



GLOBAL TECH (HOLDINGS) LIMITED
耀科國際(控股)有限公司

(Stock Code 股份代號 : 143)



2010

Interim Report 中期報告

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The board of directors (the “Board”) of Global Tech (Holdings) Limited (the “Company”) announces the unaudited condensed consolidated financial statements of the Company and its subsidiaries (the “Group”) for the six months ended 31 March 2010 (the “Period”). The unaudited condensed consolidated statement of comprehensive income, condensed consolidated statement of changes in equity and condensed consolidated statement of cash flows of the Group for the Period, and condensed consolidated statement of financial position of the Group at 31 March 2010, along with selected explanatory notes, are set out as follows:

CONDENSED CONSOLIDATED STATEMENT OF COMPREHENSIVE INCOME

	Notes	Unaudited For the six months ended 31 March	
		2010 HK\$'000	2009 HK\$'000
Turnover	3	15,778	14,277
Cost of sales		(10,096)	(11,360)
Gross profit		5,682	2,917
Other revenue	4	163	47,263
Other income		2,822	3,045
Selling and distribution expenses		(727)	(1,943)
Administrative expenses		(16,854)	(49,952)
Other operating expenses		(2,163)	(7,056)
Loss from operations	5	(11,077)	(5,726)
Finance costs	6	–	(1,199)
Gain arising on changes in fair value of an investment property		4,800	–
Cumulative gain reclassified from equity to profit or loss upon disposal of available-for-sale financial assets		3,038	–
Loss before taxation		(3,239)	(6,925)
Income tax (expense)/credit	7	(792)	66
Loss for the period		(4,031)	(6,859)
Other comprehensive (expenses)/income			
Release of investment revaluation reserve upon disposal of available-for-sale financial assets		(3,038)	–
Change in fair value of available-for-sale financial assets		(882)	–
Exchange difference on translating foreign operations		222	6,573
		(3,698)	6,573
Total comprehensive expenses for the period		(7,729)	(286)
Loss for the period attributable to owners of the Company		(4,031)	(6,859)
Total comprehensive expenses for the period attributable to owners of the Company		(7,729)	(286)
Dividends	8	–	–
Loss per share attributable to owners of the Company			
Basic and diluted	9	HK\$(0.001)	HK\$(0.001)

CONDENSED CONSOLIDATED STATEMENT OF FINANCIAL POSITION

		At 31 March 2010 HK\$'000	At 30 September 2009 HK\$'000
		Notes (unaudited)	(audited)
Non-current assets			
Investment property		18,600	13,800
Property, plant and equipment		1,750	1,624
Available-for-sale financial assets		11,356	19,352
		31,706	34,776
Current assets			
Inventories		1,771	1,473
Trade receivables	10	38,639	40,722
Prepayments, deposits and other receivables		8,154	7,300
Financial assets at fair value through profit or loss		–	416
Pledged time deposits	11	4,664	4,662
Cash and bank balances		68,938	69,439
		122,166	124,012
Current liabilities			
Trade payables	12	2,058	1,029
Accrued charges and other payables		6,835	5,843
Tax payable		52,993	52,993
		61,886	59,865
Net current assets		60,280	64,147
Total assets less current liabilities		91,986	98,923
Non-current liabilities			
Deferred tax liabilities		1,593	801
Net assets		90,393	98,122
Equity			
Capital and reserves attributable to owners of the Company			
Share capital	13	51,659	51,659
Reserves		38,734	46,463
Total equity		90,393	98,122

CONDENSED CONSOLIDATED STATEMENT OF CHANGES IN EQUITY

For the period ended 31 March 2010

	Share capital	Share premium	Capital reserve	Capital redemption reserve	Investment property revaluation reserve (Note)	Investment revaluation reserve	Exchange difference reserve	Accumulated losses	Total
	HK\$'000	HK\$'000	HK\$'000	HK\$'000	HK\$'000	HK\$'000	HK\$'000	HK\$'000	HK\$'000
Unaudited for the six months ended 31 March 2010									
At 1 October 2009	51,659	457,804	2,450	160	2,521	5,880	2,380	(424,732)	98,122
Total comprehensive income/(expenses) for the period	-	-	-	-	-	(3,920)	222	(4,031)	(7,729)
At 31 March 2010	51,659	457,804	2,450	160	2,521	1,960	2,602	(428,763)	90,393
Unaudited for the six months ended 31 March 2009									
At 1 October 2008	51,659	457,804	2,450	160	2,521	-	2,860	(426,817)	90,637
Total comprehensive income/(expenses) for the period	-	-	-	-	-	-	6,573	(6,859)	(286)
At 31 March 2009	51,659	457,804	2,450	160	2,521	-	9,433	(433,676)	90,351

Note:

The balance of investment property revaluation reserve of the Group represented the revaluation reserve arising from the transfer of leasehold land and buildings to investment property and such amount will not be recognised in the condensed consolidated statement of comprehensive income until disposal of such investment property.

