



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

2010

Interim Report



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CORPORATE INFORMATION

BOARD OF DIRECTORS

Executive Directors

Chan Chung Yee, Hubert (*Chairman*)
 Chan Chung Yin, Roy
 Chan Man Min
 Chan Ming Him, Denny
 Wu Kwok Lam *CPA, FCCA*
 Ip Man Hon
 (appointed on 15th November, 2010)
 Tsui Hon Wing
 (resigned on 1st October, 2010)

Non-executive Director

Ng Ching Wah
 (resigned on 1st November, 2010)

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

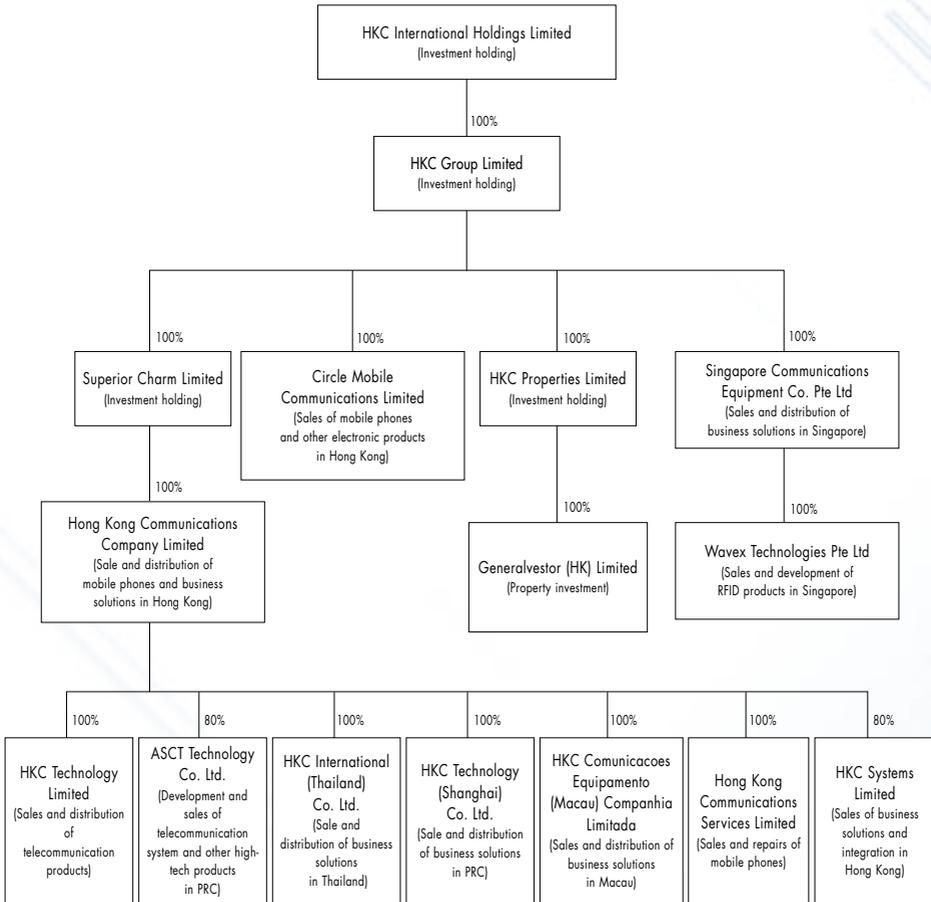
STOCK CODE

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, 2010 as follows.

