

The HKC logo is rendered in a bold, blue, italicized sans-serif font. A thin, light blue arc curves over the top of the letters. The background of the entire page is a vibrant blue with a network of glowing white lines and nodes, suggesting a global communication network. Several colorful speech bubbles (purple, green, pink, orange, purple) are scattered across the scene, with white lines connecting them to various laptop screens. In the center, a laptop screen displays the HKC logo and the Chinese characters '香港通訊'. Other laptops are visible on the left and right sides, also appearing to be part of the network.

香港通訊

HKC INTERNATIONAL HOLDINGS LIMITED

香港通訊國際控股有限公司

(Incorporated in the Cayman Islands with limited liability)  
Stock code : 248

INTERIM REPORT

2016



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## **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  
Leung Shing Koon  
Chow So Fan, Candy

#### *Independent Non-executive Directors*

Chu Chor Lup  
Chiu Ngar Wing  
FCCA, ACA, CPA (*Practising*)  
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**

Block B, 14/F., 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, 2016 as follows:

## **CONDENSED CONSOLIDATED STATEMENT OF COMPREHENSIVE INCOME**

FOR THE SIX MONTHS ENDED 30TH SEPTEMBER, 2016

		<b>Six months ended 30th September,</b>	
	Note	<b>2016 HK\$'000 (unaudited)</b>	2015 HK\$'000 (unaudited)
Turnover	3	<b>95,219</b>	137,637
Cost of sales		<b>(72,938)</b>	(108,375)
Gross profit		<b>22,281</b>	29,262
Other income and gains	4	<b>3,877</b>	860
Other losses	5	<b>(52)</b>	(618)
Selling and distribution expenses		<b>(2,889)</b>	(4,029)
Administrative and other operating expenses		<b>(25,678)</b>	(23,978)
Finance costs	6	<b>(1,055)</b>	(856)
(Loss)/profit before taxation	7	<b>(3,516)</b>	641
Tax expense	8	<b>(95)</b>	(120)
(Loss)/profit for the period attributable to equity holders of the Company		<b>(3,611)</b>	521
Other comprehensive expense			
Items that may be reclassified subsequently to profit or loss:			
Exchange differences on translation of overseas operations		<b>(490)</b>	(451)
Available-for-sale financial assets:			
– Fair value loss during the period		–	(1,568)
– Reclassification adjustments transferred to profit or loss			
– Released upon disposal of available-for-sale financial assets		<b>(3,398)</b>	–
Other comprehensive expense for the period		<b>(3,888)</b>	(2,019)
Total comprehensive expense for the period		<b>(7,499)</b>	(1,498)

## **CONDENSED CONSOLIDATED STATEMENT OF COMPREHENSIVE INCOME (Continued)**

FOR THE SIX MONTHS ENDED 30TH SEPTEMBER, 2016

		<b>Six months ended 30th September,</b>	
		<b>2016</b>	2015
Note		<b>HK\$'000</b> <b>(unaudited)</b>	HK\$'000 (unaudited)
	(Loss)/profit for the period attributable to equity holders of the Company	<b><u>(3,611)</u></b>	<u>521</u>
	Total comprehensive expense for the period attributable to equity holders of the Company	<b><u>(7,499)</u></b>	<u>(1,498)</u>
	(Loss)/earnings per share – (HK cents)		
	– basic	<b><u>(0.36) cents</u></b>	<u>0.07 cents*</u>
	– diluted	<b><u>(0.36) cents</u></b>	<u>0.07 cents*</u>

\* Adjusted for the bonus share issue

## CONDENSED CONSOLIDATED STATEMENT OF FINANCIAL POSITION

AS AT 30TH SEPTEMBER, 2016

	Note	As at 30th September, 2016 HK\$'000 (unaudited)	As at 31st March, 2016 HK\$'000 (audited)
<b>Non-current assets</b>			
Property, plant and equipment		59,983	60,837
Investment properties		177,830	177,830
Available-for-sale financial assets		3,900	8,592
		<b>241,713</b>	247,259
<b>Current assets</b>			
Inventories		22,207	27,385
Financial assets at fair value through profit or loss		300	298
Gross amounts due from customers for contract work	11	40,219	40,208
Debtors, deposits and prepayments	12	31,991	40,936
Cash and bank balances		13,908	15,420
		<b>108,625</b>	124,247
<b>Current liabilities</b>			
Creditors, deposits received and accrued charges	13	12,841	22,282
Tax payable		95	65
Obligations under finance leases		2	25
Bank borrowings		71,772	77,129
		<b>84,710</b>	99,501

