



HKC

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



CONTENTS

PAGE

CORPORATE INFORMATION	2
CONDENSED CONSOLIDATED STATEMENT OF COMPREHENSIVE INCOME	3
CONDENSED CONSOLIDATED STATEMENT OF FINANCIAL POSITION	5
CONDENSED CONSOLIDATED STATEMENT OF CHANGES IN EQUITY	7
CONDENSED CONSOLIDATED STATEMENT OF CASH FLOWS	8
NOTES TO THE CONDENSED CONSOLIDATED FINANCIAL STATEMENTS	9
MANAGEMENT DISCUSSION AND ANALYSIS	20
OTHER INFORMATION	21

CORPORATE INFORMATION

BOARD OF DIRECTORS

Executive Directors

Chan Chung Yee, Hubert
(*Chairman & Chief Executive Officer*)
Chan Chung Yin, Roy
Chan Ming Him, Denny
Wu Kwok Lam CPA, FCCA
Ip Man Hon
Chow So Fan, Candy

Independent Non-executive Directors

Chiu Ngar Wing
FCCA, ACA, CPA (Practising)
Chu Chor Lup
Law Ka Hung

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 PLACE OF BUSINESS IN HONG KONG

14/F., Block B, Vita Tower
29 Wong Chuk Hang Road
Hong Kong

CAYMAN ISLANDS PRINCIPAL REGISTRAR

Codan Trust Company (Cayman) Limited
Cricket Square
Hutchins Drive
P.O. Box 2681
Grand Cayman KY1-1111
Cayman Islands
British West Indies

HONG KONG BRANCH REGISTRAR

Pilare Limited
Room 1021, 10th Floor,
Sun Hung Kai Centre
30 Harbour Road, Wanchai
Hong Kong

AUDITORS

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

PRINCIPAL BANKERS

China Construction Bank (Asia)
The Hongkong and Shanghai Banking
Corporation Limited
OCBC Wing Hang Bank, Limited

STOCK CODE

248

WEBSITE ADDRESS

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

The board of directors (the "Board") of HKC International Holdings Limited (the "Company") is pleased to announce the unaudited condensed consolidated results of the Company and its subsidiaries (collectively, the "Group") for the six months ended 30th September, 2017 as follows:

CONDENSED CONSOLIDATED STATEMENT OF COMPREHENSIVE INCOME

FOR THE SIX MONTHS ENDED 30TH SEPTEMBER, 2017

		Six months ended 30th September,	
		2017	2016
Note		HK\$'000 (unaudited)	HK\$'000 (unaudited)
	3	129,889	95,219
Revenue			
		(103,736)	(72,938)
Cost of sales			
		26,153	22,281
Gross profit			
	4	1,455	3,877
Other income and gains			
	5	(170)	(52)
Other losses			
Selling and distribution expenses		(2,410)	(2,889)
Administrative and other operating expenses			
	6	(20,842)	(25,678)
Finance costs		(996)	(1,055)
	7	3,190	(3,516)
Profit/(loss) before taxation			
	8	(37)	(95)
Tax expense			
		3,153	(3,611)
Profit/(loss) for the period attributable to equity holders of the Company			
Other comprehensive income/(expense)			
Items that may be reclassified subsequently to profit or loss:			
Exchange differences on translation of overseas operations		1,388	(490)
Available-for-sale financial assets:			
Reclassification adjustments transferred to profit or loss			
– Released upon disposal of available-for-sale financial assets		-	(3,398)
Other comprehensive income/(expense) for the period		1,388	(3,888)

CONDENSED CONSOLIDATED STATEMENT OF COMPREHENSIVE INCOME (Continued)

FOR THE SIX MONTHS ENDED 30TH SEPTEMBER, 2017

		Six months ended 30th September,	
	Note	2017 HK\$'000 (unaudited)	2016 HK\$'000 (unaudited)
Total comprehensive income/(expense) for the period attributable to equity holders of the Company		<u>4,541</u>	<u>(7,499)</u>
Earnings/(loss) per share – (HK cents)			
– basic	9	<u>0.25 cents</u>	<u>(0.29) cents*</u>
– diluted	9	<u>0.25 cents</u>	<u>(0.29) cents*</u>

