



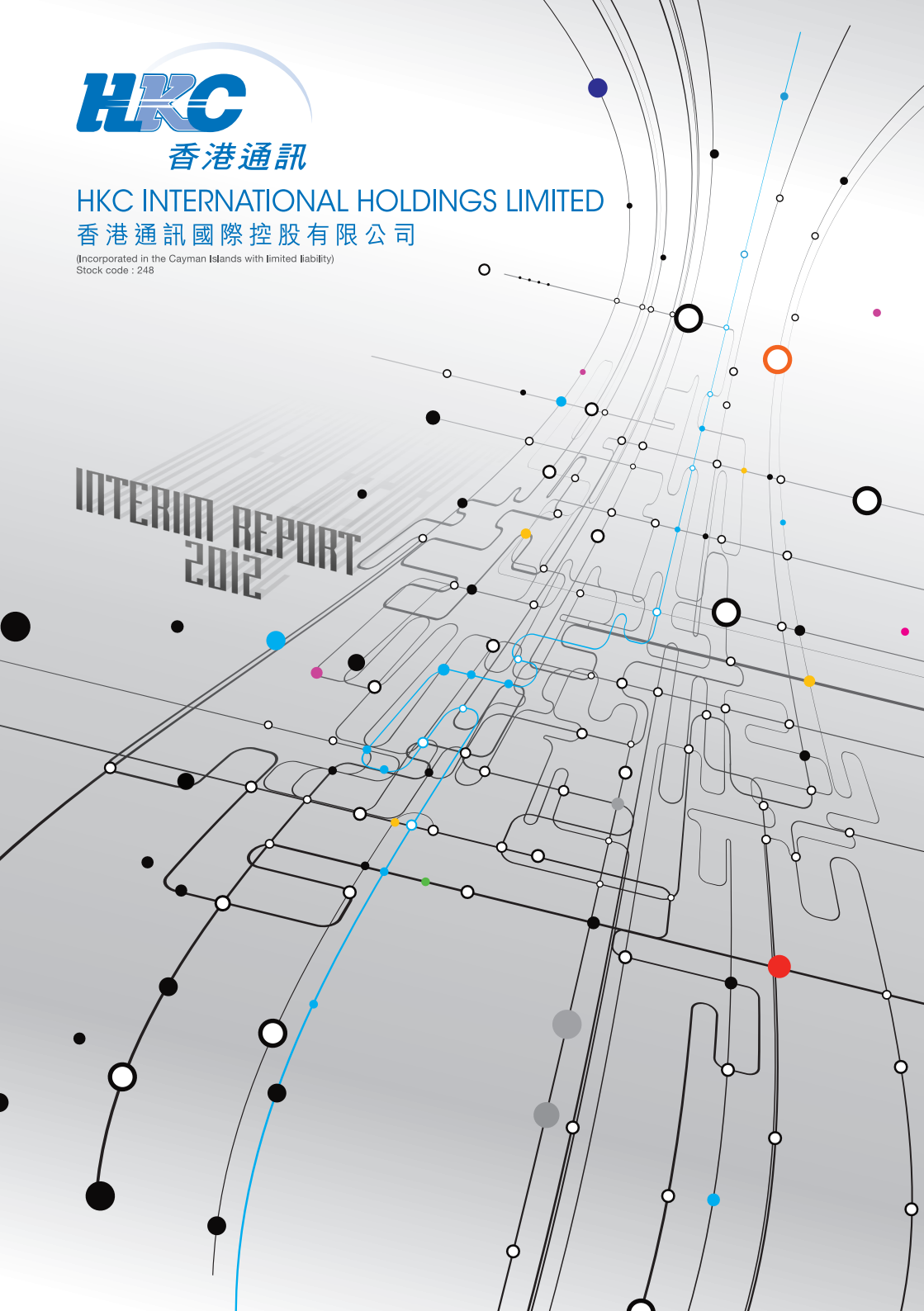
香港通訊

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  
2012





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## CORPORATE INFORMATION

### BOARD OF DIRECTORS

#### *Executive Directors*

Chan Chung Yee, Hubert (*Chairman*)

Chan Chung Yin, Roy  
(*Chief Executive Officer*)

Chan Man Min  
(retired on 13th August, 2012)

Chan Ming Him, Denny  
Wu Kwok Lam *CPA, FCCA*

Ip Man Hon

Ng Chi Hoi  
(appointed on 14th August, 2012)

