

2007
Interim Report



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



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CORPORATE INFORMATION

BOARD OF DIRECTORS

Executive Directors

Chan Chung Yee, Hubert (*Chairman*)
Chan Chung Yin, Roy
Chan Man Min
Yeh Yui Fong
(*resigned on 8th September, 2007*)
Tsui Hon Wing
Chan Ming Him, Denny
Wu Kwok Lam CPA, FCCA

Non-executive Director

Ng Ching Wah
(*appointed on 11th October, 2007*)

Independent Non-executive Directors

Chu Chor Lup
Chiu Ngar Wing FCCA, ACA, CPA (*Practising*)
Leung Tai Wai, David

COMPANY SECRETARY

Wu Kwok Lam CPA, FCCA

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

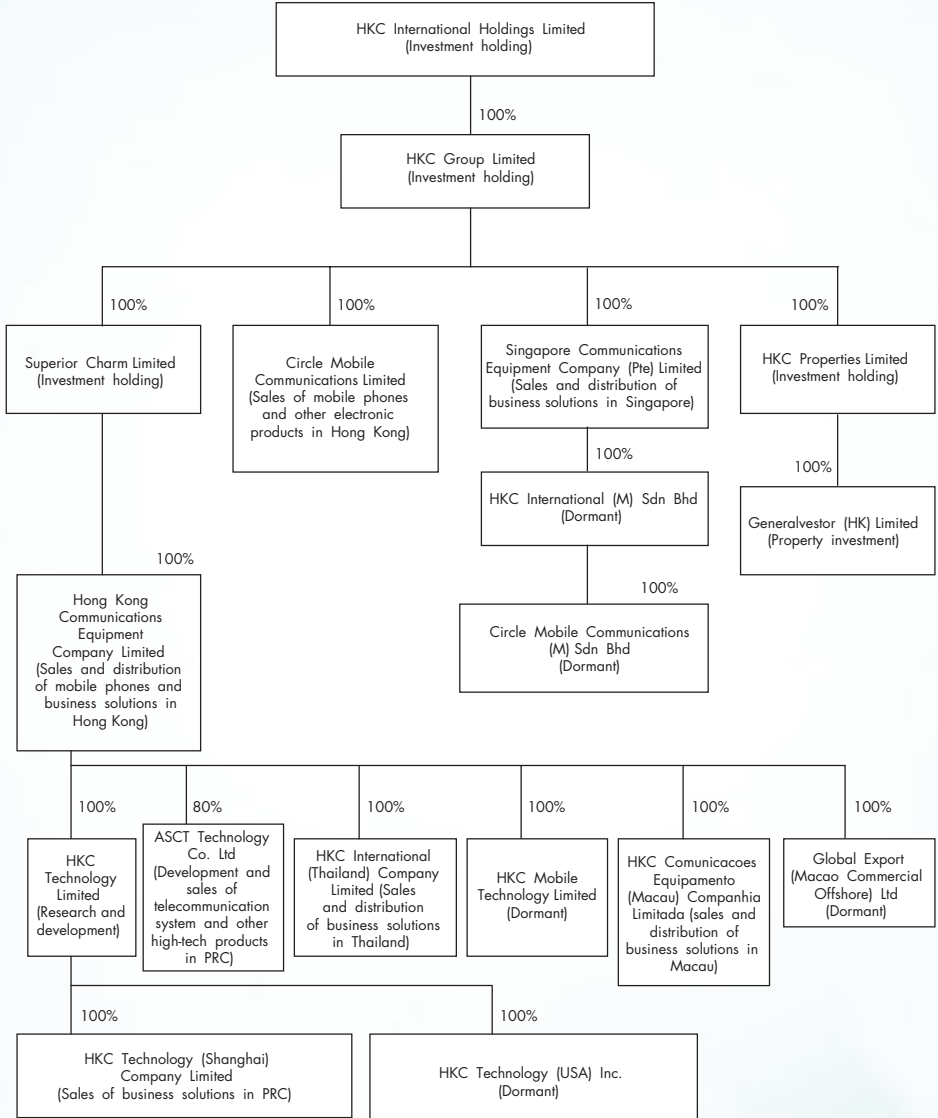
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WEBSITE ADDRESS