* Adjusted for the bonus share issue

CONDENSED CONSOLIDATED STATEMENT OF FINANCIAL POSITION

AS AT 30TH SEPTEMBER, 2017

	Note	As at 30th September, 2017 HK\$'000 (unaudited)	As at 31st March, 2017 HK\$'000 (audited)
Non-current assets			
Property, plant and equipment		57,503	57,953
Investment properties		189,270	189,270
Available-for-sale financial assets		3,900	3,900
		250,673	251,123
Current assets			
Inventories		26,813	11,876
Financial assets at fair value through profit or loss		402	384
Gross amounts due from customers for contract work	11	25,705	25,319
Debtors, deposits and prepayments	12	51,451	53,954
Tax recoverable		137	140
Cash and bank balances		20,425	17,716
		124,933	109,389
Current liabilities			
Creditors and accrued charges	13	15,383	17,355
Tax payable		39	43
Obligations under finance leases		11	11
Bank borrowings		76,825	79,288
Deposit received for disposal of investment properties	16	15,000	–
		107,258	96,697

CONDENSED CONSOLIDATED STATEMENT OF FINANCIAL POSITION (Continued)

AS AT 30TH SEPTEMBER, 2017

	As at 30th September, 2017 HK\$'000 (unaudited)	As at 31st March, 2017 HK\$'000 (audited)
Net current assets	17,675	12,692
Total assets less current liabilities	268,348	263,815
Non-current liabilities		
Obligations under finance leases	4	12
Deferred tax liabilities	168	168
	172	180
Net assets	268,176	263,635
Capital and reserves		
Share capital	12,453	9,963
Reserves	255,723	253,672
Total equity	268,176	263,635

CONDENSED CONSOLIDATED STATEMENT OF CHANGES IN EQUITY

FOR THE SIX MONTHS ENDED 30TH SEPTEMBER, 2017

Attributable to equity holders of the Company

	Share capital HK\$'000	Share premium HK\$'000	Shares held for share award plan HK\$'000	Share award reserve HK\$'000	Capital reserve HK\$'000	Investment revaluation reserve HK\$'000	Property revaluation reserve HK\$'000	Translation reserve HK\$'000	Retained profits HK\$'000	Total Equity HK\$'000
At 1st April, 2017	9,963	42,111	-	-	28,325	-	41,556	279	141,401	263,635
Profit for the period	-	-	-	-	-	-	-	-	3,153	3,153
Other comprehensive income for the period	-	-	-	-	-	-	-	1,388	-	1,388
Total comprehensive income for the period	-	-	-	-	-	-	-	1,388	3,153	4,541
Bonus shares issue	2,490	(2,490)	-	-	-	-	-	-	-	-
At 30th September, 2017 (unaudited)	<u>12,453</u>	<u>39,621</u>	<u>-</u>	<u>-</u>	<u>28,325</u>	<u>-</u>	<u>41,556</u>	<u>1,667</u>	<u>144,554</u>	<u>268,176</u>
At 1st April, 2016	7,970	44,104	(498)	664	28,325	3,398	41,556	1,755	144,540	271,814
Loss for the period	-	-	-	-	-	-	-	-	(3,611)	(3,611)
Other comprehensive expense for the period	-	-	-	-	-	(3,398)	-	(490)	-	(3,888)
Total comprehensive expense for the period	-	-	-	-	-	(3,398)	-	(490)	(3,611)	(7,499)
Bonus shares issue	1,993	(1,993)	-	-	-	-	-	-	-	-
Recognition of equity settled share based payment	-	-	-	1,122	-	-	-	-	-	1,122
Shares awarded to staff under share award plan	-	-	498	(1,122)	-	-	-	-	624	-
Expiration of share award scheme	-	-	-	(664)	-	-	-	-	664	-
At 30th September, 2016 (unaudited)	<u>9,963</u>	<u>42,111</u>	<u>-</u>	<u>-</u>	<u>28,325</u>	<u>-</u>	<u>41,556</u>	<u>1,265</u>	<u>142,217</u>	<u>265,437</u>