## **CONDENSED CONSOLIDATED STATEMENT OF FINANCIAL POSITION (Continued)**

AS AT 30TH SEPTEMBER, 2016

	<b>As at 30th September, 2016 HK\$'000 (unaudited)</b>	As at 31st March, 2016 HK\$'000 (audited)
<b>Net current assets</b>	<b>23,915</b>	24,746
<b>Total assets less current liabilities</b>	<b>265,628</b>	272,005
<b>Non-current liabilities</b>		
Obligations under finance leases	<b>23</b>	23
Deferred tax liabilities	<b>168</b>	168
	<b>191</b>	191
	<b>265,437</b>	271,814
<b>Capital and reserves</b>		
Share capital	<b>9,963</b>	7,970
Reserves	<b>255,474</b>	263,844
Total equity	<b>265,437</b>	271,814

## CONDENSED CONSOLIDATED STATEMENT OF CHANGES IN EQUITY

FOR THE SIX MONTHS ENDED 30TH SEPTEMBER, 2016

	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, 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>
At 1st April, 2015	6,376	45,698	(498)	664	28,325	7,918	41,556	1,407	166,822	298,268
Profit for the period	-	-	-	-	-	-	-	-	521	521
Other comprehensive expense for the period	-	-	-	-	-	(1,568)	-	(451)	-	(2,019)
Total comprehensive (expense)/income for the period	-	-	-	-	-	(1,568)	-	(451)	521	(1,498)
Bonus shares issue	1,594	(1,594)	-	-	-	-	-	-	-	-
At 30th September, 2015 (unaudited)	<u>7,970</u>	<u>44,104</u>	<u>(498)</u>	<u>664</u>	<u>28,325</u>	<u>6,350</u>	<u>41,556</u>	<u>956</u>	<u>167,343</u>	<u>296,770</u>



## **CONDENSED CONSOLIDATED STATEMENT OF CASH FLOWS**

FOR THE SIX MONTHS ENDED 30TH SEPTEMBER, 2016

	<b>Six months ended</b>	
	<b>30.9.2016</b>	30.9.2015
	<b>HK\$'000</b>	HK\$'000
	<b>(unaudited)</b>	(unaudited)
<b>Net cash (used in)/generated from operating activities</b>	<b>(1,041)</b>	5,042
<b>Net cash generated from investing activities</b>	<b>4,846</b>	3,611
<b>Net cash used in financing activities</b>	<b>(5,357)</b>	(2,277)
	<hr/>	<hr/>
<b>Net (decrease)/increase in cash and cash equivalents</b>	<b>(1,552)</b>	6,376
<b>Cash and cash equivalents at beginning of the period</b>	<b>10,000</b>	5,475
<b>Effect of foreign exchange rates changes</b>	<b>16</b>	(43)
	<hr/>	<hr/>
<b>Cash and cash equivalents at end of the period</b>	<b>8,464</b>	11,808
	<hr/> <hr/>	<hr/> <hr/>
<b>Analysis of balances of cash and cash equivalents</b>		
<b>Time deposits with maturity within three months</b>	-	80
<b>Cash and bank balances</b>	<b>11,446</b>	11,728
<b>Bank overdraft</b>	<b>(2,982)</b>	-
	<hr/>	<hr/>
	<b>8,464</b>	11,808
	<hr/> <hr/>	<hr/> <hr/>

## NOTES TO THE CONDENSED CONSOLIDATED FINANCIAL STATEMENTS

FOR THE SIX MONTHS ENDED 30TH SEPTEMBER, 2016

### 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, 2016.

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:

HKFRS 14	Regulatory Deferral Accounts
Amendment to HKFRS 11	Accounting for Acquisitions of Interests in Joint Operations
Amendment to HKAS 16 and HKAS 38	Clarification of Acceptable Methods of Depreciation and Amortisation
Amendments to HKAS 16 and HKAS 41	Agriculture: Bearer Plants
Amendment to HKAS 27 (2011)	Equity Method in Separate Financial Statements
Amendment to HKFRS 10, HKFRS 12 and HKAS 28 (2011)	Investment Entities: Applying the Consolidation Exception
Amendment to HKAS 1	Disclosure Initiative
Annual Improvements 2012 – 2014 Cycle	Amendments to a number of HKFRSs

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

**2. PRINCIPAL ACCOUNTING POLICIES (Continued)**

The Group has not applied the following new and revised HKFRSs that have been issued but are not yet effective, in these unaudited condensed consolidated financial statements:

Amendment to HKAS 12	Income Taxes <sup>2</sup>
Amendments to HKAS 7	Statement of Cash Flows <sup>2</sup>
HKFRS 15	Revenue from Contracts with Customers <sup>1</sup>
HKFRS 9	Financial Instruments <sup>1</sup>
HKFRS 16	Leases <sup>3</sup>
Amendments to HKFRS 10 and HKAS 28 (2011)	Sale or Contribution of Assets between an Investor and its Associate or Joint Venture <sup>4</sup>

<sup>1</sup> Effective for annual periods beginning on or after 1st January, 2018

<sup>2</sup> Effective for annual periods beginning on or after 1st January, 2017

<sup>3</sup> Effective for annual periods beginning on or after 1st January, 2019

<sup>4</sup> Originally intended to be effective for annual periods beginning on or after 1st January, 2016. The effective date has now been deferred

The Group is in the process of making an assessment of the impact of these new and revised HKFRSs upon initial application but is not yet in a position to state whether these new and revised HKFRSs would have any significant impact on its results of operations and financial position.