CONDENSED CONSOLIDATED STATEMENT OF COMPREHENSIVE INCOME

		Six months ended 30th September,	
		2010	2009
		HK\$'000	HK\$'000
		(unaudited)	(unaudited)
	Note		
Turnover	3	423,770	484,904
Cost of sales		(378,898)	(440,613)
Gross profit		44,872	44,291
Other income and gains	4	3,747	19,966
Other losses	5	(204)	(6,314)
Selling and distribution expenses		(6,710)	(5,279)
Administrative and other operating expenses		(44,237)	(43,021)
Finance costs	6	(396)	(480)
(Loss)/profit before taxation	7	(2,928)	9,163
Tax expense	8	(564)	(3,506)
(Loss)/profit for the period		(3,492)	5,657
Other comprehensive (expense)/income			
Exchange differences on translation of overseas operations		(1,025)	1,534
Fair value gain/(loss) on available-for-sale financial assets		668	(562)
Other comprehensive (expense)/income for the period		(357)	972
Total comprehensive (expense)/income for the period		(3,849)	6,629

CONDENSED CONSOLIDATED STATEMENT OF COMPREHENSIVE INCOME (Continued)

		Six months ended 30th September,	
Note	2010 HK\$'000 (unaudited)	2009 HK\$'000 (unaudited)	
	(Loss)/profit attributable to:		
	Equity holders of the Company	(3,341)	5,657
	Minority interests	(151)	–
		<hr/>	<hr/>
	(Loss)/profit for the period	(3,492)	5,657
		<hr/> <hr/>	<hr/> <hr/>
	Total comprehensive (expense)/income attributable to:		
	Equity holders of the Company	(3,698)	6,629
	Minority interests	(151)	–
		<hr/>	<hr/>
	Total comprehensive (expense)/income for the period	(3,849)	6,629
		<hr/> <hr/>	<hr/> <hr/>
	(Loss)/earnings per share – (HK cents)		
	– basic	(0.68) cents	1.16 cents
		<hr/> <hr/>	<hr/> <hr/>
	– diluted	(0.67) cents	1.15 cents
		<hr/> <hr/>	<hr/> <hr/>
	Dividend	4,901	4,901
		<hr/> <hr/>	<hr/> <hr/>

CONDENSED CONSOLIDATED BALANCE SHEETS

	Note	As at 30th September, 2010 HK\$'000 (unaudited)	As at 31st March, 2010 HK\$'000 (audited)
Non-current assets			
Property, plant and equipment		18,381	15,825
Investment properties		11,831	12,016
Leasehold land		72,855	74,181
Available-for-sale financial assets		4,430	4,908
Deferred tax assets		78	57
		107,575	106,987
Current assets			
Inventories		26,963	37,817
Gross amount due from customers for contract work	11	4,149	1,841
Debtors, deposits and prepayments	12	43,235	35,560
Financial assets at fair value through profit or loss		32,266	41,432
Tax recoverable		110	84
Cash and bank balances		58,506	62,116
		165,229	178,850
Current liabilities			
Creditors and accrued charges	13	18,048	23,679
Gross amount due to customers for contract work	11	439	266
Derivative financial instruments	14	-	48
Amount due to a director		684	684
Tax payable		1,803	1,263
Obligations under finance leases		71	69
Bank borrowings		1,933	1,988
		22,978	27,997

CONDENSED CONSOLIDATED BALANCE SHEETS (Continued)

	As at 30th September, 2010 HK\$'000 (unaudited)	As at 31st March, 2010 HK\$'000 (audited)
Net current assets	142,251	150,853
Total assets less current liabilities	249,826	257,840
Non-current liabilities		
Obligations under finance leases	139	168
Bank borrowings	32,679	33,636
Deferred tax liabilities	159	117
	32,977	33,921
	216,849	223,919
Capital and reserves		
Share capital	4,951	4,901
Reserves	211,649	219,018
Equity attributable to equity holders of the Company	216,600	223,919
Minority interests	249	-
Total equity	216,849	223,919