CONDENSED CONSOLIDATED STATEMENT OF CASH FLOWS

FOR THE SIX MONTHS ENDED 30TH SEPTEMBER, 2017

	Six months ended	
	30.9.2017	30.9.2016
	HK\$'000	HK\$'000
	(unaudited)	(unaudited)
Net cash used in operating activities	(9,440)	(1,041)
Net cash generated from investing activities	14,895	4,846
Net cash used in financing activities	(2,486)	(5,357)
Net increase/(decrease) in cash and cash equivalents	2,969	(1,552)
Cash and cash equivalents at beginning of the period	12,147	10,000
Effect of foreign exchange rates changes	54	16
Cash and cash equivalents at end of the period	15,170	8,464
Analysis of balances of cash and cash equivalents		
Cash and bank balances	18,114	11,446
Bank overdraft	(2,944)	(2,982)
	15,170	8,464

NOTES ON THE CONDENSED CONSOLIDATED FINANCIAL STATEMENTS

FOR THE SIX MONTHS ENDED 30TH SEPTEMBER, 2017

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 consolidated 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, 2017.

In the current interim period, the Group has applied, for the first time, the following amendments to HKASs and HKFRSs issued by the HKICPA that are relevant for the preparation of the Group's condensed consolidated financial statements:

Amendments to HKAS 7	<i>Disclosure Initiative</i>
Amendments to HKAS 12	<i>Recognition of Deferred Tax Assets for Unrealised Losses</i>

The application of the new and amendments to HKFRSs in the current interim period has had no material impact on the Group's financial performance and positions for the current and prior period and/or on the disclosures set out in these condensed consolidated financial statements.

The Group has not adopted any new standard or amendment that is not yet effective for the accounting period ended 30th September, 2017.

3. REVENUE/SEGMENT INFORMATION

Revenue represents sales of mobile phones, sales of internet of things ("IOT") solutions and gross rental income.

a) Segment results, assets and liabilities

The reportable segments for the period ended 30th September, 2017 are as follows:

	Sales of mobile phones in Hong Kong HK\$'000	Sales of IOT solutions in Hong Kong HK\$'000	Sales of IOT solutions in Mainland China and other countries in South East Asia HK\$'000	Property investment HK\$'000	Total HK\$'000
Revenue from external customers	89,025	28,354	10,225	2,285	129,889
Inter-segment sales	-	121	-	-	121
Reportable segment revenue	<u>89,025</u>	<u>28,475</u>	<u>10,225</u>	<u>2,285</u>	<u>130,010</u>
Reportable segment profit/(loss)	<u>1,947</u>	<u>1,454</u>	<u>(247)</u>	<u>188</u>	<u>3,342</u>
Interest income from bank deposits	11	-	-	-	11
Finance costs	(471)	-	-	(525)	(996)
Depreciation for the period	(184)	(171)	(180)	(8)	(543)
Reportable segment assets	111,599	23,441	46,994	189,270	371,304
Additions to non-current assets during the period	1	16	40	36	93
Reportable segment liabilities	40,096	6,530	6,983	53,653	107,262

3. REVENUE/SEGMENT INFORMATION (Continued)

a) Segment results, assets and liabilities (Continued)

The reportable segments for the period ended 30th September, 2016 are as follows:

	Sales of mobile phones in Hong Kong HK\$'000	Sales of IOT solutions in Hong Kong HK\$'000	Sales of IOT solutions in Mainland China and other countries in South East Asia HK\$'000	Property investment HK\$'000	Total HK\$'000
Revenue from external customers	<u>44,971</u>	<u>31,469</u>	<u>15,774</u>	<u>3,005</u>	<u>95,219</u>
Reportable segment (loss)/profit	<u>(4,728)</u>	<u>(1,419)</u>	<u>(1,730)</u>	<u>744</u>	<u>(7,133)</u>
Interest income from bank deposits	82	-	-	-	82
Finance costs	(358)	-	(136)	(561)	(1,055)
Depreciation for the period	(569)	(203)	(186)	(2)	(960)
Reportable segment assets	77,827	35,781	21,322	211,208	346,138
Additions to non-current assets during the period	63	35	18	-	116
Reportable segment liabilities	25,548	8,817	7,936	42,432	84,733

There were no inter-segment sales during the period ended 30th September, 2016.