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

GROUP STRUCTURE



INTERIM REPORT

The directors of HKC International Holdings Limited (the "Company") are pleased to announce the unaudited condensed consolidated results of the Company and its subsidiaries (collectively, the "Group") for the six months ended 30th September, 2007 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, 2007

		Six months ended	
	NOTES	30.9.2007 HK\$'000 (unaudited)	30.9.2006 HK\$'000 (unaudited)
Turnover	3	481,704	398,372
Cost of sales		(444,942)	(346,866)
Gross profit		36,762	51,506
Other income and gains	4	7,931	4,077
Gain on disposal of leasehold land and buildings and investment properties		1,001	–
Selling and distribution expenses		(7,230)	(6,524)
Administrative and other operating expenses		(28,904)	(41,470)
Finance costs	5	(235)	(793)
Profit before taxation	6	9,325	6,796
Tax expense	7	(1,524)	(1,104)
Profit for the period		<u>7,801</u>	<u>5,692</u>
Attributable to:			
Equity holders of the Company		7,801	5,895
Minority interests		–	(203)
		<u>7,801</u>	<u>5,692</u>
Dividend	8	<u>4,761</u>	<u>4,621</u>
Earnings per share – (HK cents)			
– basic	9	<u>1.7 cents</u>	<u>1.2 cents</u>
– diluted	9	<u>1.7 cents</u>	<u>1.2 cents</u>

CONDENSED CONSOLIDATED BALANCE SHEET

AT 30TH SEPTEMBER, 2007

	NOTES	30.9.2007 HK\$'000 (unaudited)	31.3.2007 HK\$'000 (audited)
Non-current assets			
Property, plant and equipment		13,567	10,921
Investment properties		7,438	15,485
Leasehold land		317	63,877
Interest in associate		700	349
Available-for-sale financial assets		23,532	24,939
Long-term bank deposits		15,596	15,596
Deferred tax assets		36	36
		61,186	131,203
Current assets			
Inventories		50,531	54,850
Debtors, deposits and prepayments	10	68,880	58,100
Financial assets at fair value through profit or loss		23,311	13,652
Amount due from related companies		1,516	1,516
Taxation recoverable		171	890
Cash and bank balances		96,305	91,469
		240,714	220,477
Current liabilities			
Creditors and accrued charges	11	31,805	49,233
Deposit received		-	6,850
Tax payable		1,005	68
Obligations under finance leases		16	31
Bank borrowings		56	2,430
		32,882	58,612

CONDENSED CONSOLIDATED BALANCE SHEET (Continued)

AT 30TH SEPTEMBER, 2007

	NOTES	30.9.2007 HK\$'000 (unaudited)	31.3.2007 HK\$'000 (audited)
Net current assets		207,832	161,865
Total assets less current liabilities		269,018	293,068
Non-current liabilities			
Obligations under finance leases		21	59
Bank borrowings		60	23,498
Deferred tax liabilities		667	363
		748	23,920
		268,270	269,148
Capital and reserves			
Share capital		4,761	4,621
Reserves		263,509	264,527
Total equity		268,270	269,148

