the name of Mr. Chan Chung Yee, Hubert.
4. These Shares were held by Star Global International Limited, a company wholly owned by Mr. Chan Chung Yin, Roy. By virtue of the provisions of Divisions 7 and 8 of Part XV of the SFO, Mr. Chan Chung Yin, Roy was deemed to be interested in the Shares held by Star Global International Limited.
5. These Shares are registered in the name of Mr. Chan Chung Yin, Roy.
6. These Shares were held by Ocean Hope Group Limited, a company wholly owned by Mr. Chan Man Min. By virtue of the provisions of Divisions 7 and 8 of Part XV of the SFO, Mr. Chan Man Min was deemed to be interested in the Shares held by Ocean Hope Group Limited.
7. These Shares are registered in the name of Mr. Chan Man Min.
8. These Shares are registered in the name of Mr. Tsui Hon Wing.
9. These Shares are registered in the name of Mr. Chan Min Him, Denny.
10. These Shares are registered in the name of Mr. Wu Kwok Lam.

Save as disclosed above, as at 30th September 2009, none of the directors and chief executive of the Company had any interest and short position in shares, underlying shares and debentures of the Company or its associated corporations (within the meaning of the SFO) which were required to be notified to the Company and the Stock Exchange pursuant to Divisions 7 and 8 of Part XV of the SFO (including interests and short positions which he has taken or was deemed to have under such provisions of the SFO), or which were required, pursuant to section 352 of the SFO, to be entered in the register maintained by the Company referred to therein, or which were required, pursuant to the Model Code contained in the Listing Rules, to be notified to the Company and the Stock Exchange.

## DIRECTORS' RIGHTS TO ACQUIRE SHARES OR DEBENTURES

Apart from those disclosed under the heading "Directors' and chief executive's interest and short positions in shares, underlying shares and debentures of the Company and its associated corporations" above at no time during the period under review or up to the date of this report were there any rights to acquire shares in or debentures of the Company granted to any director or their respective spouse or minor children, or were any such rights exercised by them. None of the Company or any of its subsidiaries was a party to any arrangement to enable the directors or their respective spouse or minor children to acquire such rights in any other body corporate.

## SUBSTANTIAL SHAREHOLDERS AND OTHER PERSONS WHO ARE REQUIRED TO DISCLOSE THEIR INTERESTS PURSUANT TO PART XV OF THE SFO

So far as the directors are aware, as at 30th September, 2009, the following persons, other than a director or chief executive of the Company, had an interest or a short position in the shares and underlying shares in the Company as recorded in the register required to be kept under section 336 of the SFO:

Name	Number of ordinary shares (each a "Share") of HK\$ 0.01 each	Capacity/nature of interest	Percentage of interest in the issued share capital as at 30th September, 2009
Matrix World Group Limited (Note 2)	233,459,727 (L) (Note 1)	Beneficial owner	47.63%
	8,764,848 (L)	Interest of controlled corporation	1.79%
Star Global International Limited (Note 3)	66,417,400 (L)	Beneficial owner	13.55%
Ocean Hope Group Limited (Note 4)	24,709,650 (L)	Beneficial owner	5.04%
Chan Low Wai Han, Edwina (Note 5)	66,517,400 (L)	Interest of spouse	13.57%
Josephine Liu (Note 6)	251,484,575 (L)	Interest of spouse	51.30%

## Notes:

1. The letter "L" represents the person's interest in the Shares.
2. Among these Shares, 233,459,727 Shares were held by Matrix World Group Limited, a company wholly owned by Mr. Chan Chung Yee, Hubert. and 8,764,848 Shares were held by Light Emotion Limited, a company of which Matrix World Group Limited and Mr. Chan Chung Yee, Hubert's wife each owned 50% of the issued share capital. By virtue of the provisions of Divisions 2 and 3 of Part XV of the SFO, Matrix World Group Limited is deemed to be interested in the Shares held by Light Emotion Limited and Mr. Chan Chung Yee, Hubert is deemed to be interested in the Shares in which Matrix World Group Limited was interested. Mr. Chan Chung Yee, Hubert is a director of Light Emotion Limited and Matrix World Group Limited.
3. Star Global International Limited is a company wholly owned by Mr. Chan Chung Yin, Roy. Mr. Chan Chung Yin, Roy is a director of Star Global International Limited.
4. Ocean Hope Group Limited is a company wholly owned by Mr. Chan Man Min. Mr. Chan Man Min is a director of Ocean Hope Group Limited.
5. Mrs. Chan Low Wai Han, Edwina is a wife of Mr. Chan Chung Yin, Roy. By virtue of the provisions of Divisions 2 and 3 of Part XV of the SFO, Mrs. Chan Low Wai Han, Edwina is deemed to be interested in all the Shares in which Mr. Chan Chung Yin, Roy is interested.
6. Ms. Josephine Liu is a wife of Mr. Chan Chung Yee, Hubert. By virtue of the provisions of Divisions 2 and 3 of Part XV of the SFO, Ms. Josephine Liu is deemed to be interested in all the Shares in which Mr. Chan Chung Yin, Hubert is interested.

## **PURCHASE, SALE OR REDEMPTION OF THE COMPANY'S LISTED SECURITIES**

During the six months ended 30th September, 2009, neither the Company nor any of its subsidiaries had purchased, sold or redeemed any of the Company's listed shares.

## **COMPLIANCE WITH THE CODE ON CORPORATE GOVERNANCE PRACTICES**

The Company had complied throughout the six months ended 30th September, 2009 with the code provisions ("Code Provisions") set out in the Code on Corporate Governance Practices ("Code") contained in Appendix 14 to Listing Rules, except for Code Provision A.2.1 which stipulates that the roles of Chairman and Chief Executive Officer should be separate and should not be performed by the same individual. The Company does not segregate the roles of Chairman and Chief Executive Officer and Mr. Chan Chung Yee, Hubert currently holds both positions. The Board believes that vesting the roles of Chairman and Chief Executive Officer in the same person provides the Group with strong and consistent leadership in the development and execution of long-term business strategies. The Board will continuously review and improve the corporate governance practices and standards of the Company to ensure that business activities and decision making processes are regulated in a proper and prudent manner.



## **COMPLIANCE WITH THE MODEL CODE SET OUT IN APPENDIX 10 TO THE LISTING RULES**

The Company has adopted the Model Code set out in Appendix 10 to the Listing Rules as its own code of conduct regarding directors' securities transactions. Having made specific enquiry of all directors, all directors confirmed that they had complied with the required standards set out in the Model Code during the six months ended 30th September, 2009.

## **AUDIT COMMITTEE**

The audit committee has reviewed with management the accounting policies adopted by the Group and discussed internal control and financial reporting matters, including the review of the unaudited interim results for the six months ended 30th September, 2009.

## **APPRECIATION**

The board of directors (the "Board") of the Company would like to extend its sincere gratitude to the Company's shareholders, business counterparts and all management and the staff members of the Group for their contribution and continued support during the period.

On behalf of the Board  
**Chan Chung Yee, Hubert**  
*Chairman*

Hong Kong, 18th December, 2009