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 gain on disposal of available-for-sale financial assets, fair value gain of financial assets at fair value through profit or loss, net exchange loss and tax expense. This is the measure reported to the chief operating decision maker for the purposes of resource allocation and assessment of segment performance.

3. REVENUE/SEGMENT INFORMATION (Continued)
b) Geographic information

	Revenues from external customers six months ended		Non-current assets*	
	30.9.2017 HK\$'000 (unaudited)	30.9.2016 HK\$'000 (unaudited)	30.9.2017 HK\$'000 (unaudited)	31.3.2017 HK\$'000 (audited)
Hong Kong (place of domicile)	118,128	78,629	216,671	218,761
Mainland China	7,029	6,905	28,554	26,889
Singapore	4,480	9,286	1,548	1,573
Other countries in South East Asia	252	399	-	-
	11,761	16,590	30,102	28,462
	129,889	95,219	246,773	247,223

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

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

	Six months ended	
	30.9.2017 HK\$'000 (unaudited)	30.9.2016 HK\$'000 (unaudited)
REVENUE		
Reportable segment revenue	130,010	95,219
Elimination of inter-segment revenue	121	-
Consolidated revenue	129,889	95,219
PROFIT OR LOSS		
Reportable segment profit/(loss)	3,342	(7,133)
Gain on disposal of available-for-sale financial assets	-	3,666
Fair value gain of financial assets at fair value through profit or loss	18	3
Net exchange loss	(170)	(52)
Consolidated profit/(loss) before taxation	3,190	(3,516)

3. REVENUE/SEGMENT INFORMATION (Continued)

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

	30.9.2017 HK\$'000 (unaudited)	31.3.2017 HK\$'000 (audited)
ASSETS		
Reportable segment assets	371,304	356,228
Non-current financial assets	3,900	3,900
Unallocated corporate assets	402	384
	<hr/>	<hr/>
Consolidated total assets	375,606	360,512
	<hr/> <hr/>	<hr/> <hr/>
LIABILITIES		
Reportable segment liabilities	107,262	96,709
Deferred tax liabilities	168	168
	<hr/>	<hr/>
Consolidated total liabilities	107,430	96,877
	<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 financial assets at fair value through profit or loss.
- all liabilities are allocated to reportable segments other than deferred tax liabilities.

4. OTHER INCOME AND GAINS

	Six months ended	
	30.9.2017 HK\$'000 (unaudited)	30.9.2016 HK\$'000 (unaudited)
Gain on disposal of available-for-sale financial assets	-	3,666
Bank interest income	11	82
Dividend income from listed equity securities	-	2
Fair value gain of financial assets at fair value through profit or loss	18	3
Deposit forfeited	1,368	-
Others	58	124
	<hr/>	<hr/>
	1,455	3,877
	<hr/> <hr/>	<hr/> <hr/>

5. OTHER LOSSES

	Six months ended	
	30.9.2017 HK\$'000 (unaudited)	30.9.2016 HK\$'000 (unaudited)
Net exchange loss	170	52

6. FINANCE COSTS

	Six months ended	
	30.9.2017 HK\$'000 (unaudited)	30.9.2016 HK\$'000 (unaudited)
Interest on bank borrowings not wholly repayable within five years	996	1,055

7. PROFIT/(LOSS) BEFORE TAXATION

	Six months ended	
	30.9.2017 HK\$'000 (unaudited)	30.9.2016 HK\$'000 (unaudited)
Profit/(loss) before taxation has been arrived at after charging:		
Operating lease rentals in respect of rented premises		
– minimum lease payments	614	797
– contingent rent	332	244
	946	1,041
Depreciation		
– owned assets	533	950
– leased assets	10	10
	543	960
Employee benefits expenses (including directors' remuneration)		
– salaries, allowances and benefits in kind	13,256	16,058
– retirement benefit scheme contributions	1,040	1,491
Total staff costs	14,296	17,549

8. TAX EXPENSE

	Six months ended	
	30.9.2017	30.9.2016
	HK\$'000	HK\$'000
	(unaudited)	(unaudited)
Hong Kong Profits Tax	(37)	(95)

Hong Kong Profits Tax is provided at the rate of 16.5% (2016: 16.5%) of the estimated assessable profits for the period.