CONDENSED CONSOLIDATED STATEMENT OF CHANGES IN EQUITY

FOR THE SIX MONTHS ENDED 30TH SEPTEMBER, 2007

	Share capital	Share premium	Share option reserve	Investment Capital revaluation reserve	Translation reserve	Retained profits	Total	Minority interests	Total	
	HK\$'000	HK\$'000	HK\$'000	HK\$'000	HK\$'000	HK\$'000	HK\$'000	HK\$'000	HK\$'000	
At 1st April, 2007	4,621	31,580	939	28,325	9,778	720	193,185	269,148	-	269,148
Exchange difference on translation of overseas operation	-	-	-	-	-	866	-	866	-	866
Decrease in fair value of available-for-sale financial assets	-	-	-	-	(4,617)	-	-	(4,617)	-	(4,617)
Reserve realized on disposal of available-for-sale financial assets	-	-	-	-	(4,142)	-	-	(4,142)	-	(4,142)
Exercise of stock options	140	3,835	-	-	-	-	3,975	-	-	3,975
Profit for the period	-	-	-	-	-	7,801	7,801	-	-	7,801
Dividend paid	-	-	-	-	-	(4,761)	(4,761)	-	-	(4,761)
	<u>4,761</u>	<u>35,415</u>	<u>939</u>	<u>28,325</u>	<u>1,019</u>	<u>1,586</u>	<u>196,225</u>	<u>268,270</u>	<u>-</u>	<u>268,270</u>
At 30th September, 2007	4,761	35,415	939	28,325	1,019	1,586	196,225	268,270	-	268,270
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)	(203)	5,692
Dividend paid	-	-	-	-	-	(4,621)	(4,621)	-	-	(4,621)
	<u>4,621</u>	<u>31,580</u>	<u>1,047</u>	<u>28,325</u>	<u>4,653</u>	<u>414</u>	<u>193,901</u>	<u>264,541</u>	<u>330</u>	<u>264,871</u>
At 30th September, 2006	4,621	31,580	1,047	28,325	4,653	414	193,901	264,541	330	264,871

CONDENSED CONSOLIDATED CASH FLOW STATEMENT

FOR THE SIX MONTHS ENDED 30TH SEPTEMBER, 2007

	Six months ended	
	30.9.2007	30.9.2006
	HK\$'000	HK\$'000
	(unaudited)	(unaudited)
Net cash generated from/(used in) operating activities	8,127	(18,685)
Net cash from investing activities	22,441	12,377
Net cash used in financing activities	(26,598)	(5,790)
Net increase/(decrease) in cash and cash equivalents	3,970	(12,098)
Cash and cash equivalents at beginning of the period	91,469	66,432
Effect of foreign exchange rates changes	866	507
Cash and cash equivalents at end of the period	96,305	54,841
Analysis of the balances of cash and cash equivalents :		
Cash and bank balances	96,305	54,841

NOTES TO THE CONDENSED FINANCIAL STATEMENTS

FOR THE SIX MONTHS ENDED 30TH SEPTEMBER, 2007

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. The condensed financial statements have been prepared under the historical cost convention, except for certain financial instruments, which are measured at fair values. This unaudited condensed consolidated interim financial information should be read in conjunction with the annual financial statements for the year ended 31st March, 2007.

2. PRINCIPAL ACCOUNTING POLICIES

The accounting policies and methods of computation used in the preparation of this unaudited condensed consolidated interim financial information are consistent with those used in the annual financial statements for the year ended 31st March 2007 except for the following new standard, an amendment to a standard and interpretations which are effective for the year ending 31st March 2008 :

HKAS 1 (Amendment)	Presentation of Financial Statements – Capital Disclosures
HKFRS 7	Financial Instruments: Disclosures
HK(IFRIC) – Int 7	Applying the Restatement Approach under HKAS 29, Financial Reporting in Hyperinflationary Economies
HK(IFRIC) – Int 8	Scope of HKFRS 2
HK(IFRIC) – Int 9	Reassessment of Embedded Derivatives
HK(IFRIC) – Int 10	Interim Financial Reporting and Impairment
HK(IFRIC) – Int 11	HKFRS 2 – Group and Treasury Share Transactions

The adoption of the above new standard, amendment to a standard and interpretations have had no material impact on the accounting policies of the Group and the methods of computation in the Group's financial statements.

The Group has not early adopted any new standards, amendments to standards or interpretations that have been issued but are not effective for the year ending 31st March 2008. The Group has already commenced an assessment of their impact but is not yet in a position to state whether they would have a significant impact on its results of operations and financial position.

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:

Primary reporting format – business segments :

For the six months ended 30th September, 2007:

	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	443,383	37,855	466	–	481,704
Inter-segment sales	–	–	–	–	–
Total turnover	<u>443,383</u>	<u>37,855</u>	<u>466</u>	<u>–</u>	<u>481,704</u>
RESULTS					
Segment results	<u>4,870</u>	<u>(4,647)</u>	<u>405</u>		628
Other income and gains					7,931
Gain on disposal of leasehold land and buildings and investment properties					1,001
Finance cost					<u>(235)</u>
Profit before taxation					9,325
Tax expense					<u>(1,524)</u>
Profit for the period					<u>7,801</u>

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					<u>(793)</u>
Profit before taxation					6,796
Tax expense					<u>(1,104)</u>
Profit for the period					<u><u>5,692</u></u>

Secondary reporting format – geographical segments

During the period ended 30th September, 2007, more than 90% of the Group's turnover, profit from operations, assets and liabilities were derived from and located in Hong Kong and, therefore, no geographical segments for the relevant periods are presented in the financial statements.