#### *Independent Non-executive Directors*

Chu Chor Lup

Chiu Ngar Wing *FCCA, ACA, CPA (Practising)*

George Leung

### 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

Block B, 14/F., Vita Tower

29 Wong Chuk Hang Road

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, Wanchai

Hong Kong

### PRINCIPAL BANKERS

China Construction Bank (Asia)

The Hongkong and Shanghai Banking

Corporation Limited

Wing Hang Bank, Limited

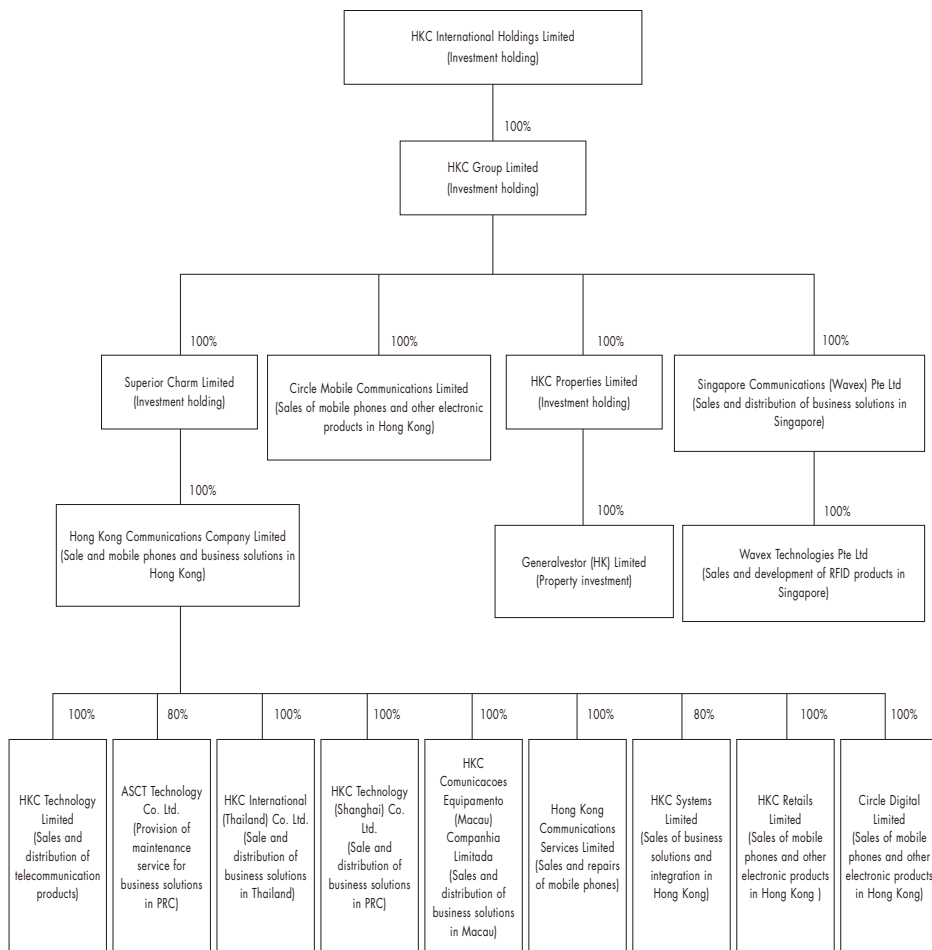
### STOCK CODE

248

### WEBSITE ADDRESS

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

## GROUP STRUCTURE



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, 2012 as follows:

## CONDENSED CONSOLIDATED STATEMENT OF COMPREHENSIVE INCOME

FOR THE SIX MONTHS ENDED 30TH SEPTEMBER, 2012

		<b>Six months ended 30th September,</b>	
	Note	<b>2012 HK\$'000 (unaudited)</b>	2011 HK\$'000 (unaudited) (restated)
Turnover	4	<b>133,108</b>	263,707
Cost of sales		<b>(96,201)</b>	(223,468)
Gross profit		<b>36,907</b>	40,239
Other income and gains	5	<b>478</b>	4,053
Other losses	6	<b>(477)</b>	(1,361)
Selling and distribution expenses		<b>(3,762)</b>	(5,902)
Administrative and other operating expenses		<b>(40,497)</b>	(44,834)
Finance costs	7	<b>(402)</b>	(400)
Loss before taxation	8	<b>(7,753)</b>	(8,205)
Tax (expense)/income	9	<b>(52)</b>	122
Loss for the period		<b>(7,805)</b>	(8,083)
Other comprehensive expense			
Exchange differences on translation of overseas operations		<b>(520)</b>	(2,595)
Fair value gain/(loss) on available-for-sale financial assets		<b>81</b>	(203)
Other comprehensive expense for the period		<b>(439)</b>	(2,798)
Total comprehensive expense for the period		<b>(8,244)</b>	(10,881)

