



INTERIM REPORT 2006



Stock code : 248

HKC INTERNATIONAL HOLDINGS LIMITED
香港通訊國際控股有限公司
(Incorporated in the Cayman Islands with limited liability)

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CORPORATE INFORMATION

BOARD OF DIRECTORS

Chan Chung Yee, Hubert (*Chairman*)
Chan Chung Yin, Roy
Chan Man Min
Yeh Yui Fong
Tsui Hon Wing
Chan Ming Him, Denny
Wu Kwok Lam CPA, FCCA
Chu Chor Lup*
Chiu Ngar Wing FCCA, ACA, CPA (*Practising*)*
Leung Tai Wai, David*

* *Independent non-executive director*

COMPANY SECRETARY

Wu Kwok Lam CPA, FCCA

QUALIFIED ACCOUNTANT

Wu Kwok Lam CPA, FCCA

REGISTERED OFFICE

Cricket Square
Hutchins Drive
P.O. Box 2681
Grand Cayman KY1-1111,
Cayman Islands

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

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

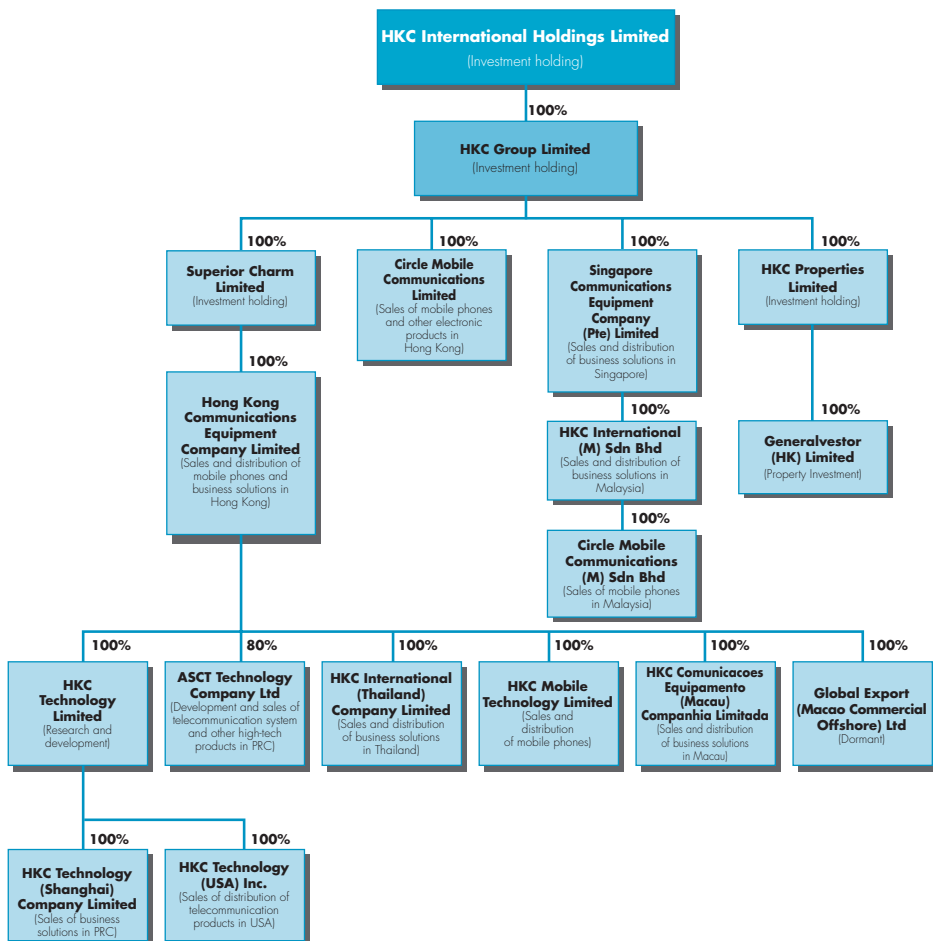
Wing Hang Bank, Limited
161 Queen's Road Central
Hong Kong

STOCK CODE

248



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, 2006 as follows. The interim report has been reviewed by the audit committee of the Company.