CONDENSED CONSOLIDATED STATEMENT OF CHANGES IN EQUITY

FOR THE SIX MONTHS ENDED 30TH SEPTEMBER, 2010

	Share capital	Share premium	Shares held for share award plan	Share award reserve	Investment Capital reserve	Investment revaluation reserve	Translation reserve	Retained profits	Total	Minority interests	Total
	HK\$'000	HK\$'000	HK\$'000	HK\$'000	HK\$'000	HK\$'000	HK\$'000	HK\$'000	HK\$'000	HK\$'000	HK\$'000
At 1st April, 2010	4,901	41,404	(496)	660	28,325	1,492	421	147,212	223,919	-	223,919
Loss for the period	-	-	-	-	-	-	-	(3,341)	(3,341)	(151)	(3,492)
Other comprehensive income/(expense) for the period	-	-	-	-	-	668	(1,025)	-	(357)	-	(357)
Total comprehensive income/(expense) for the period	-	-	-	-	-	668	(1,025)	(3,341)	(3,698)	(151)	(3,849)
Arising on investment in a subsidiary	-	-	-	-	-	-	-	-	-	400	400
Dividend paid	50	1,230	-	-	-	-	-	(4,901)	(3,621)	-	(3,621)
At 30th September, 2010 (Unaudited)	<u>4,951</u>	<u>42,634</u>	<u>(496)</u>	<u>660</u>	<u>28,325</u>	<u>2,160</u>	<u>(604)</u>	<u>138,970</u>	<u>216,600</u>	<u>249</u>	<u>216,849</u>
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
Profit for the period	-	-	-	-	-	-	-	5,657	5,657	-	5,657
Other comprehensive income/(expense) for the period	-	-	-	-	-	1,534	(562)	-	972	-	972
Total comprehensive income/(expense) for the period	-	-	-	-	-	1,534	(562)	5,657	6,629	-	6,629
Acquisition of the remaining minority interests 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>

CONDENSED CONSOLIDATED STATEMENT OF CASH FLOW

FOR THE SIX MONTHS ENDED 30TH SEPTEMBER, 2010

	Six months ended	
	30.9.2010	30.9.2009
	HK\$'000	HK\$'000
	(unaudited)	(unaudited)
Net cash (used in)/generated from operating activities	(2,827)	2,858
Net cash generated from/(used in) investing activities	11,742	(4,791)
Net cash used in financing activities	(4,660)	(5,851)
Net increase/(decrease) in cash and cash equivalents	4,255	(7,784)
Cash and cash equivalents at beginning of the period	51,104	71,745
Effect of foreign exchange rates changes	25	(32)
Cash and cash equivalents at end of the period	55,384	63,929
Analysis of balances of cash and cash equivalents		
Time deposits with maturity within three months	2,252	19,419
Cash and bank balances	53,132	44,510
	55,384	63,929

NOTES TO THE CONDENSED FINANCIAL STATEMENTS

FOR THE SIX MONTHS ENDED 30TH SEPTEMBER, 2010

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, 2010.

2. PRINCIPAL ACCOUNTING POLICIES

The accounting policies used in the condensed consolidated financial statements are consistent with those followed in the preparation of the Group's annual financial statements for the year ended 31st March, 2010.

In the current interim period, the Group has applied, for the first time, a number of new and revised standards, amendments and interpretations ("new and revised HKFRSs") issued by the HKICPA, which are effective for the Group's financial year beginning on 1st April, 2010.

The adoption of these new and revised HKFRSs 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 recognised.

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

HKFRSs (Amendments)	Improvements to HKFRSs 2010 ¹
HKFRS 1 (Amendments)	Limited exemption from comparative HKFRS 7 disclosure for first-time adopters ²
HKAS 24 (Revised)	Related party disclosures ³
HKFRS 9	Financial instruments ⁴
HK(IFRIC) – INT 14 (Amendment)	Prepayments of minimum funding requirement ³
HK(IFRIC) – INT 19	Extinguishing financial liabilities with equity instruments ²

¹ Effective for annual periods beginning on or after 1st July, 2010 and 1st January, 2011, as appropriate

² Effective for annual periods beginning on or after 1st July, 2010

³ Effective for annual periods beginning on or after 1st January, 2011

⁴ Effective for annual periods beginning on or after 1st January, 2013

3. TURNOVER/SEGMENT INFORMATION

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:

a) Segment results, assets and liabilities

The reportable segments for the period ended 30th September, 2010 are as follows:

	Sales of mobile phones in Hong Kong HK\$'000	Sales of business solutions in Hong Kong HK\$'000	Sales of business solutions in mainland China and other countries in South East Asia HK\$'000	Property investment HK\$'000	Total HK\$'000
Revenue from external customers	363,565	32,632	26,425	1,148	423,770
Inter-segment sales	13	527	15	480	1,035
Reportable segment revenue	<u>363,578</u>	<u>33,159</u>	<u>26,440</u>	<u>1,628</u>	<u>424,805</u>
Reportable segment profit/(loss)	<u>661</u>	<u>(799)</u>	<u>(4,987)</u>	<u>(124)</u>	<u>(5,249)</u>
Interest income from bank deposits	7	-	12	-	19
Finance costs	-	-	-	(396)	(396)
Depreciation and amortisation for the period	(780)	(581)	(1,317)	(1,118)	(3,796)
Additions to non-current assets during the period	1,631	2,732	171	-	4,534
		At 30th September, 2010			
	HK\$'000	HK\$'000	HK\$'000	HK\$'000	HK\$'000
Reportable segment assets	96,366	17,024	63,288	59,351	236,029
Reportable segment liabilities	7,400	3,565	9,981	34,850	55,796

3. TURNOVER/SEGMENT INFORMATION (Continued)**a) Segment results, assets and liabilities (Continued)**

The reportable segments for the period ended 30th September, 2009 are as follows:

	Sales of mobile phones in Hong Kong HK\$'000	Sales of business solutions in Hong Kong HK\$'000	Sales of business solutions in mainland China and other countries in South East Asia HK\$'000	Property investment HK\$'000	Total HK\$'000
Revenue from external customers	443,575	24,146	16,382	801	484,904
Inter-segment sales	58	-	-	320	378
Reportable segment revenue	<u>443,633</u>	<u>24,146</u>	<u>16,382</u>	<u>1,121</u>	<u>485,282</u>
Reportable segment profit/(loss)	<u>1,580</u>	<u>(2,192)</u>	<u>(3,325)</u>	<u>(552)</u>	<u>(4,489)</u>
Interest income from bank deposits	18	-	-	-	18
Finance costs	-	-	-	(480)	(480)
Depreciation and amortisation for the period	(937)	(238)	(1,282)	(1,114)	(3,571)
Additions to non-current assets during the period	207	455	607	58	1,327
	HK\$'000	HK\$'000	At 31st March, 2010 HK\$'000	HK\$'000	HK\$'000
Reportable segment assets	80,489	38,927	60,946	59,078	239,440
Reportable segment liabilities	15,619	2,018	8,291	35,825	61,753

3. TURNOVER/SEGMENT INFORMATION (Continued)**b) Geographic information**

	Six Months ended Revenues from external customers		Non-current assets*	
	30.9.2010 HK\$'000 (unaudited)	30.9.2009 HK\$'000 (unaudited)	30.9.2010 HK\$'000 (unaudited)	31.3.2010 HK\$'000 (audited)
Hong Kong (place of domicile)	397,329	468,522	63,095	68,214
Mainland China	8,122	6,959	37,095	30,702
Singapore	16,018	9,245	2,861	3,088
Other countries in South East Asia	2,301	178	16	18
	26,441	16,382	39,972	33,808
	423,770	484,904	103,067	102,022

* Non-current assets excluding available-for-sales financial assets and deferred tax assets.

c) Reconciliations of reportable segment revenues, profit or loss, assets and liabilities

	Six months ended	
	30.9.2010 HK\$'000 (unaudited)	30.9.2009 HK\$'000 (unaudited)
REVENUES		
Reportable segment revenue	424,805	485,282
Elimination of inter-segment revenue	(1,035)	(378)
Consolidated turnover	423,770	484,904
PROFIT OR LOSS		
Reportable segment loss	(5,249)	(4,489)
Unallocated other income and gains	2,525	19,966
Other losses	(204)	(6,314)
Consolidated (loss)/profit before taxation	(2,928)	9,163

3. TURNOVER/SEGMENT INFORMATION (Continued)**c) Reconciliations of reportable segment revenues, profit or loss, assets and liabilities (Continued)**