## CONDENSED CONSOLIDATED STATEMENT OF COMPREHENSIVE INCOME (Continued)

		<b>Six months ended 30th September,</b>	
	Note	<b>2012 HK\$'000 (unaudited)</b>	2011 HK\$'000 (unaudited) (restated)
Loss attributable to:			
Equity holders of the Company		<b>(7,798)</b>	(7,928)
Non-controlling interests		<b>(7)</b>	(155)
Loss for the period		<b><u>(7,805)</u></b>	<u>(8,083)</u>
Total comprehensive expense attributable to:			
Equity holders of the Company		<b>(8,237)</b>	(10,726)
Non-controlling interests		<b>(7)</b>	(155)
Total comprehensive expense for the period		<b><u>(8,244)</u></b>	<u>(10,881)</u>
Loss per share – (HK cents)			
– basic	10	<b><u>(1.56) cents</u></b>	<u>(1.58) cents</u>
– diluted	10	<b><u>(1.54) cents</u></b>	<u>(1.57) cents</u>
Dividend	11	<b><u>5,058</u></b>	<u>4,935</u>

**CONDENSED CONSOLIDATED BALANCE SHEETS**

AS AT 30TH SEPTEMBER, 2012

	Note	<b>As at 30th September, 2012 HK\$'000 (unaudited)</b>	As at 31st March, 2012 HK\$'000 (audited)
<b>Non-current assets</b>			
Property, plant and equipment		<b>57,531</b>	60,269
Investment properties		<b>176,778</b>	177,034
Leasehold land		<b>364</b>	364
Available-for-sale financial assets		<b>4,028</b>	4,110
		<b>238,701</b>	241,777
<b>Current assets</b>			
Inventories		<b>23,588</b>	22,934
Gross amount due from customers for contract work	12	<b>10,340</b>	4,402
Debtors, deposits and prepayments	13	<b>39,140</b>	35,088
Tax recoverable		<b>-</b>	37
Cash and bank balances		<b>39,354</b>	57,202
		<b>112,422</b>	119,663
<b>Current liabilities</b>			
Creditors and accrued charges	14	<b>17,881</b>	19,003
Dividend payable		<b>5,058</b>	-
Gross amount due to customers for contract work	12	<b>586</b>	435
Tax payable		<b>629</b>	619
Obligations under finance leases		<b>47</b>	86
Bank borrowings		<b>36,997</b>	38,143
		<b>61,198</b>	58,286

## CONDENSED CONSOLIDATED BALANCE SHEETS (Continued)

	<b>As at 30th September, 2012 HK\$'000 (unaudited)</b>	As at 31st March, 2012 HK\$'000 (audited)
<b>Net current assets</b>	<b>51,224</b>	61,377
<b>Total assets less current liabilities</b>	<b>289,925</b>	303,154
<b>Non-current liabilities</b>		
Obligations under finance leases	<b>89</b>	16
Deferred tax liabilities	<b>168</b>	168
	<b>257</b>	184
	<b>289,668</b>	302,970
<b>Capital and reserves</b>		
Share capital	<b>5,058</b>	5,058
Reserves	<b>284,556</b>	297,851
Equity attributable to equity holders of the Company	<b>289,614</b>	302,909
Non-controlling interests	<b>54</b>	61
Total equity	<b>289,668</b>	302,970