CONDENSED CONSOLIDATED INCOME STATEMENT

FOR THE SIX MONTHS ENDED 30TH SEPTEMBER, 2006

		Six months ended	
	NOTES	30.9.2006 HK\$'000	30.9.2005 HK\$'000 (Restated)
Turnover	3	398,372	579,303
Cost of sales		<u>(346,866)</u>	<u>(523,536)</u>
Gross profit		51,506	55,767
Other income and gains	4	4,077	2,081
Gain on disposal of investment properties and leasehold land and buildings		–	68,843
Selling and distribution expenses		(6,524)	(6,384)
Administrative and other operating expenses		(41,470)	(38,903)
Finance costs	5	<u>(793)</u>	<u>(315)</u>
Profit before taxation	6	6,796	81,089
Tax expense	7	<u>(1,104)</u>	<u>(3,768)</u>
Profit for the period		<u>5,692</u>	<u>77,321</u>
Attributable to:			
Equity holders of the Company		5,895	76,623
Minority interests		<u>(203)</u>	<u>698</u>
		<u>5,692</u>	<u>77,321</u>
Dividend	8	<u>4,621</u>	<u>23,098</u>
Earnings per share (<i>HK cents</i>)			
– basic	9	<u>1.2 cents</u>	<u>16.6 cents</u>
– dilute	9	<u>1.2 cents</u>	<u>16.6 cents</u>

CONDENSED CONSOLIDATED BALANCE SHEET

AT 30TH SEPTEMBER, 2006

	NOTES	30.9.2006 HK\$'000 (Unaudited)	31.3.2006 HK\$'000 (Audited)
Non-current assets			
Property, plant and equipment		15,196	13,300
Investment properties		15,698	15,911
Leasehold land		64,156	64,460
Available-for-sale financial assets		16,491	13,619
Pledged long-term bank deposit		7,798	7,798
Deferred tax assets		41	41
		<u>119,380</u>	<u>115,129</u>
Current assets			
Inventories		65,560	58,415
Debtors, deposits and prepayments	10	77,812	56,663
Financial assets at fair value through profit or loss		13,033	27,669
Amount due from related companies		1,017	1,516
Derivative financial instruments		81	194
Tax recoverable		236	846
Cash and bank balances		54,841	66,432
		<u>212,580</u>	<u>211,735</u>
Current liabilities			
Creditors and accrued charges	11	37,428	34,336
Derivative financial instruments		-	992
Tax payable		1,604	1,253
Obligations under finance leases		15	29
Bank borrowings		2,426	2,495
		<u>41,473</u>	<u>39,105</u>

CONDENSED CONSOLIDATED BALANCE SHEET (Continued)

AT 30TH SEPTEMBER, 2006

	30.9.2006 HK\$'000 (Unaudited)	31.3.2006 HK\$'000 (Audited)
Net current assets	171,107	172,630
Total assets less current liabilities	290,487	287,759
Non-current liabilities		
Obligations under finance leases	86	84
Bank borrowings	24,896	25,984
Deferred tax liabilities	634	728
	25,616	26,796
	264,871	260,963
Capital and reserves		
Share capital	4,621	4,621
Reserves	259,920	255,809
Equity attributable to equity holders of the Company	264,541	260,430
Minority interests	330	533
Total equity	264,871	260,963