CONDENSED CONSOLIDATED STATEMENT OF CASH FLOWS

	Unaudited	
	For the six months ended	
	31 March	
	2010	2009
	HK\$'000	HK\$'000
Net cash (used in)/generated from operating activities	(7,355)	16,704
Net cash generated from investing activities	6,634	566
Net cash (used in)/generated from financing activities	(2)	186
Net (decrease)/increase in cash and cash equivalents	(723)	17,456
Cash and cash equivalents at 1 October 2009/2008	69,439	(53,646)
Effect of foreign exchange rate changes	222	6,571
Cash and cash equivalents at 31 March	68,938	(29,619)
Analysis of the balances of cash and cash equivalents:		
Cash and bank balances	68,938	3,965
Bank overdrafts	-	(33,584)
	68,938	(29,619)

NOTES TO THE CONDENSED CONSOLIDATED FINANCIAL STATEMENTS

For the six months ended 31 March 2010

1. CORPORATE INFORMATION

The Company is incorporated in the Cayman Islands as an exempted company with limited liability and its shares have a primary listing on The Stock Exchange of Hong Kong Limited (the "Stock Exchange") and a secondary listing on The Singapore Exchange Securities Trading Limited.

The registered office of the Company is Ugland House, South Church Street, P.O. Box 309, George Town, Grand Cayman, Cayman Islands and the principal place of business of the Company is located at 2305 Enterprise Square Three, 39 Wang Chiu Road, Kowloon Bay, Kowloon, Hong Kong.

The principal activity of the Company is investment holding. Its subsidiaries are principally engaged in trading of telecommunications products, provision of repair services of telecommunications products and investments in financial assets.

The directors of the Company (the "Directors") regard Optimum Pace International Limited, a company incorporated in the British Virgin Islands as the ultimate holding company.

2. BASIS OF PREPARATION AND ACCOUNTING POLICIES

The interim report contains unaudited condensed consolidated financial statements and selected explanatory notes. The notes include an explanation of events and transactions that are significant to an understanding of the changes in financial position and performance of the Group since 2009 annual financial statements. The unaudited condensed consolidated interim financial statements and notes thereon do not include all of the information required for full set of financial statements prepared in accordance with all applicable Hong Kong Financial Reporting Standards ("HKFRSs"), which is a collective term that includes all applicable individual HKFRSs, Hong Kong Accounting Standards ("HKASs") and Interpretations ("Ints") issued by the Hong Kong Institute of Certified Public Accountants (the "HKICPA") and accounting principles generally accepted in Hong Kong.

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

The measurement basis used in the preparation of these unaudited condensed consolidated financial statements is historical cost convention, as modified for certain available-for-sale financial assets and investment property which are stated at fair value.

2. BASIS OF PREPARATION AND ACCOUNTING POLICIES (CONTINUED)

These unaudited condensed consolidated financial statements should be read in conjunction with the annual financial statements for the year ended 30 September 2009. The accounting policies and methods of computation used in the preparation of these unaudited condensed consolidated financial statements are consistent with those used in the annual financial statements for the year ended 30 September 2009 with addition for the following amendments and interpretations (the “new HKFRSs”) issued by the HKICPA, which have become effective.

HKFRS (Amendments)	Improvement to HKFRSs issued in 2008
HKFRS (Amendment)	Improvement to HKFRSs issued in 2009
HKFRS 1 & HKAS 27 (Amendments)	Cost of an Investment in a Subsidiary, Jointly Controlled Entity or Associate
HKFRS 2 (Amendment)	Vesting Conditions and Cancellations
HKFRS 3 (Revised)	Business Combinations
HKFRS 7 (Amendments)	Improving Disclosures about Financial Instruments
HKFRS 8	Operating Segments
HKAS 1 (Revised)	Presentation of Financial Statements
HKAS 23 (Revised)	Borrowing Costs
HKAS 27 (Revised)	Consolidated and Separate Financial Statements
HKAS 32 & 1 (Amendments)	Puttable Financial Instruments and Obligations Arising on Liquidation
HKAS 39 (Amendments)	Eligible Hedged Items
HK(IFRIC)-Int 9 and HKAS 39 (Amendments)	Reassessment of Embedded Derivatives
HK(IFRIC)-Int 15	Agreements for the Construction of Real Estate
HK(IFRIC)-Int 17	Distribution of Non-cash Assets to Owners

Except as described below, the adoption of the new and revised HKFRSs had no material impact on the unaudited condensed consolidated financial statements of the Group for the current and prior accounting period.