**CONDENSED CONSOLIDATED STATEMENT OF CHANGES IN EQUITY**

FOR THE SIX MONTHS ENDED 30TH SEPTEMBER, 2012

	Attributable to equity holders of the Company										Non-controlling interests	Total
	Share capital	Share premium	Shares held for share award plan	Share award reserve	Capital reserve	Investment revaluation reserve	Property revaluation reserve	Translation reserve	Retained profits	Total		
	HK\$'000	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, 2012	5,058	44,501	(1,041)	664	28,325	1,189	32,078	(1,102)	193,237	302,909	61	302,970
Loss for the period	-	-	-	-	-	-	-	-	(7,798)	(7,798)	(7)	(7,805)
Other comprehensive income/(expense) for the period	-	-	-	-	-	81	-	(520)	-	(439)	-	(439)
Total comprehensive income/(expense) for the period	-	-	-	-	-	81	-	(520)	(7,798)	(8,237)	(7)	(8,244)
Dividend payable	-	-	-	-	-	-	-	-	(5,058)	(5,058)	-	(5,058)
At 30th September, 2012 (Unaudited)	<u>5,058</u>	<u>44,501</u>	<u>(1,041)</u>	<u>664</u>	<u>28,325</u>	<u>1,270</u>	<u>32,078</u>	<u>(1,622)</u>	<u>180,381</u>	<u>289,614</u>	<u>54</u>	<u>289,668</u>
At 1st April, 2011												
As previously reported	4,951	42,634	(602)	660	28,325	1,959	-	(1,084)	146,413	223,256	4	223,260
Effect on changes in accounting policy	-	-	-	-	-	-	28,948	-	58,366	87,314	-	87,314
As restated	4,951	42,634	(602)	660	28,325	1,959	28,948	(1,084)	204,779	310,570	4	310,574
Loss for the period	-	-	-	-	-	-	-	-	(7,928)	(7,928)	(155)	(8,083)
Other comprehensive expense for the period	-	-	-	-	-	(203)	-	(2,595)	-	(2,798)	-	(2,798)
Total comprehensive expense for the period	-	-	-	-	-	(203)	-	(2,595)	(7,928)	(10,726)	(155)	(10,881)
Shares purchased for Share Award Plan	-	-	(39)	-	-	-	-	-	-	(39)	-	(39)
Share issued pursuant to scrip dividend scheme	107	1,868	-	-	-	-	-	-	-	1,975	-	1,975
Dividend paid (restated)	-	-	-	-	-	-	-	-	(4,935)	(4,935)	-	(4,935)
At 30th September, 2011 (Unaudited)	<u>5,058</u>	<u>44,502</u>	<u>(641)</u>	<u>660</u>	<u>28,325</u>	<u>1,756</u>	<u>28,948</u>	<u>(3,679)</u>	<u>191,916</u>	<u>296,845</u>	<u>(151)</u>	<u>296,694</u>

## CONDENSED CONSOLIDATED STATEMENT OF CASH FLOW

FOR THE SIX MONTHS ENDED 30TH SEPTEMBER, 2012

	<b>Six months ended</b>	
	<b>30.9.2012</b> <b>HK\$'000</b> <b>(unaudited)</b>	30.9.2011 HK\$'000 (unaudited)
<b>Net cash (used in)/generated from operating activities</b>	<b>(16,219)</b>	29,476
<b>Net cash generated from/(used in) investing activities</b>	<b>8,005</b>	(8,793)
<b>Net cash (used in)/generated from financing activities</b>	<b>(1,174)</b>	1,809
<b>Net (decrease)/increase in cash and cash equivalents</b>	<b>(9,388)</b>	22,492
<b>Cash and cash equivalents at beginning of the period</b>	<b>45,691</b>	32,613
<b>Effect of foreign exchange rates changes</b>	<b>(72)</b>	257
<b>Cash and cash equivalents at end of the period</b>	<b>36,231</b>	55,362
<b>Analysis of balances of cash and cash equivalents</b>		
<b>Time deposits with maturity within three months</b>	<b>24,469</b>	35,111
<b>Cash and bank balances</b>	<b>11,762</b>	20,251
	<b>36,231</b>	55,362

## NOTES TO THE CONDENSED FINANCIAL STATEMENTS

FOR THE SIX MONTHS ENDED 30TH SEPTEMBER, 2012

### 1. BASIS OF PREPARATION

These financial statements have been prepared in accordance with Hong Kong Financial Reporting Standards ("HKFRSs") (which also include Hong Kong Accounting Standards ("HKASs") and Interpretations ("HK-Int")) issued by the Hong Kong Institute of Certified Public Accountants ("HKICPA"), accounting principles generally accepted in Hong Kong and the disclosure requirements of the Hong Kong Companies Ordinance. They have been prepared under the historical cost convention, except for investment properties and certain financial instruments, which have been measured at fair values. These financial statements are presented in Hong Kong Dollars ("HK\$") and all values are rounded to the nearest thousand except where otherwise indicated.

### 2. PRINCIPAL ACCOUNTING POLICIES

The unaudited condensed interim financial statements have been prepared in accordance with Hong Kong Accounting Standard 34 "Interim Financial Reporting" issued by HKICPA and with the applicable disclosure requirements of the Rules Governing the Listing of Securities of The Stock Exchange of Hong Kong Limited ("Listing Rules"). Except as described below, the accounting policies adopted are consistent with those set out in the annual financial statements for the year ended 31st March, 2012.