CONDENSED CONSOLIDATED STATEMENT OF CHANGES IN EQUITY

FOR THE SIX MONTHS ENDED 30TH SEPTEMBER, 2006

	Share capital HK\$'000	Share premium HK\$'000	Share option reserve HK\$'000	Capital reserve HK\$'000	Investment property revaluation reserve HK\$'000	Leasehold land and buildings revaluation reserve HK\$'000	Investment revaluation reserve HK\$'000	Translation reserve HK\$'000	Retained profits HK\$'000	Total HK\$'000	Minority interests HK\$'000	Total HK\$'000
At 1st April, 2006	4,621	31,580	1,047	28,325	-	-	1,782	448	192,627	260,430	533	260,963
Exchange difference on translation of overseas operation	-	-	-	-	-	-	-	(34)	-	(34)	-	(34)
Increase in fair value of available-for-sale financial assets	-	-	-	-	-	-	2,871	-	-	2,871	-	2,871
Profit for the period	-	-	-	-	-	-	-	-	5,895	5,895	(203)	5,692
Dividend paid	-	-	-	-	-	-	-	-	(4,621)	(4,621)	-	(4,621)
At 30th September, 2006	<u>4,621</u>	<u>31,580</u>	<u>1,047</u>	<u>28,325</u>	<u>-</u>	<u>-</u>	<u>4,653</u>	<u>414</u>	<u>193,901</u>	<u>264,541</u>	<u>330</u>	<u>264,871</u>
At 1st April, 2005	4,608	31,339	-	28,325	23,713	47,430	-	113	103,739	239,267	407	239,674
As previously reported	-	-	-	-	(23,713)	(2,495)	-	230	(5,123)	(31,101)	-	(31,101)
Prior year adjustments arising from changes in accounting policies	4,608	31,339	-	28,325	-	44,935	-	343	98,616	208,166	407	208,573
As restated	-	-	-	-	-	-	1,471	-	-	1,471	-	1,471
Opening balance adjustments arising from changes in accounting policies	4,608	31,339	-	28,325	-	44,935	1,471	343	98,616	209,637	407	210,044
At 1st April, 2005 (as restated after prior year and opening balance adjustments)	-	-	-	-	-	-	-	75	-	75	-	75
Exchange difference on translation of overseas operation	13	241	-	-	-	-	-	-	-	254	-	254
Exercise of share option	-	-	674	-	-	-	-	-	-	674	-	674
Equity-settled share-based transactions	-	-	-	-	-	(44,935)	-	-	44,935	-	-	-
Release to retained profits upon disposal of leasehold land and buildings	-	-	-	-	-	-	-	-	76,623	76,123	698	77,321
Profit for the period	-	-	-	-	-	-	-	-	(23,098)	(23,098)	-	(23,098)
Dividend paid	4,621	31,580	674	28,325	-	-	1,471	418	197,076	264,165	1,105	265,270
At 30th September, 2005	<u>4,621</u>	<u>31,580</u>	<u>674</u>	<u>28,325</u>	<u>-</u>	<u>-</u>	<u>1,471</u>	<u>418</u>	<u>197,076</u>	<u>264,165</u>	<u>1,105</u>	<u>265,270</u>

CONDENSED CONSOLIDATED CASH FLOW STATEMENT

FOR THE SIX MONTHS ENDED 30TH SEPTEMBER, 2006

	Six months ended	
	30.9.2006 HK\$'000 (unaudited)	30.9.2005 HK\$'000 (unaudited)
Net cash used in operating activities	(18,685)	(21,522)
Net cash from investing activities	12,377	67,972
Net cash used in financing activities	(5,790)	(15,382)
Net (decrease) increase in cash and cash equivalents	(12,098)	31,068
Cash and cash equivalents at beginning of period	66,432	40,651
Effect of foreign exchange rates changes	507	(196)
Cash and cash equivalents at end of period	<u>54,841</u>	<u>71,523</u>

NOTES TO THE CONDENSED FINANCIAL STATEMENTS

FOR THE SIX MONTHS ENDED 30TH SEPTEMBER, 2006

1. BASIS OF PREPARATION

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").

2. PRINCIPAL ACCOUNTING POLICIES

The condensed financial statements have been prepared on the historical cost basis except for certain financial instruments, which are measured at fair value.

The accounting policies used in the condensed financial statements are consistent with those followed in the preparation of the Group's annual financial statements for the year ended 31st March, 2006 except as described below:

In the current period, the Group has applied, for the first time, a number of new standards, amendments and interpretations ("new HKFRSs") issued by the HKICPA, which are effective for accounting periods beginning either on or after 1st December, 2005*, 1st January, 2006** or 1st March, 2006***

HKAS 19 (Amendment)	Actuarial Gains and Losses, Group Plans and Disclosures**
HKAS 21 (Amendment)	Net Investment in a Foreign Operation**
HKAS 39 (Amendment)	Cash Flow Hedge Accounting of Forecast Intragroup Transactions**
HKAS 39 (Amendment)	The Fair Value Option**
HKAS 39 & HKDRS 4 (Amendment)	Financial Guarantee Contracts**
HKFRS 6	Exploration for and Evaluation of Mineral Resources**
HK (IFRIC) – INT 4	Determining whether an Arrangement contains a Lease**
HK (IFRIC) – INT 5	Rights to Interests Arising from Decommissioning, Restoration and Environmental Rehabilitation Funds**
HK (IFRIC) – INT 6	Liabilities arising from Participating in a Specific Market – Waste Electrical and Electronics Equipment*
HK (IFRIC) – INT 7	Applying the Restatement Approach under HKAS 29 "Financial Reporting in Hyperinflationary Economies"***

The application of these new HKFRSs has had no material effect on the results and financial position for the current or prior accounting period.

The Group has not early applied the following new standards or interpretations that have been issued but are not yet effective. The Company is still not in the position to reasonably estimate the impact that may arise from the application of these standards or interpretations.

HKAS 1 (Amendment)	Capital Disclosures ¹
HKFRS 7	Financial Instruments: Disclosures ¹
HK (IFRIC) – INT 8	Scope of HKFRS 2 ²
HK (IFRIC) – INT 9	Reassessment of Embedded Derivatives ³
HK (IFRIC) – INT 10	Interim Financial Reporting and Impairment ⁴

¹ Effective for annual periods beginning on or after 1st January, 2007.