HKFRS 7 (Amendments) “Improving Disclosures about Financial Instruments” require additional disclosure about fair value measurement and liquidity risk. Fair value measurements are to be disclosed by source of inputs using a three level hierarchy for each class of financial instrument. The Group will take advantage of the transition provisions set out in the amendments to HKFRS 7, under which comparative information for the newly required disclosures about the fair value measurements of financial instruments has not been provided and will provide the required expanded disclosures in its annual financial statements for the year ended 30 September 2010.

2. BASIS OF PREPARATION AND ACCOUNTING POLICIES (CONTINUED)

HKFRS 8 “Operating Segments” is a disclosure standard that requires the identification of operating segments to be performed on the same basis as financial information that is reported internally for the purpose of allocating resources between segments and assessing their performance. 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. Details of application of HKFRS 8 are set out in note 3.

HKAS 1 (Revised) “Presentation of Financial Statements” separates owner and non-owner changes in equity. The statement of changes in equity includes only details of transactions with owners, with non-owner changes in equity presented as a single line. In addition, the standard introduced the statement of comprehensive income, it presents all items of recognised income and expense, either in one single statement, or in two linked statements.

The Group has not early adopted the following new and revised standards, amendments and interpretations that have been issued but are not yet effective:

HKFRS 1 (Amendment)	Additional Exemptions for First-time Adopters ¹
HKFRS 2 (Amendments)	Amendments to HKFRS 2 Share-based Payments – Group Cash-settled Share-based Payment Transactions ¹
HKFRS 9	Financial Instruments ⁵
HKAS 24 (Revised)	Related Party Disclosures ⁴
HKAS 32 (Amendments)	Amendment to HKAS 32 Financial Instruments: Presentation – Classification of Rights Issues ²
HK(IFRIC)-Int 14 (Amendment)	Prepayment of a Minimum Funding Requirement ⁴
HK(IFRIC)-Int 19	Extinguishing Financial Liabilities with Equity Instruments ³

¹ Effective for annual periods beginning on or after 1 January 2010

² Effective for annual periods beginning on or after 1 February 2010

³ Effective for annual periods beginning on or after 1 July 2010

⁴ Effective for annual periods beginning on or after 1 January 2011

⁵ Effective for annual periods beginning on or after 1 January 2013

2. BASIS OF PREPARATION AND ACCOUNTING POLICIES (CONTINUED)

HKFRS 9 “Financial Instruments” introduces new requirements for the classification and measurement of financial assets and will be effective from 1 January 2013, with early application permitted. Under HKFRS 9, all recognised financial assets that are currently in the scope of HKAS 39 will be measured at either amortised cost or fair value. A debt instrument that (1) is held within a business model whose objective is to collect the contractual cash flows and (2) has contractual cash flows that are solely payments of principal and interest on the principal amount outstanding are generally measured at amortised cost. All other debt instruments must be measured at fair value with gains or losses recognised in profit or loss. The application of HKFRS 9 may affect the classification and measurement of the Group’s financial assets.

The Group is in the process of assessing the potential impact of these new HKFRSs but is not yet in a position to determine whether these new HKFRSs will 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. SEGMENT INFORMATION

The Group has adopted HKFRS 8 “Operating Segments” with effect from 1 October 2009. HKFRS 8 is a disclosure standard that 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 (the “CODM”), which is a group of executive directors of the Company, for the purpose of allocating resources to segments and assessing 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 segment.

For management purpose, the Group is principally engaged in (i) trading of telecommunications products; (ii) provision of repair services of telecommunications products; and (iii) investments in financial assets.

The Group’s operating businesses are almost exclusively with customers based in Hong Kong. Accordingly, no segment analysis by geographical area of operations is provided.

3. SEGMENT INFORMATION (CONTINUED)

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 measurement of segment profit or loss.

Segment information about these businesses for the six months ended 31 March 2010 and 2009 is as follows:

	Trading of tele- communications products HK\$'000	Provision of repair services of tele- communications products HK\$'000	Investments in financial assets HK\$'000	Consolidated HK\$'000
Unaudited for the six months ended 31 March 2010				
TURNOVER	2,908	12,718	152	15,778
SEGMENT RESULTS	(4,228)	562	152	(3,514)
Interest income				32
Unallocated corporate expenses				(4,557)
Gain arising on changes in fair value of an investment property				4,800
Loss before taxation				(3,239)
Income tax expense				(792)
Loss for the period attributable to owners of the Company				(4,031)

3. SEGMENT INFORMATION (CONTINUED)

	Trading of tele- communications products HK\$'000	Provision of repair services of tele- communications products HK\$'000	Investments in financial assets HK\$'000	Consolidated HK\$'000
Unaudited for the six months ended 31 March 2009				
TURNOVER	6,427	7,531	319	14,277
SEGMENT RESULTS	33,917	(1,257)	317	32,977
Interest income				637
Unallocated corporate expenses				(38,940)
Loss arising on changes in fair value of an investment property				(400)
Finance costs				(1,199)
Loss before taxation				(6,925)
Income tax credit				66
Loss for the period attributable to owners of the Company				(6,859)

Turnover reported above represented turnover generated from external customers. There were no inter-segment sales for the six months ended 31 March 2010 (2009: Nil).