In the current interim period, the Group has applied, for the first time the following amendments to Hong Kong Financial Reporting Standards ("HKFRSs") issued by the HKICPA.

HKFRS 1 (Amendments)	Severe hyperinflation and removal of fixed dates for first-time adopters
HKFRS 7 (Amendments)	Disclosure – Transfers of financial assets

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

### 3. CHANGES IN ACCOUNTING POLICIES

During the year ended 31st March, 2012, the Group changed its accounting policy for investment property from the cost model to the fair value model. The Group believes that using the fair value model provides more appropriate and relevant information about the Group's results and financial position.

This change in policy was applied retrospectively by restating the balances at 1st April, 2011 with consequential adjustments to comparatives for the period ended 30th September, 2011.

### 3. CHANGES IN ACCOUNTING POLICIES (Continued)

#### Effect on condensed consolidated statements of comprehensive income

Six months ended  
30th September, 2011  
HK\$'000

Loss for the period	
As previously reported	(9,640)
Decrease in administrative and other operating expenses	1,557
	<hr/>
As restated	(8,083)
	<hr/> <hr/>

### 4. TURNOVER/SEGMENT INFORMATION

The Group is currently organized 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, 2012 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	73,214	28,845	28,615	2,434	133,108
Inter-segment sales	2	819	118	-	939
	<hr/>	<hr/>	<hr/>	<hr/>	<hr/>
Reportable segment revenue	<u>73,216</u>	<u>29,664</u>	<u>28,733</u>	<u>2,434</u>	<u>134,047</u>
	<hr/>	<hr/>	<hr/>	<hr/>	<hr/>
Reportable segment (loss)/profit	<u>(10,120)</u>	<u>2,867</u>	<u>(1,829)</u>	<u>1,806</u>	<u>(7,276)</u>
	<hr/>	<hr/>	<hr/>	<hr/>	<hr/>
Interest income from bank deposits	156	-	73	-	229
Finance costs	-	-	(2)	(400)	(402)
Depreciation and amortisation for the period	(1,985)	(240)	(571)	(11)	(2,807)
Additions to non-current assets during the period	262	166	180	67	675

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

	At 30th September, 2012				
	HK\$'000	HK\$'000	HK\$'000	HK\$'000	HK\$'000
Reportable segment assets	107,818	29,813	66,633	142,831	347,095
Reportable segment liabilities	7,296	9,330	6,970	37,691	61,287

The reportable segments for the period ended 30th September, 2011 are as follows:

	Sales of mobile phones in Hong Kong (restated) HK\$'000	Sales of business solutions in Hong Kong (restated) HK\$'000	Sales of business solutions in China and other countries in South East Asia (restated) HK\$'000	Property investment (restated) HK\$'000	Total (restated) HK\$'000
Revenue from external customers	209,362	28,449	23,890	2,006	263,707
Inter-segment sales	311	79	103	-	493
Reportable segment revenue	<u>209,673</u>	<u>28,528</u>	<u>23,993</u>	<u>2,006</u>	<u>264,200</u>
Reportable segment (loss)/profit	<u>(7,139)</u>	<u>(430)</u>	<u>(4,045)</u>	<u>1,289</u>	<u>(10,325)</u>
Interest income from bank deposits	77	-	1	-	78
Finance costs	-	-	(4)	(396)	(400)
Depreciation and amortisation for the period	(1,833)	(253)	(691)	(7)	(2,784)
Additions to non-current assets during the period	2,229	165	932	13,993	17,319
	HK\$'000	HK\$'000	HK\$'000	HK\$'000	HK\$'000
Reportable segment assets	124,054	25,912	64,826	142,538	357,330
Reportable segment liabilities	4,852	7,182	7,402	38,866	58,302

The accounting policies of the reportable segments are the same as the Group's accounting policies. Segment profit/(loss) represents the profit/(loss) earned by each segment without allocation of revenues from investment in financial assets, exchange gain and tax(expense)/income. This is the measure reported to the chief operating decision maker for the purposes of resource allocation and assessment of segment performance.