	30.9.2010 HK\$'000 (unaudited)	31.3.2010 HK\$'000 (audited)
ASSETS		
Reportable segment assets	236,029	239,440
Non-current financial assets	4,430	4,908
Deferred tax assets	78	57
Unallocated corporate assets	32,267	41,432
	<hr/> 272,804 <hr/>	<hr/> 285,837 <hr/>
LIABILITIES		
Reportable segment liabilities	55,796	61,753
Deferred tax liabilities	159	117
Unallocated corporate liabilities	-	48
	<hr/> 55,955 <hr/>	<hr/> 61,918 <hr/>

For the purposes of monitoring segment performance and allocating resources between segments:

- all assets are allocated to reportable segments other than available-for-sale financial assets, financial assets at fair value through profit or loss and deferred tax assets. Goodwill is allocated to reportable segments "Sales of business solutions in mainland China and other countries in South East Asia"; and
- all liabilities are allocated to reportable segments other than deferred tax liabilities, and derivative financial instruments.

4. OTHER INCOME AND GAINS

	Six months ended	
	30.9.2010	30.9.2009
	HK\$'000	HK\$'000
	(unaudited)	(unaudited)
Interest income from bank deposits	19	18
Investment income	680	18,938
Sundry income	3,048	1,010
	3,747	19,966

5. OTHER LOSSES

	Six months ended	
	30.9.2010	30.9.2009
	HK\$'000	HK\$'000
	(unaudited)	(unaudited)
Impairment loss recognised in respect of goodwill	-	6,314
Loss on disposal of available-for-sale listed equity securities	204	-
	204	6,314

6. FINANCE COSTS

	Six months ended	
	30.9.2010	30.9.2009
	HK\$'000	HK\$'000
	(unaudited)	(unaudited)
Interest on obligations under finance leases	6	4
Interest on bank borrowings not wholly repayable within five years	390	476
	396	480

7. (LOSS)/PROFIT BEFORE TAXATION

	Six months ended	
	30.9.2010	30.9.2009
	HK\$'000	HK\$'000
	(unaudited)	(unaudited)
(Loss)/profit before taxation has been arrived at after charging:		
Operating lease rentals in respect of rented premises		
– minimum lease payment	6,088	4,655
– contingent rent	641	547
	6,729	5,202
Amortisation of prepaid operating lease payments	1,353	1,015
Depreciation		
– owned assets	2,404	2,520
– leased assets	39	36
	2,443	2,556
Employee benefits expenses (including directors' remuneration)		
– Salaries, allowances and benefits in kind	25,498	24,470
– Retirement benefit scheme contributions	2,000	1,740
Total staff costs	27,498	26,210
Donations	369	244

8. TAX EXPENSE

	Six months ended	
	30.9.2010	30.9.2009
	HK\$'000	HK\$'000
	(unaudited)	(unaudited)
The charge comprises:		
Hong Kong Profits Tax	497	3,553
PRC Income Tax	42	79
Deferred tax	25	(126)
	564	3,506

Hong Kong Profits Tax is provided at the rate of 16.5% (2009: 16.5%) of the estimated assessable profits for the period.

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

9. (LOSS)/EARNINGS PER SHARE ATTRIBUTABLE TO ORDINARY EQUITY HOLDERS OF THE COMPANY

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

	Six months ended	
	30.9.2010 HK\$'000 (unaudited)	30.9.2009 HK\$'000 (unaudited)
(Loss)/profit attributable to equity holders of the Company	<u>(3,341)</u>	<u>5,657</u>
	Number of shares	Number of shares
Basic Weighted average number of ordinary shares in issue less shares held for Share Award Plan for the purpose of calculating basic (loss)/earning per share	<u>493,378,831</u>	<u>488,322,997</u>
Diluted Weighted average number of ordinary shares in issue less shares held for Share Award Plan	493,378,831	488,322,997
Effect of dilutive potential ordinary shares: Award shares	<u>1,736,000</u>	<u>1,790,060</u>
Weighted average number of ordinary shares for the purpose of calculating diluted (loss)/earning per share	<u>495,114,831</u>	<u>490,113,057</u>