4. OTHER REVENUE

	Unaudited	
	For the six months ended	
	31 March	
	2010	2009
	HK\$'000	HK\$'000
Interest income	32	637
Compensation income	-	46,626
Others	131	-
	163	47,263

Note:

Compensation income mainly represented the allowance paid by a major supplier.

5. LOSS FROM OPERATIONS

	Unaudited	
	For the six months ended	
	31 March	
	2010	2009
	HK\$'000	HK\$'000
Loss from operations has been arrived at after charging:		
Cost of trading inventories sold	2,105	5,515
Employee benefit expenses (including directors' emoluments)	7,337	8,038
Retirement benefit costs (including directors' retirement benefit costs)	236	198
Depreciation	386	794
Amortisation of intangible assets	-	3,480
Impairment loss recognised in respect of intangible assets	-	25,901
Impairment loss recognised in respect of available-for-sale financial assets	-	366
Loss on disposal of property, plant and equipment	-	76

6. FINANCE COSTS

	Unaudited	
	For the six months ended	
	31 March	
	2010	2009
	HK\$'000	HK\$'000
Interest expenses on secured bank borrowings wholly repayable within five years	-	1,199

7. INCOME TAX (EXPENSE)/CREDIT

	Unaudited	
	For the six months ended	
	31 March	
	2010	2009
	HK\$'000	HK\$'000
Current tax:		
Hong Kong Profits Tax (Note)	-	-
Deferred tax:		
Current period	(792)	66
	(792)	66

Note:

No provision for Hong Kong Profits Tax has been made for the companies in the Group as they either have no assessable profits or have available tax losses brought forward from prior years to offset against current period's estimated assessable profits.

8. DIVIDENDS

The Board does not recommend the payment of interim dividends for the six months ended 31 March 2010 (2009: Nil).

9. LOSS PER SHARE ATTRIBUTABLE TO OWNERS OF THE COMPANY

The calculation of the basic loss per share is based on the loss attributable to owners of the Company of approximately HK\$4,031,000 (2009: HK\$6,859,000) and on 5,165,973,933 (2009: 5,165,973,933) shares in issue during the Period.

The diluted loss per share for the Period was the same as the basic loss per share as there were no dilutive potential shares in existence during the Period.

The diluted loss per share for the six months ended 31 March 2009 was the same as the basic loss per share as the share options outstanding during the period had an anti-dilutive effect on the basic loss per share during the period.

10. TRADE RECEIVABLES

At the reporting dates, the aging analysis of the trade receivables is as follows:

	At 31 March 2010 HK\$'000 (unaudited)	At 30 September 2009 HK\$'000 (audited)
Current	3,049	2,178
One to three months overdue	136	90
More than three months but less than twelve months overdue	28	41
Over twelve months overdue	155,321	158,308
	158,534	160,617
Less: Impairment loss recognised	(119,895)	(119,895)
	38,639	40,722

Note:

The credit terms granted to the Group's customers vary and are generally the results of negotiations between the Group and individual customers.

11. PLEDGED TIME DEPOSITS

The balances, which were carried at the prevailing market interest rate, represent deposits pledged to a bank to secure banking facilities granted to the Group, and therefore classified as current assets. The pledged deposits will be released upon expiry or termination or upon the settlement of relevant banking facilities. At 31 March 2010, all the pledged time deposits were denominated in the United States Dollar.