² Effective for annual periods beginning on or after 1st May, 2006.

³ Effective for annual periods beginning on or after 1st June, 2006.

⁴ Effective for annual periods beginning on or after 1st November, 2006.

3. TURNOVER/SEGMENT INFORMATION

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

For management purposes, the Group is currently organised into three divisions – sales of mobile phones, sales of business solutions and property investment.

Segment information about the Group's business is presented below:

For the six months ended 30th September, 2006

	Sales of mobile phones HK\$'000	Sales of business solutions HK\$'000	Property investment HK\$'000	Elimination HK\$'000	Consolidated HK\$'000
TURNOVER					
External sales	357,357	40,630	385	-	398,372
Inter-segment sales	-	-	-	-	-
Total turnover	<u>357,357</u>	<u>40,630</u>	<u>385</u>	<u>-</u>	<u>398,372</u>
RESULTS					
Segment results	<u>3,729</u>	<u>197</u>	<u>(414)</u>		3,512
Other income and gains					4,077
Finance cost					(793)
Profit before taxation					6,796
Tax expense					(1,104)
Profit for the period					<u>5,692</u>

For the six months ended 30th September, 2005

	Sales of mobile phones HK\$'000	Sales of business solutions HK\$'000	Property investment HK\$'000	Elimination HK\$'000	Consolidated HK\$'000
TURNOVER					
External sales	533,560	44,924	819	-	579,303
Inter-segment sales	-	-	-	-	-
Total turnover	<u>533,560</u>	<u>44,924</u>	<u>819</u>	<u>-</u>	<u>579,303</u>
RESULTS					
Segment results	<u>10,116</u>	<u>403</u>	<u>(39)</u>		10,480
Other income and gains					2,081
Gain on disposal of investment properties and leasehold land and buildings					68,843
Finance cost					<u>(315)</u>
Profit before taxation					81,089
Tax expense					<u>(3,768)</u>
Profit for the period					<u>77,321</u>

4. OTHER INCOME AND GAINS

	Six months ended	
	30.9.2006 HK\$'000	30.9.2005 HK\$'000
Interest income from banks	1,052	657
Investment income	2,651	1,027
Sundry income	374	397
	<u>4,077</u>	<u>2,081</u>

5. FINANCE COSTS

	Six months ended	
	30.9.2006 HK\$'000	30.9.2005 HK\$'000
Interest on obligations under hire purchase contracts	2	3
Interest on bank borrowings wholly repayable within five years	6	7
Interest on bank borrowings wholly repayable after five years	<u>785</u>	<u>305</u>
	<u><u>793</u></u>	<u><u>315</u></u>

6. PROFIT BEFORE TAXATION

	Six months ended	
	30.9.2006 HK\$'000	30.9.2005 HK\$'000
Profit before taxation has been arrived at after charging:		
Amortisation of prepaid operating lease payments	304	326
Depreciation		
owned assets	<u>1,707</u>	<u>1,649</u>
assets under hire purchase contracts	31	29
investment properties	<u>213</u>	<u>228</u>
	<u><u>1,951</u></u>	<u><u>1,906</u></u>

7. TAX EXPENSE

	Six months ended	
	30.9.2006 HK\$'000	30.9.2005 HK\$'000
The charge comprises:		
Hong Kong Profits Tax	1,137	3,435
PRC Income Tax	61	333
Deferred tax	<u>(94)</u>	<u>–</u>
	<u><u>1,104</u></u>	<u><u>3,768</u></u>

Hong Kong Profits Tax is provided at the rate of 17.5% (2005: 17.5%) on the estimated assessable profit for the period.

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

8. DIVIDEND

	Six months ended	
	30.9.2006 HK\$'000	30.9.2005 HK\$'000
Final dividend for the year 2006 of HK\$0.01 per ordinary share (2005: final dividend for the year 2005 of HK\$0.01 per ordinary share)	4,621	4,621
Special dividend for the year 2006 of HK\$0.04 per ordinary share	—	18,477
	<u>4,621</u>	<u>23,098</u>

The directors do not recommend the payment of any interim dividend for the six months ended 30th September, 2006 (2005: HK\$Nil).