10. DIVIDEND

	Six months ended	
	30.9.2010 HK\$'000 (unaudited)	30.9.2009 HK\$'000 (unaudited)
Final dividend for the year 2010 of HK\$0.01 per ordinary share (2009: final dividend for the year 2009 of HK\$0.01 per ordinary share)	<u>4,901</u>	<u>4,901</u>

The directors do not recommend the payment of any interim dividend for the six months ended 30th September, 2010 (2009: HK\$ Nil).

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

	30.9.2010 HK\$'000 (unaudited)	31.3.2010 HK\$'000 (audited)
Contract costs incurred	24,511	19,331
Recognised profits	3,659	2,653
	28,170	21,984
Progress billings	(24,460)	(20,409)
Due from customers	3,710	1,575
Classified as:		
Gross amount due from customers	4,149	1,841
Gross amount due (to) customers	(439)	(266)

The directors consider that the carrying amounts of gross amount due from/(to) 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\$31,410,000 (31st March, 2010: HK\$20,868,000) which are included in the Group's debtors, deposits and prepayments is as follows:

	30.9.2010 HK\$'000 (unaudited)	31.3.2010 HK\$'000 (audited)
Neither overdue nor impaired	19,011	8,183
Less than 1 month overdue	4,479	2,590
1 to 3 months overdue	1,117	2,863
More than 3 months but less than 12 months overdue	6,803	7,232
	31,410	20,868

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\$12,120,000 (31st March, 2010: HK\$15,319,000) which are included in the Group's creditors and accrued charges is as follows:

	30.9.2010 HK\$'000 (unaudited)	31.3.2010 HK\$'000 (audited)
0-30 days	9,553	13,819
31-60 days	150	185
61-90 days	51	262
Over 90 days	2,366	1,053
	<u>12,120</u>	<u>15,319</u>

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

14. DERIVATIVE FINANCIAL INSTRUMENTS

	30.9.2010 HK\$'000 (unaudited)	31.3.2010 HK\$'000 (audited)
Equity-linked contracts	-	48

The carrying amounts of equity-linked contracts were the same as their fair values. The above transactions involving derivative financial instruments were 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, 2010, the Group's turnover was HK\$424 million which represented a decrease of approximately 13% when compared with the HK\$485 million recorded for the corresponding period last year. The net loss attributable to equity holders was HK\$3.3 million (2009: profit of HK\$5.7 million).

Sales of mobile phones

Due to the decrease in average selling price, the turnover decreased from HK\$444 million to HK\$364 million and the profit decreased from HK\$1.6 million to HK\$ 0.7 million when compared to the corresponding period last year.

Sales of business solutions

During the period under review, the turnover increased from HK\$41 million to HK\$59 million. The division recorded loss of HK\$6 million (2009: loss of HK\$6 million).

Property investment

The loss of this division was HK\$0.1 million (2009: loss of HK\$0.6 million). The loss was due to the depreciation and amortisation of investment properties of approximately HK\$1.1 million. This segment made a cash inflow to the Group.

PROSPECTS

It is expected that more smartphones with rich features and higher selling prices will be launched at the second half of the year. In addition, we will open two franchised shops in December 2010. This will help to increase the turnover and profit margin of the mobile phones segment.

Regarding the business solutions segment, we will strengthen our research and development capability to increase our competitiveness and to increase the market share.

LIQUIDITY AND FINANCIAL RESOURCES

The Group continues to maintain a strong financial position. As at 30th September, 2010, the Group's cash and bank balances amounted to approximately HK\$59 million (31st March, 2010: HK\$62 million) while the bank borrowings were HK\$35 million (31st March, 2010: HK\$36 million). The gearing ratio was 15.96% (31st March, 2010: 15.91%), which is expressed as a percentage of total borrowings to total equity.