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

	Six months ended		Non-current assets*	
	Revenues from external customers			
	30.9.2012	30.9.2011	30.9.2012	31.3.2012
	HK\$'000 (unaudited)	HK\$'000 (unaudited)	HK\$'000 (unaudited)	HK\$'000 (audited)
Hong Kong (place of domicile)	<b>104,493</b>	239,715	<b>199,907</b>	201,580
Mainland China	<b>8,584</b>	8,441	<b>32,560</b>	33,698
Singapore	<b>17,612</b>	11,974	<b>2,202</b>	2,383
Other countries in South East Asia	<b>2,419</b>	3,577	<b>4</b>	6
	<b>28,615</b>	23,992	<b>34,766</b>	36,087
	<b>133,108</b>	263,707	<b>234,673</b>	237,667

\* Non-current assets excluding available-for-sales financial assets

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

	Six months ended	
	30.9.2012 HK\$'000 (unaudited)	30.9.2011 HK\$'000 (unaudited) (restated)
<b>REVENUES</b>		
Reportable segment revenue	<b>134,047</b>	264,200
Elimination of inter-segment revenue	<b>(939)</b>	(493)
Consolidated turnover	<b>133,108</b>	263,707
<b>PROFIT OR LOSS</b>		
Reportable segment loss	<b>(7,276)</b>	(10,325)
Unallocated other income and gains	-	3,481
Other losses	<b>(477)</b>	(1,361)
Consolidated loss before taxation	<b>(7,753)</b>	(8,205)

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

	<b>30.9.2012</b> <b>HK\$'000</b> <b>(unaudited)</b>	31.3.2012 HK\$'000 (audited)
<b>ASSETS</b>		
Reportable segment assets	<b>347,095</b>	357,330
Non-current financial assets	<b>4,028</b>	4,110
	<hr/>	<hr/>
Consolidated total assets	<b>351,123</b>	361,440
	<hr/> <hr/>	<hr/> <hr/>
<b>LIABILITIES</b>		
Reportable segment liabilities	<b>61,287</b>	58,302
Deferred tax liabilities	<b>168</b>	168
	<hr/>	<hr/>
Consolidated total liabilities	<b>61,455</b>	58,470
	<hr/> <hr/>	<hr/> <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 and
- all liabilities are allocated to reportable segments other than deferred tax liabilities.

**5. OTHER INCOME AND GAINS**

	<b>Six months ended</b>	
	<b>30.9.2012</b> <b>HK\$'000</b> <b>(unaudited)</b>	30.9.2011 HK\$'000 (unaudited)
Interest income from bank deposits	<b>229</b>	77
Investment income	-	73
Sundry income	<b>249</b>	3,903
	<hr/>	<hr/>
	<b>478</b>	4,053
	<hr/> <hr/>	<hr/> <hr/>

## 6. OTHER LOSSES

	<b>Six months ended</b>	
	<b>30.9.2012</b>	30.9.2011
	<b>HK\$'000</b>	HK\$'000
	<b>(unaudited)</b>	(unaudited)
Net exchange Loss	43	-
Loss on disposal of property, plant and equipment	434	-
Net realized and unrealized losses on financial assets at fair value through profit or loss	-	1,361
	<u>477</u>	<u>1,361</u>

## 7. FINANCE COSTS

	<b>Six months ended</b>	
	<b>30.9.2012</b>	30.9.2011
	<b>HK\$'000</b>	HK\$'000
	<b>(unaudited)</b>	(unaudited)
Interest on obligations under finance leases	2	4
Interest on bank borrowings not wholly repayable within five years	400	396
	<u>402</u>	<u>400</u>

## 8. LOSS BEFORE TAXATION

	<b>Six months ended</b>	
	<b>30.9.2012</b>	30.9.2011
	<b>HK\$'000</b>	HK\$'000
	<b>(unaudited)</b>	(unaudited) (restated)
Loss before taxation has been arrived at after charging:		
Operating lease rentals in respect of rented premises		
- minimum lease payment	5,697	5,824
- contingent rent	380	528
	6,077	6,352
Amortisation of prepaid operating lease payments	4	4
Depreciation		
- owned assets	2,757	2,728
- leased assets	46	52
	2,803	2,780
Employee benefits expenses (including directors' remuneration)		
- Salaries, allowances and benefits in kind	23,678	27,537
- Retirement benefit scheme contributions	1,711	2,080
Total staff costs	25,389	29,617
Donations	55	-



**9. TAX (EXPENSE)/INCOME**

	<b>Six months ended</b>	
	<b>30.9.2012</b>	30.9.2011
	<b>HK\$'000</b>	HK\$'000
	<b>(unaudited)</b>	(unaudited)
The (charge)/income comprises:		
Hong Kong Profits Tax	<b>(52)</b>	-
Deferred tax	-	122
	<b>(52)</b>	122

Hong Kong Profits Tax is provided at the rate of 16.5% (2011: 16.5%) of the estimated assessable profits for the period.