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

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

	Six months ended	
	30.9.2017	30.9.2016
	HK\$'000	HK\$'000
	(unaudited)	(unaudited)
Profit/(loss) attributable to equity holders of the Company	3,153	(3,611)
	Number of shares	Number of shares (restated)
Basic		
Weighted average number of ordinary shares in issue less shares held for Share Award Plan for the purpose of calculating basic earnings/(loss) per share	1,245,331,256	1,242,801,536*
Diluted		
Weighted average number of ordinary shares in issue less shares held for Share Award Plan	1,245,331,256	1,242,801,536*
Effect of dilutive potential ordinary shares:		
Awarded shares	-	2,529,720
Weighted average number of ordinary shares for the purpose of calculating diluted earnings/(loss) per share	1,245,331,256	1,245,331,256

* Adjusted for the bonus share issue

10. DIVIDEND

The directors do not recommend the payment of any interim dividend for the six months ended 30th September, 2017 (2016: HK\$ Nil).

11. GROSS AMOUNTS DUE FROM CUSTOMERS FOR CONTRACT WORK

	30.9.2017 HK\$'000 (unaudited)	31.3.2017 HK\$'000 (audited)
Contract costs incurred	97,673	93,394
Recognised profits	20,218	18,069
	117,891	111,463
Progress billings	(92,186)	(86,144)
	25,705	25,319

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

12. DEBTORS, DEPOSITS AND PREPAYMENTS

The Group has a policy of allowing average credit period ranging from seven days 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 ageing analysis of trade debtors of HK\$45,723,000 (31st March, 2017: HK\$42,558,000) which are included in the Group's debtors, deposits and prepayments is as follows:

	30.9.2017 HK\$'000 (unaudited)	31.3.2017 HK\$'000 (audited)
0-30 days	25,202	15,015
31-60 days	10,068	12,337
61-90 days	2,807	609
91-120 days	811	503
121-360 days	2,912	6,883
Over 360 days	3,923	7,211
	45,723	42,558

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

13. CREDITORS AND ACCRUED CHARGES

The ageing analysis of trade creditors of HK\$9,771,000 (31st March, 2017: HK\$7,226,000) which is included in the Group’s creditors and accrued charges is as follows:

	30.9.2017 HK\$'000 (unaudited)	31.3.2017 HK\$'000 (audited)
0-30 days	4,688	5,233
31-60 days	1,626	153
61-90 days	1,581	238
Over 90 days	1,876	1,602
	<hr/> 9,771 <hr/>	<hr/> 7,226 <hr/>

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

14. FAIR VALUE MEASUREMENT OF FINANCIAL INSTRUMENTS

a) Financial assets measured at fair value

Fair value hierarchy

The following table presents the fair value of the Group’s financial instruments measured at the end of each reporting period on a recurring basis, categorised into the three-level fair value hierarchy as defined in HKFRS 13, *Fair value measurement*. The level into which a fair value measurement is classified is determined with reference to the observability and significance of the inputs used in the valuation technique as follows:

- Level 1 valuations: Fair value measured using only Level 1 inputs i.e. unadjusted quoted prices in active markets for identical assets or liabilities at the measurement date.
- Level 2 valuations: Fair value measured using Level 2 inputs i.e. observable inputs which fail to meet Level 1, and not using significant unobservable inputs. Unobservable inputs are inputs for which market data are not available.
- Level 3 valuations: Fair value measured using significant unobservable inputs.