9. EARNINGS PER SHARE

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

	Six months ended	
	30.9.2006 HK\$'000	30.9.2005 HK\$'000
Net profit attributable to shareholders	<u>5,895</u>	<u>76,623</u>
	Number of shares	Number of shares
Weighted average number of ordinary shares for the purposes of calculating basic earnings per share	462,069,603	461,960,983
Effect of dilutive potential ordinary shares: Option	—	674,737
Weighted average number of ordinary shares for the purposes of calculating diluted earnings per share	<u>462,069,603</u>	<u>462,635,720</u>

During the period ended 30th September, 2006 the exercise price of the Company's options was higher than the average market price of share, thus there was no dilutive potential ordinary shares.

10. 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\$57,024,000 (31st March, 2006: HK\$40,509,000) which are included in the Group's debtors, deposits and prepayments is as follows:

	30.9.2006 HK\$'000	31.3.2006 HK\$'000
0-30 days	33,643	27,173
31-60 days	11,603	4,836
61-90 days	3,615	2,885
91-120 days	1,096	1,265
Over 120 days	7,067	4,350
	<u>57,024</u>	<u>40,509</u>

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

11. CREDITORS AND ACCRUED CHARGES

The aged analysis of trade creditors of HK\$23,967,000 (31st March, 2006: HK\$25,102,000) which are included in the Group's creditors and accrued charges is as follows:

	30.9.2006 HK\$'000	31.3.2006 HK\$'000
0-30 days	19,108	18,411
31-60 days	942	1,751
61-90 days	44	480
Over 90 days	3,873	4,460
	<u>23,967</u>	<u>25,102</u>

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

12. RELATED PARTY TRANSACTIONS

During the period, the Group had the following transactions, which were conducted in the ordinary course of the Group's business, with its related companies:

Name of related companies	Notes	Nature of transactions	Six months ended	
			30.9.2006 HK\$'000	30.9.2005 HK\$'000
HKC Intown Limited	(i)	Internet access fee paid	99	104
Hong Kong Communications Computer Company Limited	(i)	Computer software maintenance fee paid and purchase from	-	294
BIA Technology Ltd	(i)	Sales to	-	2,093
Koywa HKC Company Limited	(ii)	Rental expense	-	40

Notes:

- (i) These transactions were based on cost plus a percentage of profit mark-up.
- (ii) Rental expense was charged at prevailing market rates.

13. CONTINGENT LIABILITIES

As at 30th September, 2006, the Company has provided corporate guarantees of HK\$74,000,000 (31st March, 2006: HK\$74,000,000) to secure the banking facilities granted to subsidiary companies.

14. PLEDGE OF ASSETS

As at 30th September, 2006, the Group's banking facilities were secured by a bank deposit of HK\$7,798,000 (31st March, 2006: HK\$7,798,000) and first legal charge on certain leasehold land and buildings and investment properties with aggregate carrying values of HK\$76,309,000 (31st March, 2006: HK\$76,760,000).

MANAGEMENT DISCUSSION AND ANALYSIS

For the six months ended 30th September, 2006, the Group's turnover was HK\$398 million which represented a decrease of approximately 31% (2005: HK\$579 million). The net profit during the period was HK\$6 million whereas the net profit for the corresponding period of last year was HK\$77 million, which included gain on disposal of investment properties and leasehold land and buildings amounted to HK\$69 million.

Sales of mobile phones

The decrease of the profit from HK\$10 million to HK\$4 million was due to keen competition leading to decrease in profit margin. To avoid the fierce competition and benefit from higher profit margin, our overseas subsidiaries have gradually migrated to the sales of business solutions. This resulted in decrease in turnover from HK\$533 million to HK\$357 million in comparison with the last corresponding period.

Sales of business solutions

The sales of business solutions relate to the sales of business solutions, security systems and integrated services. During the period under review, the profit from this business segment decreased from HK\$0.4 million to HK\$0.2 million. The downturn in financial performance was due to substantial resources being input into the research and development of new network telephone system, radio frequency identification ("RFID") project and software development.

Property investment

Gross rental income generated from the investment properties decreased from HK\$0.8 million to HK\$0.4 million, while the operating loss increased to HK\$0.4 million (2005: HK\$0.03 million). The drop of rental income was due to the increase in vacancy of certain properties during the period.

PROSPECTS

To diversify from mobile phone business, the Group will place more efforts and resources into product development, RFID projects and software development through its subsidiaries locally and regionally.

LIQUIDITY AND FINANCIAL RESOURCES

The Group continues to maintain a strong financial position. As at 30th September, 2006, the Group's bank balances and cash amounted to approximately HK\$55 million (31st March, 2006: HK\$66 million) while the bank borrowings was HK\$27 million (31st March, 2006: HK\$28 million). The long-term bank borrowing was denominated in Hong Kong dollars. The gearing ratio was 10% (31st March, 2006: 11%) which was expressed as a percentage of total borrowings to shareholders' funds.