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

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

	<b>Six months ended</b>	
	<b>30.9.2012</b>	30.9.2011
	<b>HK\$'000</b>	HK\$'000
	<b>(unaudited)</b>	(unaudited)
		(restated)
Loss attributable to equity holders of the Company	<b>(7,798)</b>	(7,928)
	<b>Number of shares</b>	Number of shares
<b>Basic</b>		
Weighted average number of ordinary shares in issue less shares held for Share Award Plan for the purposes of calculating basic loss per share	<b>501,008,524</b>	503,176,524
<b>Diluted</b>		
Weighted average number of ordinary shares in issue less shares held for Share Award Plan	<b>501,008,524</b>	503,176,524
Effect of dilutive potential ordinary shares:		
Award shares	<b>4,776,000</b>	2,608,000
Weighted average number of ordinary shares for the purpose of calculating diluted loss per share	<b>505,784,524</b>	505,784,524

## 11. DIVIDEND

	<b>Six months ended</b>	
	<b>30.9.2012</b> <b>HK\$'000</b> <b>(unaudited)</b>	30.9.2011 HK\$'000 (unaudited) (restated)
Final dividend for the year 2012 of HK\$0.01 per ordinary share (2011: final dividend for the year 2011 of HK\$0.01 per ordinary share)	<b>5,058</b>	4,935

The directors do not recommend the payment of any interim dividend for the six months ended 30th September, 2012 (2011: HK\$ Nil).

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

	<b>30.9.2012</b> <b>HK\$'000</b> <b>(unaudited)</b>	31.3.2012 HK\$'000 (audited)
Contract costs incurred	<b>22,005</b>	26,915
Recognised profits	<b>5,398</b>	7,933
	<b>27,403</b>	34,848
Progress billings	<b>(17,649)</b>	(30,881)
Due from customers	<b>9,754</b>	3,967
Classified as:		
Gross amount due from customers	<b>10,340</b>	4,402
Gross amount due to customers	<b>(586)</b>	(435)

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

**13. 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\$30,776,000 (31st March, 2012: HK\$22,835,000) which are included in the Group's debtors, deposits and prepayments is as follows:

	<b>30.9.2012</b> <b>HK\$'000</b> <b>(unaudited)</b>	31.3.2012 HK\$'000 (audited)
Neither overdue nor impaired	<b>17,668</b>	11,678
Less than 1 month overdue	<b>3,310</b>	2,222
1 to 3 months overdue	<b>2,136</b>	2,349
More than 3 months but less than 12 months overdue	<b>7,662</b>	6,586
	<b>30,776</b>	22,835

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

**14. CREDITORS AND ACCRUED CHARGES**

The aged analysis of trade creditors of HK\$8,466,000 (31st March, 2012: HK\$7,826,000) which are included in the Group's creditors and accrued charges is as follows:

	<b>30.9.2012</b> <b>HK\$'000</b> <b>(unaudited)</b>	31.3.2012 HK\$'000 (audited)
0-30 days	<b>4,522</b>	5,957
31-60 days	<b>1,059</b>	559
61-90 days	<b>628</b>	14
Over 90 days	<b>2,257</b>	1,296
	<b>8,466</b>	7,826

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

**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, 2012, the Group's turnover was HK\$133 million which represented a decrease of approximately 49.5% as compared with the HK\$264 million recorded for the corresponding period last year. The net loss attributable to equity holders of the Company was HK\$7.8 million (2011: HK\$7.9 million).

### Sales of mobile phones

The turnover substantially decreased from HK\$209 million to HK\$73 million due to the cessation of mobile phones distribution business. During the reporting period, we focused on the retail business. The decrease in turnover and profit margin led to the loss of HK\$10.1 million compared with the loss of HK\$7.1 million (restated) for the same period last year.

### Sales of business solutions

The turnover increased from HK\$52.3 million to HK\$57.5 million and the division recorded profit of HK\$1 million (2011: (restated) loss of HK\$4.5 million). The improvement in the performance was due to the increase in efficiency and effective measures for cost control.

### Property investment

The rental income increased from HK\$2 million to HK\$2.4 million and the profit of this division was HK\$1.8 million (2011: (restated) HK\$1.3 million)

## PROSPECTS

Regarding the mobile phone retail business, we will place more efforts to streamline the operations. Several shops will be renovated to upgrade the image during the second half of the year. We will continue to look for opportunities for distribution business.

In business solution segment, we have won several home automation projects from property developers in Hong Kong. This will help to boost the results during the second half of the year.

Regarding the property investment segment, we expect that the rental income will be stable.