4. OTHER INCOME AND GAINS

	Six months ended	
	30.9.2007 HK\$'000 (unaudited)	30.9.2006 HK\$'000 (unaudited)
Interest income from banks	3,094	1,052
Investment income	4,538	2,651
Sundry income	299	374
	<u>7,931</u>	<u>4,077</u>

5. FINANCE COSTS

	Six months ended	
	30.9.2007	30.9.2006
	HK\$'000	HK\$'000
	(unaudited)	(unaudited)
Interest on obligations under hire purchase contracts	1	2
Interest on bank borrowings wholly repayable within five years	2	6
Interest on bank borrowings wholly repayable after five years	232	785
	<hr/> 235 <hr/>	<hr/> 793 <hr/>

6. PROFIT BEFORE TAXATION

	Six months ended	
	30.9.2007	30.9.2006
	HK\$'000	HK\$'000
	(unaudited)	(unaudited)
Profit before taxation has been arrived at after charging:		
Operating lease rentals in respect of rented premises		
– minimum lease payment	4,602	4,602
– contingent rent	772	750
Amortisation of prepaid operating lease payments	58	304
Depreciation		
– owned assets	1,164	1,707
– leased assets	22	31
	<hr/> 1,186 <hr/>	<hr/> 1,738 <hr/>

7. TAX EXPENSE

	Six months ended	
	30.9.2007	30.9.2006
	HK\$'000	HK\$'000
	(unaudited)	(unaudited)
The charge comprises:		
Hong Kong Profits Tax	1,460	1,137
PRC Income Tax	64	61
Deferred tax	–	(94)
	<u>1,524</u>	<u>1,104</u>

Hong Kong Profits Tax is provided at the rate of 17.5% (2006: 17.5%) of 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	
	30.9.2007	30.9.2006
	HK\$'000	HK\$'000
	(unaudited)	(unaudited)
Final dividend for the year 2007 of HK\$0.01 per ordinary share (2006: final dividend for the year 2006 of HK\$0.01 per ordinary share)	<u>4,761</u>	<u>4,621</u>

The directors do not recommend the payment of any interim dividend for the six months ended 30th September, 2007 (2006: HK\$ Nil).

9. EARNINGS PER SHARE

The calculation of the basic and diluted earnings per share is based on the net profit attributable to equity holders of HK\$7,801,000 (2006: HK\$5,895,000) and on the weighted average of 466,830,555 ordinary shares (2006: 462,069,603 shares) in issue during the period.

All Company's options were expired at 16th June, 2007, thus there was no dilutive potential ordinary shares for the period ended 30th September, 2007. During the period ended 30 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\$32,911,000 (31st March, 2007: HK\$43,358,000) which are included in the Group's debtors, deposits and prepayments is as follows:

	30.9.2007 HK\$'000 (unaudited)	31.3.2007 HK\$'000 (audited)
0-30 days	15,898	28,991
31-60 days	7,545	3,169
61-90 days	1,684	1,753
91-120 days	6,254	737
Over 120 days	1,530	8,708
	32,911	43,358

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\$27,857,000 (31st March, 2007: HK\$39,938,000) which are included in the Group's creditors and accrued charges is as follows:

	30.9.2007 HK\$'000 (unaudited)	31.3.2007 HK\$'000 (audited)
0-30 days	23,163	35,476
31-60 days	109	395
61-90 days	17	339
Over 90 days	4,568	3,728
	27,857	39,938

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 company:

Name of related company	Nature of transactions	Six months ended	
		30.9.2007 HK\$'000	30.9.2006 HK\$'000
HKC Intown Limited	Internet access fee paid (Note)	99	99

Mr. Chan Chung Yin, Roy, director of the Company, has beneficial interest in the above-named company.