12. TRADE PAYABLES

At the reporting dates, the aging analysis of the trade payables is as follows:

	At 31 March 2010 HK\$'000 (unaudited)	At 30 September 2009 HK\$'000 (audited)
Current and within one month	756	1,002
One to three months overdue	1,302	20
Over three months overdue	–	7
	2,058	1,029

13. SHARE CAPITAL

	At 31 March 2010 HK\$'000 (unaudited)	At 30 September 2009 HK\$'000 (audited)
Authorised:		
20,000,000,000 ordinary shares of HK\$0.01 each	200,000	200,000
Issued and fully paid:		
5,165,973,933 ordinary shares of HK\$0.01 each	51,659	51,659

14. MATERIAL RELATED PARTY TRANSACTIONS

Save as disclosed elsewhere in the unaudited condensed consolidated financial statements, the Group had the following material related party transactions during the Period:

Key management personnel compensation

Compensation for key management personnel, including amount paid to the Company's directors, is as follows:

	Unaudited For the six months ended 31 March	
	2010 HK\$'000	2009 HK\$'000
Salaries and other short-term benefits	840	840
Contributions to retirement fund	10	9
	850	849

15. OPERATING LEASE COMMITMENTS

At the reporting dates, the Group had commitments for total future minimum lease payments under non-cancellable operating leases falling due as follows:

	At 31 March 2010 HK\$'000 (unaudited)	At 30 September 2009 HK\$'000 (audited)
Within one year	922	1,180
In the second to fifth years, inclusive	626	167
	1,548	1,347

16. CONTINGENT LIABILITIES

Included in the terms of the sale and purchase agreement in connection with the acquisition of Calaview Assets Limited ("Calaview") and Sino Media Group (SMG) Limited ("SMG") (the "Acquired Companies") entered into by the Group in the year 2000, the Group has agreed to pay the vendor an amount of approximately HK\$35,000,000 contingent upon successful listing of either one of the Acquired Companies on any recognised stock exchange. Up to the date of approval of these consolidated financial statements, the Group has no plan of listing the shares of the Acquired Companies on any recognised stock exchange. SMG was dissolved by creditors' voluntary winding up in September 2009 and Calaview is in the process of striking-off during the Period.

BUSINESS REVIEW AND OUTLOOK

Business Review

On top of the repercussions from the global financial crisis forming the backdrop to corporate performances over the past two quarters, new fluctuations in Europe are now adding to the general uncertainty and ongoing pace of recovery. During the six-month reporting period ended 31 March 2010 (the "Period"), the Group recorded a turnover of approximately HK\$15.8 million (31 March 2009: HK\$14.3 million), an approximately 10.5% increase year on year and producing a gross profit of approximately HK\$5.7 million (31 March 2009: HK\$2.9 million). Loss for the Period narrowed further to approximately HK\$4.0 million (31 March 2009: HK\$6.9 million), mainly as a result of an increase in turnover from provision of repair services, as well as reduction in administration expenses for the Period.

Generated in a negative economic context, the Group's first-half results reflected a combination of weak consumption sentiment with low demand for the trading of telecommunications products, and inflationary pressures across various cost components.

At the same time, the Group remains committed to providing value-added high-tech repair services for telecommunications products. In addition to fulfilling its pledge to deliver quality and value to customers, the provision of services also builds recurrent income streams into the Group's business portfolio, which helps diversify and stabilise the overall revenue base. During the Period, the repair services segment generated a turnover of approximately HK\$12.7 million (31 March 2009: HK\$7.5 million).

Market Overview

The year 2009 represented a year of revolution in the history of the mobile phone. It is an irrefutable fact that smartphones are in the process of achieving market dominance. According to market intelligence provider IDC, smartphone shipments reached 54.7 million units in the first quarter of 2010, up 56.7% from the previous year, while smartphones accounted for 18.8% of all mobile phones in use, compared with 14.4% in 2009.

The outcome of the battle between basic mobile phones and smartphones is probably quite predictable. However, the competition among the major brands has yet to reach its peak. The ranking of smartphones in terms of market share remains unchanged since the last quarter of 2009. Nokia stayed top of the list with a market share standing at 39.3%. Research In Motion (RIM) and Apple locked up second and third places, capturing a 19.4% and 16.1% market share respectively.

In terms of operating systems (OS) and applications – the paths to success in today’s mobile phone market – Android surpassed Apple for the number-two position in the United States mobile phone market. A survey by leading consumer and retail information provider NPD Group showed that the Android OS had moved up into second position at 28%, behind RIM with a 36% market share, in the first quarter of 2010. Apple fell back to third position at 21% followed by Windows Mobile at 10%. NPD explained that RIM had grown strongly in the first quarter while former rival Windows Mobile has been floundering for the last couple of years. As a result, Microsoft recently decided to focus most of its attention on the consumer market with Windows Phone 7, unveiled in February 2010 at the Mobile World Congress. At the same time, the resurgence of Motorola and the proven popularity of its Milestone and Droid series, together with HTC’s Droid Eris, boosted the sales volume of Android-loaded smartphones.

Meanwhile, the infrastructure of the mobile phone market is rapidly changing. Mobile phone usage is shifting away from voice to other applications, and users are keeping their mobile phones, especially their smartphones, for an average of only 12 months. According to *The New York Times*, instead of talking on their mobile phones, people are making use of all the extras that iPhones, BlackBerrys and other smartphones are designed for, including internet browsing, listening to music, watching television, playing games, and sending e-mails and text messages. In 2009, for the first time in the United States, the amount of multi-media data surpassed the amount of voice data in mobile phone calls, industry executives and analysts said.