14. FAIR VALUE MEASUREMENT OF FINANCIAL INSTRUMENTS (Continued)

a) Financial assets measured at fair value (Continued)

Fair value hierarchy (Continued)

	Fair value at 30th September, 2017	Fair value measurement as at 30th September, 2017 categorised into		
	HK\$'000	Level 1 HK\$'000	Level 2 HK\$'000	Level 3 HK\$'000
	Recurring fair value measurement			
Assets:				
Financial assets at fair value through profit or loss:				
Listed equity securities	402	402	-	-
	<u>402</u>	<u>402</u>	<u>-</u>	<u>-</u>

	Fair value at 31st March, 2017	Fair value measurement as at 31st March, 2017 categorised into		
	HK\$'000	Level 1 HK\$'000	Level 2 HK\$'000	Level 3 HK\$'000
	Recurring fair value measurement			
Assets:				
Financial assets at fair value through profit or loss:				
Listed equity securities	384	384	-	-
	<u>384</u>	<u>384</u>	<u>-</u>	<u>-</u>

14. FAIR VALUE MEASUREMENT OF FINANCIAL INSTRUMENTS (Continued)**b) Fair values of financial instruments carried at other than fair value**

The carrying amounts of the Group's other financial instruments carried at cost or amortised cost are not materially different from their fair value as at 30th September, 2017 and 31st March, 2017.

Unlisted debt securities of which the fair value cannot be reliably measured are recognised in the condensed consolidated statement of financial position at cost less impairment loss, if any.

15. RELATED PARTY TRANSACTIONS

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

16. EVENT AFTER THE REPORTING PERIOD

On 18th September, 2017, a subsidiary of the Group has entered into an agreement with a third party to dispose of its investment properties in Mainland China at a consideration of RMB25,000,000 (equivalent to approximately HK\$28,750,000). Deposit amounted to RMB12,500,000 (equivalent to approximately HK\$15,000,000) has been received by the subsidiary and recognised as current liability. The sale of properties will be completed on or before 15 December, 2017. Upon completion, a gain approximately RMB400,000 (equivalent to approximately HK\$460,000) is expected to accrue to the Group and property revaluation reserve amounted to HK\$3,100,000 will be transferred to retained profits.

MANAGEMENT DISCUSSION AND ANALYSIS

For the six months ended 30th September, 2017, the Group's revenue was HK\$130 million which represented an increase of approximately 36% as compared with the HK\$95 million recorded for the corresponding period last year. The net profit attributable to equity holders was HK\$3.1 million (2016: loss of HK\$3.6 million).

Sales of mobile phones

During the period under review, the revenue was HK\$89 million, representing a sharp increase of 98% compared to the same period last year (2016: HK\$45 million) due to the launch of new models of Nokia brand. The division recorded profit of HK\$1.9 million (2016: loss of HK\$4.7 million).

Sales of IOT solutions

Although the revenue decreased by 18% to HK\$39 million (2016: HK\$47 million), the division recorded profit of HK\$1.2 million due to effective cost control when compared with loss of HK\$3.1 million for the corresponding period last year.

Property investment

The substantial decrease in rental income from HK\$3 million to HK\$2.3 million was due to the vacancy of investment properties in Mainland China since July 2017 in order to handover to the purchaser upon completion of disposal. In addition, there was a rental reduction for an investment property in Hong Kong upon renewal of tenancy agreement in May 2017. The profit of this division was HK\$0.2 million (2016: HK\$0.7 million).

PROSPECTS

As an authorised distributor partner of Nokia brand and an authorised distributor of VIVO brand for Hong Kong market, we expect that the sales growth of mobile phones for the second half of the year will continue.

For IOT solutions segment, we will continue to strengthen our cost control and develop more products to meet market demand.

Regarding the property investment segment, we expect that the rental income will be stable. As at the date of this report, all of the Group's investment properties have been fully let.

LIQUIDITY AND FINANCIAL RESOURCES

The Group continues to maintain a healthy financial position. As at 30th September, 2017, the Group's cash and bank balances amounted to approximately HK\$20 million (31st March, 2017: HK\$18 million) while the bank borrowings were HK\$77 million (31st March, 2017: HK\$79 million). The Board believes that the Group has sufficient resources to satisfy its commitment and working capital requirements. The gearing ratio was 29% (31st March, 2017: 30%) which is expressed as a percentage of total borrowings to total equity.