Note: These transactions were based on cost plus a percentage of profit mark-up.

13. SUBSEQUENT EVENT

On 28th November, 2007, the Group completed the acquisition of 70% interests of two companies in Singapore at a consideration of HK\$18,550,000 (\$3,500,000). Details of the terms and conditions of the acquisition are disclosed in the circular of the Company dated 14th November, 2007.

MANAGEMENT DISCUSSION AND ANALYSIS

For the six months ended 30th September, 2007, the Group's turnover was HK\$481 million which represented an increase of approximately 21% (2006: HK\$398 million). The net profit attributable to equity holders during the period was HK\$8 million, representing an increase of 37% over previous corresponding period (2006: HK\$6 million).

Sales of mobile phones

The division posted a 24% increase in sales to HK\$443 million (2006: HK\$357 million) while the profit was HK\$5 million, representing an increase of approximately 30% when compared to the corresponding period of last year. The increase in turnover was due to fast growing economy stimulating customers' spending while the profit margin was stable.

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 loss from this business segment was HK\$5 million. (2006: profit of HK\$0.2 million). Due to the fierce competition, the turnover decreased from HK\$40 million to HK\$38 million when compared to the corresponding period of last year. The downturn in financial performance was due to substantial resources being input into the research and development of new network telephone system, home automation, radio frequency identification ("RFID") project and software development.

Property investment

Gross rental income generated from the investment properties increased from HK\$0.4 million to HK\$ 0.5 million. The profit for this segment was HK\$0.4 million. (2006: loss of HK\$0.4 million).

Significant acquisitions and disposals

There were no material acquisitions and disposals of subsidiaries and associated companies during the period under review. Subsequent to the period under review, the Group had on 22nd October, 2007 entered into a conditional agreement for the acquisition of 70% interests in two Singapore companies by the Group at a consideration of HK\$18,550,000 (S\$3,500,000). The acquisition was completed on 28th November, 2007 and 70% of the consideration was paid upon completion. The remaining 30% of the consideration (subject to adjustment) is to be paid, which is expected to be no earlier than 30th September, 2010, in accordance with the terms of the agreement. The acquisition enable the Group to leverage on the expertise and experience of the Singapore companies on RFID and solutions development which can be acting as the platform for the furtherance of the Group's business in this regard in Asia and Middle East.

PROSPECTS

Looking ahead, we expect that mobile phone business will grow steadily. For business solution division, we will strive to enrich product design and offering. The acquisition of 70% interest in two companies in Singapore will enable us to leverage on the expertise and experience on RFID and solutions development. We will continue to identify suitable investment opportunities to increase the return to the shareholders.

LIQUIDITY AND FINANCIAL RESOURCES

The Group continues to maintain a strong financial position. As at 30th September, 2007, the Group's cash and bank balances amounted to approximately HK\$96 million (31st March, 2007: HK\$91 million) while the bank borrowings was HK\$0.1 million (31st March, 2007: HK\$26 million) which was denominated in Singapore dollars. The gearing ratio was 0.1% (31st March, 2007: 9.7%) 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, 2007, the total number of employees of the Group was approximately 330 (31st March, 2007: 380) and the aggregate remuneration of employees (excluding directors' emoluments) amounted to HK\$24 million (2006: HK\$25 million). The remuneration and bonus packages of the employees are based on the individual merits and performance and are reviewed at least annually. There are share option scheme and share award 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, 2007, the Group's banking facilities were secured by a bank deposit of HK\$7,798,000 (31st March, 2007: HK\$7,798,000) and first legal charge on certain leasehold land and buildings and investment properties with aggregate carrying values of HK\$17,765,000 (31st March, 2007: HK\$ 75,930,000).