Many people also find that mobile phones have become irreplaceable devices in managing their daily lives and staying connected to the world around them, to their families as well as to networks of online friends. Social network connectivity has become more important than ever, once again underpinning the strong demand for smartphones in the developed mobile phone markets. Mobile phones offering instant connection to social networking sites such as Facebook, Twitter and MySpace make up the best-seller list as users are able to upload multi-media files, update statuses and automatically send text messages in a split second. This phenomenon, as noted by Microsoft, is a leap into another ‘social generation’.

The mobile phone market is becoming unprecedentedly crowded with the entry of newcomers, including big computer brands Microsoft and Lenovo. Computer technology giant Microsoft recently launched its Kin models, smartphones featuring a brand new platform, Windows Phone 7, with full integration with social networking sites. As described by industry analysts, the Windows Phone 7 series offers a different perspective on the smartphone user interface, emphasising ‘hubs’ that aggregate internet and application content. At the same time, Hewlett Packard has demonstrated great interest in the smartphone market. Having foreseen a promising future in the smartphone business and opportunities for its OS, together with the array of mobile products ranging from tablets to netbooks now available, Hewlett Packard is planning a substantial investment in developing its newly acquired Palm.

On the other side of the world, Lenovo has introduced its LePhone smartphones to take on Apple's iPhone in China. Its tactics are to provide the same calibre product but for roughly half the price. Targeted at price-sensitive Chinese consumers, LePhone is expected to sell more than 1 million units nationwide in the first year.

Another new and notable player from China, ZTE Corporation ("ZTE"), also the country's second-largest telecom equipment supplier, recently announced its latest rollout to focus on mobile phone manufacturing. The company is working closely with Microsoft to bring out new smartphone models pre-loaded with Windows Mobile 6.5. ZTE expects its mobile phone shipments in 2010 to top 80 million units globally, delivering a 35% increase in revenue.

The fact that the ever-expanding mobile phone market is becoming the biggest in Asia, but has still not achieved 100 percent penetration, to a certain extent accounts for these business decisions, although mobile phone manufacturers and operators still face challenges on many fronts.

To exemplify how difficult and competitive the mobile phone market is, Palm, once one of the most dynamic companies in wireless technology, was acquired by Hewlett Packard in April 2010, but only after several years of tough operations. Even mega brands such as Nokia are dealing with multi-faceted challenges. As highlighted by Nokia management, the mobile phone leader continues to face tough competition with respect to the high end of the brand's mobile device portfolio, as well as challenging market conditions on the infrastructure side. Competitors, including Apple and RIM, are making it difficult for Nokia to maintain high profit margins. As Nokia no longer has an advantage in the high-end market, it is turning to bring new services to low-end non-smartphone users by providing them with services that hitherto were exclusively available on expensive smartphones. Seeing China as an untapped market and the fact that only one-tenth of the mobile phone users in the country have access to the internet, Nokia's strategy is to supply affordable models equipped with internet connectivity to the remaining users. However, as noted by research firm Analysis International, Nokia still needs to launch innovative products in the high-end market sooner rather than later, as users' migration to smartphones is just a matter of time.

Meanwhile, emerging telecommunications companies such as Huawei Technologies Co., Ltd., ZTE and Lenovo have presented further price competition threats to major mobile phone brands.

As a further source of market risk and instability, the eurozone is encountering the biggest challenge since its inception in 1999, amid fears that the Greek debt crisis could spread to other European countries and endanger the future of the euro. Worries have intensified across the world that banks will lose confidence in the ability of indebted governments to repay their loans. Further deterioration in this situation could lead to a second course of the global credit crunch and the deepening of economic turbulence.

Financial Review

At 31 March 2010, the overall inventory level remained at a relatively low level of approximately HK\$1.8 million (30 September 2009: HK\$1.5 million).

The Group was granted a banking facility and a fixed deposit of approximately HK\$4.7 million (30 September 2009: HK\$4.7 million) was pledged as collateral. The current ratio was approximately 1.97 (30 September 2009: 2.07) while the liquid ratio was approximately 1.95 (30 September 2009: 2.05).

At 31 March 2010 and 30 September 2009, there was no borrowing within the Group. The gearing ratio, which is expressed as a percentage of total borrowings over total assets, was nil (30 September 2009: Nil).

As in previous years, the Group will continue to adopt a conservative cash-management policy.