## LIQUIDITY AND FINANCIAL RESOURCES

The Group continues to maintain a strong financial position. As at 30th September, 2012, the Group's cash and bank balances amounted to approximately HK\$39 million (31st March, 2012: HK\$57 million) while the bank borrowings were HK\$37 million (31st March, 2012: HK\$38 million). The gearing ratio was 12.8% (31st March, 2012: 12.6%) which is expressed as a percentage of total borrowings to total equity.

## EMPLOYEES

As at 30th September, 2012, the total number of employees of the Group was approximately 160 (31st March, 2012: 170) and the aggregate remuneration of employees (excluding directors' emoluments) amounted to HK\$23 million (2011: 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 is a 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, 2012, 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\$131,670,000 (31st March, 2012: HK\$131,670,000) and (2) bank deposits of HK\$3,122,205 (31st March, 2012: HK\$9,185,000).

## CONTINGENT LIABILITIES

As at 30th September, 2012, the Company has provided corporate guarantees of HK\$103 million (31st March, 2012: HK\$103 million) to secure the banking facilities granted to subsidiaries.

## DIRECTORS' AND CHIEF EXECUTIVE'S INTERESTS AND SHORT POSITIONS IN SHARES, UNDERLYING SHARES AND DEBENTURES

As at 30th September, 2012, the interests and short positions of each director and chief executive of the Company in shares, underlying shares or debentures of the Company or any of its associated corporations (within the meaning of Part XV 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 (long position) (Note 1)	Approximate percentage of interest
Chan Chung Yee, Hubert	The Company	Interest of controlled corporation	257,882,888 Shares (L) (Note 2)	50.99%
	The Company	Beneficial owner	9,260,000 Shares (L) (Note 3)	1.83%
	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	60,000,000 Shares (L) (Note 4)	11.86%
	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%
Chan Man Min (retired on 13th August, 2012)	The Company	Interest of controlled corporation	24,709,650 Shares (L) (Note 6)	4.88%
	The Company	Beneficial owner	1,000,000 Shares (L) (Note 7)	0.20%
Chan Ming Him, Denny	The Company	Beneficial owner	1,000,000 Shares (L) (Note 8)	0.20%
Ng Chi Hoi	The Company	Beneficial owner	200,000 Shares (L) (Note 9)	0.04%



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 248,775,664 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 is 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. Chan Ming Him, Denny.
9. These Shares are registered in the name of Mr. Ng Chi Hoi.
10. Save as disclosed above, as at 30th September, 2012, 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 XV 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' INTERESTS AND SHORT POSITIONS IN SHARES AND UNDERLYING SHARES OF THE COMPANY

As at 30th September, 2012, the interests and short positions of the substantial shareholders of the Company (other than the directors and the chief executive of the Company) in the shares and underlying shares of the company as recorded in the register required to be kept by the Company pursuant to section 336 of the SFO were as follows:

Name	Number of Shares (long position) (Note 1)	Capacity/nature of interest	Approximate percentage of interest
Matrix World Group Limited	248,775,664 (L) (Note 2)	Beneficial owner	49.19%
	9,107,224 (L) (Note 2)	Interest of controlled corporation	1.80%
Star Global International Limited (Note 3)	60,000,000 (L)	Beneficial owner	11.86%
Ocean Hope Group Limited (Note 4)	24,709,650 (L)	Beneficial owner	4.88%
Chan Low Wai Han, Edwina (Note 5)	60,100,000 (L)	Interest of spouse	11.88%
Josephine Liu (Note 6)	267,142,888 (L)	Interest of spouse	52.82%

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 248,775,664 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. 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 the 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 the 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 Yee, Hubert is interested.





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

During the six months ended 30th September, 2012, neither the Company nor any of its subsidiaries had purchased, sold or redeemed any of the Company's listed shares.

## **COMPLIANCE WITH CORPORATE GOVERNANCE CODE OF THE LISTING RULES**

In the opinion of the directors, the Company has complied with the code provisions in the Corporate Governance Code (the "Code") as set out in Appendix 14 to the Listing Rules throughout the six months ended 30th September, 2012, except for the deviation in respect of the attendance of the independent non-executive directors at the general meetings of the Company set out in Code Provision A.6.7 of the Code.

Code Provision A.6.7 of the Code stipulates, among other things, that the independent non-executive directors and other non-executive directors should attend general meetings. All three independent non-executive directors did not attend the annual general meeting of the Company held on 13th August, 2012 due to their other commitments.

## **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, 2012.

## **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, 2012.

## **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, 27th November, 2012