EMPLOYEES

As at 30th September, 2017, the total number of employees of the Group was approximately 120 (31st March, 2017: 120) and the aggregate remuneration of employees (excluding directors' emoluments) amounted to HK\$12 million (2016: HK\$15 million). The remuneration and bonus packages of the employees are based on the individual merits and performance and are reviewed at least annually. The Group maintains a good relationship with its employees.

PLEDGE OF ASSETS

As at 30th September, 2017, the Group's general banking facilities were secured by (1) first legal charge on certain leasehold land and buildings with total carrying value of HK\$55,174,000 (31st March, 2017: HK\$55,738,000); (2) first legal charge on certain investment properties with total fair value of HK\$152,610,000 (31st March, 2017: HK\$152,610,000); (3) bank deposits of HK\$2,311,000 (31st March, 2017: HK\$2,584,000) and (4) financial assets at fair value through profit and loss with total fair value of HK\$402,000 (31st March, 2017: HK\$384,000).

CONTINGENT LIABILITIES

As at 30th September, 2017, the Company had provided corporate guarantees of HK\$79 million (31st March, 2017: 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

As at 30th September, 2017, 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 of shares (long position) (Note 1)	Approximate percentage of interest
Chan Chung Yee, Hubert	The Company	Interest of controlled corporation	644,344,353 (1) (Note 2)	51.74%
	The Company	Beneficial owner	26,795,893 (1) (Note 3)	2.15%
	Matrix World Group Limited	Beneficial owner	1 share of US\$1.00	100.00%
Chan Chung Yin, Roy	The Company	Beneficial owner	92,995,191 (1) (Note 4)	7.47%
Chan Ming Him, Denny	The Company	Beneficial owner	2,616,991 (1) (Note 5)	0.21%
Ip Man Hon	The Company	Beneficial owner	1,537,598 (1) (Note 6)	0.12%
Wu Kwok Lam	The Company	Beneficial owner	975,000 (1) (Note 7)	0.08%
Chow So Fan Candy	The Company	Beneficial owner	625,000 (1) (Note 8)	0.05%

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, 22,012,087 shares were held by Light Emotion Limited, a company wholly owned by Matrix World Group Limited and 622,332,266 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 are registered in the name of Mr. Chan Chung Yin, Roy.
5. These shares are registered in the name of Mr. Chan Ming Him, Denny.
6. These shares are registered in the name of Mr. Ip Man Hon.
7. These shares are registered in the name of Mr. Wu Kwok Lam.
8. These shares are registered in the name of Ms. Chow So Fan Candy.
9. Save as disclosed above, as at 30th September, 2017, none of the directors and chief executive of the Company had any interests and short positions 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 interests and short positions in shares, underlying shares and debentures" 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, 2017, 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) <i>(Note 1)</i>	Capacity/nature of interest	Approximate percentage of interest
Matrix World Group Limited	644,344,353 (L) <i>(Note 2)</i>	Beneficial owner	51.74%
Chan Low Wai Han, Edwina <i>(Note 3)</i>	92,995,191 (L)	Interest of spouse	7.47%
Josephine Liu <i>(Note 4)</i>	671,140,246 (L)	Interest of spouse	53.89%

Notes:

1. The Letter "L" represents the person's interest in the shares of the Company.
2. Among these shares, 22,012,087 shares were held by Light Emotion Limited, a company wholly owned by Matrix World Group Limited and 622,332,266 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. 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.
4. 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 SHARES

During the six months ended 30th September, 2017, 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, 2017, except the following provisions:

Code provision A.2.1 stipulates that the roles of chairman and chief executive officer should be separate and should not be performed by the same individual. The Company does not segregate the roles of chairman and chief executive officer and Mr. Chan Chung Yee, Hubert currently holds both positions. The Board believes that vesting the roles of chairman and chief executive officer in the same person provides the Group with strong and consistent leadership in the development and execution of long-term business strategies. The Board will continuously review and improve the corporate governance practices and standards of the Company to ensure that business activities and decision making processes are regulated in a proper and prudent manner.

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. Dr. Chu Chor Lup was unable to attend the annual general meeting of the Company held on 28th August, 2017 due to his 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, 2017.

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, 2017.

APPRECIATION

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, 24th November, 2017