The Group conducts its core business transactions mainly in Hong Kong and United States dollars. The greater part of these cash and bank balances are in either Hong Kong or United States dollars, hence the Hong Kong dollar peg to the United States dollar provides a natural hedge against short-term currency fluctuations under normal trading circumstances.

Prospects

Over the past year, the macro-environment has adjusted to a new supply and consumer demand balance brought about by the overwhelming and profound impact of the worldwide economic crisis. In an earlier report, in which research firm Gartner, Inc. addressed the trends in the technology sector, its analysts highlighted the impact of greater financial and regulatory control over technology investment decisions.

For many organisations, the economic and budgetary challenges of 2009 drove important changes in the general governance of information technology decisions. Financial officers assumed a more active role and, although some organisations entered 2010 preparing for a return to growth, this financial supervision is unlikely to be lifted anytime soon. As a result, spending on information technology is expected to remain cautious.

At the individual level, the technology trend is focusing on the shifts in the way people interact with information technology. By 2014, Gartner predicts that there will be a 90% mobile penetration rate and 6.5 billion mobile connections globally. By that time, it is forecast that over 3 billion of the world's adult population will be able to transact electronically via mobile or personal computer (PC) internet. Growth will not be uniform, as emerging economies will see more rapidly rising mobile and internet adoption.

According to Gartner's forecast, mobile phones will overtake PCs as the most common web-access device worldwide by 2013. The firm expects the combined installed base of smartphones and browser-equipped enhanced phones to exceed 1.82 billion units in two years. This trend will open up a new phase in the development of websites and web-based applications that are optimised for smaller-screen formats. As data overwhelms mobile networks that were built for voice, the journey from voice into data will be the key growth area going forward.

It is therefore predicted that, in the future, context will be as influential to mobile consumer services and relationships as search engines currently are to the web. Context will provide the 'key' to delivering hyper-personalised experiences across smartphones, inflicting another round of intense competition between web, device, social platforms, telecommunications service providers, software vendors and communication infrastructure vendors to become significant context providers.

Another direction of development is expected to come from the continued convergence of fixed and mobile networks. However, while fixed-mobile convergence (FMC) promises a new area of growth, it comes as much a threat as it is an opportunity for fixed-line and cellular carriers who are at a crossroads in an already intensely competitive market. As estimated by market research firm iLocus, the stakes for FMC would be incredibly high and carriers are pondering the key question of whether FMC will translate into value creation or value destruction for them.

As always, the way forward for the telecommunications industry is all about innovation. With all that is happening, innovation is now occurring across platforms and even sectors rather than within the depths of a single product or business.

On the back of its performance in the first six months of the year, the Group will continue to strengthen its servicing component in order to expand its recurrent income base. By making efforts to fulfill customers' repair requirements and turnaround times, the Group will be able to ensure an efficient and reliable one-stop service, which is an absolute imperative in this business.

The Group will also continue to explore new business opportunities while it prudently navigates the turbulent operating environment. By remaining alert to the trends and events that will change the nature of business today, the Group has set its sights firmly on tomorrow.

Employee Information

At 31 March 2010, the Group employed a workforce of 55 (31 March 2009: 51). Staff costs, including salaries and bonuses, for the Period were approximately HK\$7.6 million (31 March 2009: HK\$8.2 million).

The Group adheres to a competitive remuneration policy to ensure that it can motivate and retain existing employees as well as attract potential employees.

The remuneration packages mainly include salaries, group medical insurance plans and discretionary bonuses awarded on a performance basis. The Group provides pension schemes for employees as part of their staff benefits.

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

Neither the Company nor any of its subsidiaries has purchased, sold or redeemed any of the Company's listed securities during the Period.

DIRECTORS' INTERESTS IN SHARES, UNDERLYING SHARES AND DEBENTURES

As at 31 March 2010, the following Director had the following interests in long positions in the shares of the Company as recorded in the register required to be kept under section 352 of the Securities and Futures Ordinance (Chapter 571 of the Laws of Hong Kong) (the "SFO"):

Name of Director	Number of ordinary shares held as at 31 March 2010	Approximate percentage of shareholding	Capacity in which interests are held
Mr. SUNG Yee Keung, Ricky	72,913,303*	1.41%	Beneficial owner

* These shares include 250,000 shares which were jointly owned by Ms. SUNG Mei Ling, the sister of Mr. SUNG Yee Keung, Ricky.

Save as disclosed above, as at 31 March 2010, none of the Directors, chief executive of the Company or their respective associates 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) which were required to be entered in the register kept by the Company pursuant to section 352 of the SFO, or were required to be notified to the Company and The Stock Exchange of Hong Kong Limited (the "Stock Exchange") pursuant to the Model Code for Securities Transactions by Directors of Listed Companies (the "Model Code").