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

EMPLOYEES

As at 30th September, 2006, the total number of employees of the Group was approximately 360 (31st March, 2006: 380) and the aggregate remuneration of employees (excluding directors' emoluments) amounted to HK\$25 million (2005: HK\$20 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 option scheme 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, 2006, the Group's banking facilities were secured by a bank deposit of HK\$7,798,000 (31st March, 2006: HK\$7,798,000) and first legal charge on certain leasehold land and buildings and investment properties with aggregate carrying values of HK\$76,309,000 (31st March, 2006: HK\$76,760,000).

CONTINGENT LIABILITIES

As at 30th September, 2006, the Company has provided corporate guarantees of HK\$74,000,000 (31st March, 2006: HK\$74,000,000) to secure the banking facilities granted to subsidiary companies.

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

As at 30th September, 2006, the interests and short positions of the directors and chief executive of the Company in shares, underlying shares or debentures of the Company or its associated corporations (within the meaning of the Securities and Futures Ordinance (Chapter 571 of the Laws of Hong Kong) ("SFO")) which were required to be notified to the Company and The Stock Exchange of Hong Kong Limited (the "Stock Exchange") pursuant to Divisions 7 and 8 of Part XV of the SFO (including interests and short positions which he has taken or was deemed to have under such provisions of the SFO), or which were required, pursuant to section 352 of the SFO, to be entered in the register maintained by the Company referred to therein, or which were required, pursuant to the Model Code for Securities Transactions by Directors of Listed Issuers ("Model Code") contained in the Listing Rules, to be notified to the Company and the Stock Exchange were as follows:

Name of Director	The Company/ associated corporation	Capacity/nature of interest	Number and class of securities	Percentage of interests in the issued share capital as at 30th September, 2006
Chan Chung Yee, Hubert	The Company	Founder of a trust	231,660,575 ordinary shares (each a "Share") of HK\$0.01 each (L) (Note 1 and 2)	50.14%
	The Company	Beneficial owner	8,600,000 Shares (L) (Note 3)	1.86%
	Matrix World Group Limited	Founder of a trust	1 share of US\$1.00 each (L)	100%

Name of Director	The Company/ associated corporation	Capacity/nature of interest	Number and class of securities	Percentage of interests in the issued share capital as at 30th September, 2006
Chan Chung Yin, Roy	The Company	Interest of controlled corporation	68,417,400 Shares (L) (Note 4)	14.81%
	The Company	Beneficial owner	2,000,000 Shares (L) (Note 5)	0.43%
	Star Global International Limited	Beneficial owner	1 share of US\$1.00 each (L)	100%
Chan Man Min	The Company	Interest of controlled corporation	24,709,650 Shares (L) (Note 6)	5.35%
	The Company	Beneficial owner	2,000,000 Shares (L) (Note 7)	0.43%
Yeh Yui Fong	The Company	Interest of controlled corporation	2,681,550 Shares (L) (Note 8)	0.58%
	The Company	Beneficial owner	2,000,000 Shares (L) (Note 9)	0.43%
Tsui Hon Wing	The Company	Beneficial owner	3,939,200 Shares (L) (Note 10)	0.85%
Chan Ming Him, Denny	The Company	Beneficial owner	2,000,000 Shares (L) (Note 11)	0.43%
Wu Kwok Lam	The Company	Beneficial owner	1,000,000 Shares (L) (Note 12)	0.22%

Notes:

1. The Letter "L" represents the director's or the chief executive's long position in the Shares of the Company or its associated corporations.
2. Among these Shares, 8,484,848 Shares were held by Light Emotion Limited, a company wholly owned by Matrix World Group Limited and 223,175,727 Shares were held by Matrix World Group Limited, a company wholly owned by Trustcorp Limited as the trustee of a discretionary trust of which Mr. Chan Chung Yee, Hubert is the founder (within the meaning ascribed to it under Part XV of the SFO). By virtue of the provisions of Divisions 7 and 8 of Part XV of the SFO, Matrix World Group Limited was deemed to be interested in the Shares held by Light Emotion Limited and Mr. Chan Chung Yee, Hubert was deemed to be interested in the Shares in which Matrix World Group Limited was interested.
3. Interests in these Shares comprise 4,300,000 Shares registered in the name of Mr. Chan Chung Yee, Hubert and 4,300,000 Shares to be allotted and issued to him upon the exercise in full of the outstanding option granted to him on 17th June, 2005 under the share option scheme of the Company.
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 represent the interests of Mr. Chan Chung Yin, Roy in 2,000,000 Shares to be allotted and issued to him upon the exercise in full of the outstanding option granted to him on 17th June, 2005 under the share option scheme of the Company.
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. Interests in these Shares comprise 1,000,000 Shares registered in the name of Mr. Chan Man Min and 1,000,000 Shares to be allotted and issued to him upon the exercise in full of the outstanding option granted to him on 17th June, 2005 under the share option scheme of the Company.
8. These Shares were held by CIT Company Limited, a company wholly owned by Mr. Yeh Yui Fong and his wife in equal share. By virtue of the provisions of Divisions 7 and 8 of Part XV of the SFO, Mr. Yeh Yui Fong was deemed to be interested in the Shares held by CIT Company Limited.
9. Interests in these Shares comprise 1,000,000 Shares registered in the name of Mr. Yeh Yui Fong and 1,000,000 Shares to be allotted and issued to him upon the exercise in full of the outstanding option granted to him on 17th June, 2005 under the share option scheme of the Company.

10. Interests in these Shares comprise 2,939,200 Shares registered in the name of Mr. Tsui Hon Wing and 1,000,000 Shares to be allotted and issued to him upon the exercise in full of the outstanding option granted to him on 17th June, 2005 under the share option scheme of the Company.
11. Interests in these Shares comprise 1,000,000 Shares registered in the name of Mr. Chan Ming Him, Denny and 1,000,000 Shares to be allotted and issued to him upon the exercise in full of the outstanding option granted to him on 17th June, 2005 under the share option scheme of the Company.
12. These represent the interests of Mr. Wu Kwok Lam in 1,000,000 Shares to be allotted and issued to him upon the exercise in full of the outstanding option granted to him on 17th June, 2005 under the share option scheme of the Company.

Save as disclosed above, as at 30th September 2006, none of the directors and chief executive of the Company had any interest and short position in shares, underlying shares and debentures of the Company or its associated corporations (within the meaning of the SFO) which were required to be notified to the Company and the Stock Exchange pursuant to Divisions 7 and 8 of Part XV of the SFO (including interests and short positions which he has taken or was deemed to have under such provisions of the SFO), or which were required, pursuant to section 352 of the SFO, to be entered in the register maintained by the Company referred to therein, or which were required, pursuant to the Model Code contained in the Listing Rules, to be notified to the Company and the Stock Exchange.

DIRECTORS' RIGHTS TO ACQUIRE SHARES OR DEBENTURES

Apart from those disclosed under the section heading "Directors' and chief executive's interest and short positions in shares, underlying shares and debentures of the Company and its associated corporations" above and under the section heading "Share options" below, 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.

SHARE OPTIONS

The following table discloses details of options outstanding under the Company's share option scheme and movements of the options during the period:

	Date of grant	Exercisable period	Exercise price per share HK\$	Outstanding at 1st April, 2006	Granted during the period	Cancelled during the period	Outstanding at 30th September, 2006
Directors:							
Chan Chung Yee, Hubert	17.6.2005	17.12.2005 – 16.6.2007	0.284	4,300,000	-	-	4,300,000
Chan Chung Yin, Roy	17.6.2005	17.12.2005 – 16.6.2007	0.284	2,000,000	-	-	2,000,000
Chan Man Min	17.6.2005	17.12.2005 – 16.6.2007	0.284	1,000,000	-	-	1,000,000
Chan Ming Him, Denny	17.6.2005	17.12.2005 – 16.6.2007	0.284	1,000,000	-	-	1,000,000
Tsui Hon Wing	17.6.2005	17.12.2005 – 16.6.2007	0.284	1,000,000	-	-	1,000,000
Wu Kwok Lam	17.6.2005	17.12.2005 – 16.6.2007	0.284	1,000,000	-	-	1,000,000
Yeh Yui Fong	17.6.2005	17.12.2005 – 16.6.2007	0.284	1,000,000	-	-	1,000,000
				11,300,000	-	-	11,300,000
Employees	4.5.2004	4.11.2004 – 3.5.2006	0.196	2,564,000	-	(2,564,000)	-
	17.6.2005	17.12.2005 – 16.6.2007	0.284	9,000,000	-	-	9,000,000
				22,864,000	-	(2,564,000)	20,300,000

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, 2006, the following persons, other than a director or chief executive of the Company, had an interest or a short position in the shares and underlying shares in the Company as recorded in the register required to be kept under section 336 of the SFO:

Name	Number of Ordinary shares (each a "Share") of HK\$0.01 each	Capacity/nature of interest	Percentage of interest in the issued share capital as at 30th September, 2006
Matrix World Group Limited (Note 2)	223,175,727 (L) (Note 1)	Beneficial owner	48.30%
	8,484,848 (L)	Interest of controlled corporation	1.84%
Star Global International Limited (Note 3)	68,417,400 (L)	Beneficial owner	14.81%
Trustcorp Limited (Note 2)	231,660,575 (L)	Trustee	50.14%
Newcorp Ltd. (Note 4)	231,660,575 (L)	Interest of controlled corporation	50.14%
Newcorp Holdings Limited (Note 4)	231,660,575 (L)	Interest of controlled corporation	50.14%
David Henry Christopher Hill (Note 5)	231,660,575 (L)	Interest of controlled corporation	50.14%
David William Roberts (Note 5)	231,660,575 (L)	Interest of controlled corporation	50.14%
Rebecca Ann Hill (Note 6)	231,660,575 (L)	Interest of spouse	50.14%
Ocean Hope Group Limited (Note 7)	24,709,650 (L)	Beneficial owner	5.35%
Chan Low Wai Han Edwina (Note 8)	70,417,400 (L)	Interest of spouse	15.24%

Notes:

1. The letter "L" represents the person's long position in the Shares.
2. Among these Shares, 8,484,848 Shares were held by Light Emotion Limited, a company wholly owned by Matrix World Group Limited and 223,175,727 Shares were held by Matrix World Group Limited, a company wholly owned by Trustcorp Limited as the trustee of a discretionary trust of which Mr. Chan Chung Yee, Hubert is the founder (within the meaning ascribed to it under Part XV of the SFO). By virtue of the provisions of Divisions 2 and 3 of Part XV of the SFO, Matrix World Group Limited was deemed to be interested in the Shares held by Light Emotion Limited and Trustcorp Limited was deemed to be interested in all the Shares in which Matrix World Group Limited was interested.
3. Star Global International Limited was a company wholly owned by Mr. Chan Chung Yin Roy.
4. Trustcorp Limited was a company wholly-owned by Newcorp Ltd., which was in turn wholly-owned by Newcorp Holdings Limited. By virtue of the provisions of Divisions 2 and 3 of Part XV of the SFO, Newcorp Ltd. and Newcorp Holdings Limited were deemed to be interested in all the Shares in which Trustcorp Limited was interested.
5. Newcorp Holdings Limited was owned as to 35% by Mr. David Henry Christopher Hill, 35% by Mr. David William Roberts and 30% by Mr. Michael J. Jenney-Herbert. By virtue of the provisions of Divisions 2 and 3 of Part XV of the SFO, each of Mr. David Henry Christopher Hill and Mr. David William Roberts was deemed to be interested in all the Shares in which Newcorp Holdings Limited was interested.
6. Mrs. Rebecca Ann Hill is wife of Mr. David Henry Christopher Hill. By virtue of the provisions of Divisions 2 and 3 of Part XV of the SFO, Mrs. Rebecca Ann Hill is deemed to be interested in all the Shares in which Mr. David Henry Christopher Hill was interested.
7. Ocean Hope Group Limited was a company wholly owned by Mr. Chan Man Min.
8. Mrs. Chan Low Wai Han Edwina is 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 was interested.

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

During the six months ended 30th September, 2006, 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, 2006 with the code provisions ("Code Provisions") set out in the Code on Corporate Governance Practices ("Code") contained in Appendix 14 to Listing Rules, except for Code Provision A.2.1 which stipulates that the roles of Chairman and Chief Executive Officer should be separate and should not be performed by the same individual. The Company does not segregate the roles of Chairman and Chief Executive Officer and Mr. Chan Chung Yee, Hubert currently holds both positions. The Board believes that vesting the roles of Chairman and Chief Executive Officer in the same person provides the Group with strong and consistent leadership in the development and execution of long-term business strategies. The Board will continuously review and improve the corporate governance practices and standards of the Company to ensure that business activities and decision making processes are regulated in a proper and prudent manner.

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

The Company has adopted the Model Code set out in Appendix 10 to the Listing Rules as its own code of conduct regarding directors' securities transactions. Having made specific enquiry of all directors, all directors confirmed that they had complied with the required standards set out in the Model Code during the six months ended 30th September, 2006.

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 interim financial statements which have not been audited.

APPRECIATION

The board of directors 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, 11th December, 2006