CONTINGENT LIABILITIES

As at 30th September, 2007, the Company has provided corporate guarantees of HK\$49,000,000 (31st March, 2007: HK\$49,000,000) 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, 2007, 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, 2007
Chan Chung Yee, Hubert	The Company	Interest of controlled corporation	234,100,575 ordinary shares (each a "Share") of HK\$0.01 each (1) (Note 1 and 2)	49.17%
	The Company	Beneficial owner	8,600,000 Shares (1) (Note 3)	1.81%
	Matrix World Group Limited	Beneficial owner	1 share of US\$1.00 each (1)	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, 2007
Chan Chung Yin, Roy	The Company	Interest of controlled corporation	67,417,400 Shares (L) (Note 4)	14.16%
	The Company	Beneficial owner	1,000,000 Shares (L) (Note 5)	0.21%
	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)	5.19%
	The Company	Beneficial owner	1,000,000 Shares (L) (Note 7)	0.21%
Tsui Hon Wing	The Company	Beneficial owner	2,639,200 Shares (L) (Note 8)	0.55%
Chan Ming Him, Denny	The Company	Beneficial owner	1,000,000 Shares (L) (Note 9)	0.21%

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 225,615,727 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 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. These Shares are registered in the name of Mr. Chan Chung Yee, Hubert.

4. These Shares were held by Star Global International Limited, a company wholly owned by Mr. Chan Chung Yin, Roy. By virtue of the provisions of Divisions 7 and 8 of Part XV of the SFO, Mr. Chan Chung Yin, Roy was deemed to be interested in the Shares held by Star Global International Limited.
5. These Shares are registered in the name of Mr. Chan Chung Yin, Roy.
6. These Shares were held by Ocean Hope Group Limited, a company wholly owned by Mr. Chan Man Min. By virtue of the provisions of Divisions 7 and 8 of Part XV of the SFO, Mr. Chan Man Min was deemed to be interested in the Shares held by Ocean Hope Group Limited.
7. These Shares are registered in the name of Mr. Chan Man Min.
8. These Shares are registered in the name of Mr. Tsui Hon Wing.
9. These Shares are registered in the name of Mr. Chan Min Him, Denny.

Save as disclosed above, as at 30th September 2007, 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 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 in the paragraph headed "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, 2007	Exercised during the period	Lapsed during the period	Outstanding at 30th September, 2007
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	(1,000,000)	(1,000,000)	-
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	(200,000)	(800,000)	-
Yeh Yui Fong	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)	-
				11,300,000	(8,500,000)	(2,800,000)	-
Employees	17.6.2005	17.12.2005 – 16.6.2007	0.284	6,900,000	(5,498,000)	(1,402,000)	-
				18,200,000	(13,998,000)	(4,202,000)	-

No option has been granted during the periods ended 30th September, 2007 and 30th September, 2006.

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, 2007, 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, 2007
Matrix World Group Limited (Note 2)	225,615,727 (L) (Note 1)	Beneficial owner	47.39%
	8,484,848 (L)	Interest of controlled corporation	1.78%
Star Global International Limited (Note 3)	67,417,400 (L)	Beneficial owner	14.16%
Ocean Hope Group Limited (Note 4)	24,709,650 (L)	Beneficial owner	5.19%
Chan Low Wai Han, Edwina (Note 5)	68,417,400 (L)	Interest of spouse	14.37%
Josephine Liu (Note 6)	242,700,575 (L)	Interest of spouse	50.98%

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 225,615,727 Shares were held by Matrix World Group Limited, a company wholly owned by Mr. Chan Chung Yee, Hubert. By virtue of the provisions of Divisions 2 and 3 of Part XV of the SFO, Matrix World Group Limited is deemed to be interested in the Shares held by Light Emotion Limited and Mr. Chan Chung Yee, Hubert is deemed to be interested in the Shares in which Matrix World Group Limited was 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 Han, Edwina is a wife of Mr. Chan Chung Yin, Roy. By virtue of the provisions of Divisions 2 and 3 of Part XV of the SFO, Mrs. Chan Low Wai Han, Edwina is deemed to be interested in all the Shares in which Mr. Chan Chung Yin, Roy is interested.
6. Ms. Josephine Liu is a wife of Mr. Chan Chung Yee, Hubert. By virtue of the provisions of Divisions 2 and 3 of Part XV of the SFO, Ms. Josephine Liu is deemed to be interested in all the Shares in which Mr. Chan Chung Yee, Hubert is interested.

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

During the six months ended 30th September, 2007, 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, 2007 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, 2007.

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 (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, 20th December, 2007