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, 2010, the total number of employees of the Group was approximately 330 (31st March, 2010: 320) and the aggregate remuneration of employees (excluding directors' emoluments) amounted to HK\$25 million (2009: HK\$24 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, 2010, 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\$60,668,000 (31st March, 2010: HK\$61,829,000), (2) bank deposits of HK\$3,121,775 (31st March, 2010: HK\$8,581,000) and (3) financial assets at fair value through profit or loss of HK\$21,060,000 (31st March, 2010: HK\$22,819,000).

CONTINGENT LIABILITIES

As at 30th September, 2010, the Company has provided corporate guarantees of HK\$79 million (31st March, 2010: HK\$79 million) to secure the banking facilities granted to subsidiaries.

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, 2010, the interests and short positions of each director 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 the interests and short positions which he was taken or 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 contained in the Listing Rules, to be notified to the Company and the Stock Exchange were as follows:

Name of Director	The Company/ associated corporation	Capacity	Number and class of securities (Note 1)	Approximate percentage of interest
Chan Chung Yee, Hubert	The Company	Interest of controlled corporation	247,182,888 Shares (L) (Note 2)	49.92%
	The Company	Beneficial owner	9,260,000 Shares (L) (Note 3)	1.87%
	Matrix World Group Limited	Beneficial owner	1 share of US\$1.00 (L)	100.00%
Chan Chung Yin, Roy	The Company	Interest of controlled corporation	61,417,400 Shares (L) (Note 4)	12.40%
	The Company	Beneficial owner	100,000 Shares (L) (Note 5)	0.02%
	Star Global International Limited	Beneficial owner	1 share of US\$1.00 (L)	100.00%

Name of Director	The Company/ associated corporation	Capacity	Number and class of securities (Note 1)	Approximate percentage of interest
Chan Man Min	The Company	Interest of controlled corporation	24,709,650 Shares (L) (Note 6)	4.99%
	The Company	Beneficial owner	1,000,000 Shares (L) (Note 7)	0.20%
Tsui Hon Wing (resigned on 1st October,2010)	The Company	Beneficial owner	2,995,200 Shares (L) (Note 8)	0.60%
Chan Ming Him, Denny	The Company	Beneficial owner	1,000,000 Shares (L) (Note 9)	0.20%

Notes:

1. The letter "L" represents the director's or the chief executive's interests in the shares and underlying shares of the Company or its associated corporations.
2. Among these Shares, 9,107,224 Shares were held by Light Emotion Limited, a company wholly owned by Matrix World Group Limited and 238,075,664 Shares were held by Matrix World Group Limited, a company wholly owned by Mr. Chan Chung Yee, Hubert. By virtue of the provisions of Divisions 7 and 8 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 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 Ming Him. Denny.

Save as disclosed above, as at 30th September, 2010, 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 Part 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 was taken or 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 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, 2010, 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	Approximate percentage of interest
Matrix World Group Limited (Note 2)	238,075,664 (L) (Note 1)	Beneficial owner	48.08%
	9,107,224 (L)	Interest of controlled corporation	1.84%
Star Global International Limited (Note 3)	61,417,400 (L)	Beneficial owner	12.40%
Ocean Hope Group Limited (Note 4)	24,709,650 (L)	Beneficial owner	4.99%
Chan Low Wai Han, Edwina (Note 5)	61,517,400 (L)	Interest of spouse	12.42%
Josephine Liu (Note 6)	256,442,888 (L)	Interest of spouse	51.79%

Notes:

1. The letter "L" represents the person's interest in the Shares.
2. Among these Shares, 9,107,224 Shares were held by Light Emotion Limited, a company wholly owned by Matrix World Group Limited and 238,075,664 Shares were held by Matrix World Group Limited, a company wholly owned by Mr. Chan Chung Yee, Hubert. 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 is interested.
3. Star Global International Limited is a company wholly owned by Mr. Chan Chung Yin, Roy.
4. Ocean Hope Group Limited is a company wholly owned by Mr. Chan Man Min.
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, 2010, 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, 2010 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 separated 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, 2010.

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, 2010.

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, 26th November, 2010