INTERESTS OF SUBSTANTIAL SHAREHOLDERS AND OTHER PERSONS DISCLOSEABLE UNDER THE SECURITIES AND FUTURES ORDINANCE

As at 31 March 2010, the register of substantial shareholders maintained under section 336 of the SFO shows that the following company (not being Directors or chief executive of the Company) had long positions of 5% or more in the shares of the Company which fall to be disclosed to the Company under Divisions 2 and 3 of Part XV of the SFO:

Name of shareholder	Capacity	Number of shares	Approximate percentage of shareholding
Optimum Pace International Limited	Beneficial owner	2,942,608,695	56.96%

Save as disclosed above, no other person was recorded in the register required to be kept under section 336 of the SFO as having an interest or short position in the shares or underlying shares of the Company as at 31 March 2010.

SHARE OPTION SCHEME

On 27 March 2003, a share option scheme (the "Option Scheme") which complies with the requirements of the Rules Governing the Listing of Securities on the Stock Exchange (the "Listing Rules") was adopted by the shareholders of the Company. No share option had been granted under the Option Scheme since its adoption.

DISCLOSURE OF INFORMATION ON DIRECTORS

Pursuant to Rule 13.51B(1) of the Listing Rules, the changes in information on Directors are as follows:-

During the period from 1 October 2009 to 4 June 2010, Mr. SY Ethan, Timothy, Chairman of the Board and Chief Executive Officer ("CEO"), has waived his right to receive a salary in the sum of HK\$12,200,000.00 whilst Mr. KO Wai Lun, Warren, Non-executive Director, Mr. Andrew David ROSS, Mr. Geoffrey William FAWCETT and Mr. Charles Robert LAWSON, Independent Non-executive Directors, have waived their rights to receive their directors' fees in the sum of HK\$81,333.33, HK\$122,000.00, HK\$81,333.33 and HK\$81,333.33 respectively, all of which are covered by each of their service contracts with the Company.

CORPORATE GOVERNANCE

Compliance with the Code on Corporate Governance Practices

Throughout the period of the six months ended 31 March 2010, the Company has complied with the code provisions (“Code Provisions”) set out in the Code on Corporate Governance Practices contained in Appendix 14 to the Listing Rules, except for the following deviations:-

1. Code Provision A.2.1

Code Provision A.2.1 provides that the roles of chairman and chief executive officer should be separate and should not be performed by the same individual.

The positions of Chairman of the Board and CEO of the Company are both currently carried on by the same person. The Board considers that this structure does not undermine the balance of power and authority between the Board and the management. The Board members have considerable experience and qualities which they bring to the Company and the Board believes that it is able to ensure that the balance of power between the Board and the management is not impaired. The Board believes that having the same person performing the roles of both Chairman and CEO does provide the Group with strong and consistent leadership and that, operating in this manner allows for more effective and efficient overall strategic planning of the Group.

2. Code Provision A.4.2

Code Provision A.4.2 provides that every director, including those appointed for a specific term, should be subject to retirement by rotation at least once every three years.

According to Article 116 of the articles of association of the Company, all Directors (except the CEO) shall retire by rotation at the annual general meeting of the Company at least once every three years. In the opinion of the Board, stability and continuation are key factors to the successful implementation of business plans. The Board believes that it is beneficial to the Group that there is continuity in the role of the CEO and, therefore, the Board is of the view that the CEO should be exempt from this arrangement at the present time.

Model Code for Securities Transactions by Directors

The Company has adopted the Model Code set out in Appendix 10 to the Listing Rules as the code for dealing in securities of the Company by the Directors. Specific enquiry has been made on all Directors who have confirmed that they have complied with the required standard set out in the Model Code throughout the six months ended 31 March 2010.

Audit Committee Review

The Audit Committee has reviewed with the management of the Company the accounting principles and practices adopted by the Group, and discussed internal controls and financial reporting matters including a review of the unaudited consolidated interim results of the Group for the Period.

On behalf of the Board
SY Ethan, Timothy
Chairman

Hong Kong, 4 June 2010

As at the date of this Interim Report, the Board comprises 6 directors, of which 2 are executive directors, namely Mr. SY Ethan, Timothy and Mr. SUNG Yee Keung, Ricky, 1 is a non-executive director, namely Mr. KO Wai Lun, Warren and 3 are independent non-executive directors, namely Mr. Andrew David ROSS, Mr. Geoffrey William FAWCETT and Mr. Charles Robert LAWSON.

The background is a vibrant blue gradient with dynamic, flowing white and light blue lines that create a sense of movement and depth. Several 3D-rendered blue spheres of varying sizes are scattered throughout the composition, adding a futuristic and technological feel.

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