**3. TURNOVER/SEGMENT INFORMATION**

Turnover 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, 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
Reportable segment revenue	<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.

**3. TURNOVER/SEGMENT INFORMATION (Continued)**

**a) Segment results, assets and liabilities (Continued)**

The reportable segments for the period ended 30th September, 2015 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	73,747	42,888	17,680	3,322	137,637
Inter-segment sales	-	4,140	-	-	4,140
Reportable segment revenue	<u>73,747</u>	<u>47,028</u>	<u>17,680</u>	<u>3,322</u>	<u>141,777</u>
Reportable segment profit/(loss)	<u>405</u>	<u>1,123</u>	<u>(1,258)</u>	<u>989</u>	<u>1,259</u>
Interest income from bank deposits	160	-	-	-	160
Finance costs	(260)	-	-	(596)	(856)
Depreciation for the period	(592)	(257)	(202)	(1)	(1,052)
Reportable segment assets	72,587	63,611	62,612	167,674	366,484
Additions to non-current assets during the period	436	144	619	1	1,200
Reportable segment liabilities	21,322	5,709	8,287	45,936	81,254

The accounting policies of the reportable segments are the same as the Group's accounting policies. Segment (loss)/profit represents the (loss)/profit earned by each segment without allocation of gain on disposal of available-for-sale financial assets, fair value gain/(loss) 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. TURNOVER/SEGMENT INFORMATION (Continued)**

**b) Geographic information**

	Six months ended		Non-current assets*	
	Revenues from external customers			
	30.9.2016	30.9.2015	30.9.2016	31.3.2016
	HK\$'000 (unaudited)	HK\$'000 (unaudited)	HK\$'000 (unaudited)	HK\$'000 (audited)
Hong Kong (place of domicile)	<b>78,629</b>	119,957	<b>206,150</b>	208,914
Mainland China	<b>6,905</b>	14,206	<b>29,973</b>	27,972
Singapore	<b>9,286</b>	3,165	<b>1,690</b>	1,781
Other countries in South East Asia	<b>399</b>	309	<b>-</b>	-
	<b>16,590</b>	17,680	<b>31,663</b>	29,753
	<b>95,219</b>	137,637	<b>237,813</b>	238,667

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

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

	Six months ended	
	30.9.2016 HK\$'000 (unaudited)	30.9.2015 HK\$'000 (unaudited)
<b>REVENUE</b>		
Reportable segment revenue	<b>95,219</b>	141,777
Elimination of inter-segment revenue	<b>-</b>	(4,140)
Consolidated revenue	<b>95,219</b>	137,637
<b>PROFIT OR LOSS</b>		
Reportable segment (loss)/profit	<b>(7,133)</b>	1,259
Gain on disposal of available-for-sale financial assets	<b>3,666</b>	-
Fair value gain/(loss) of financial assets at fair value through profit or loss	<b>3</b>	(139)
Net exchange loss	<b>(52)</b>	(479)
Consolidated (loss)/profit before taxation	<b>(3,516)</b>	641

**3. TURNOVER/SEGMENT INFORMATION (Continued)**

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

	<b>30.9.2016</b> <b>HK\$'000</b> <b>(unaudited)</b>	31.3.2016 HK\$'000 (audited)
<b>ASSETS</b>		
Reportable segment assets	<b>346,138</b>	362,616
Non-current financial assets	<b>3,900</b>	8,592
Unallocated corporate assets	<b>300</b>	298
	<hr/> <b>350,338</b> <hr/>	<hr/> 371,506 <hr/>
<b>LIABILITIES</b>		
Reportable segment liabilities	<b>84,733</b>	99,524
Deferred tax liabilities	<b>168</b>	168
	<hr/> <b>84,901</b> <hr/>	<hr/> 99,692 <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**

	<b>Six months ended</b>	
	<b>30.9.2016</b> <b>HK\$'000</b> <b>(unaudited)</b>	30.9.2015 HK\$'000 (unaudited)
Gain on disposal of available-for-sale financial assets	<b>3,666</b>	–
Bank interest income	<b>82</b>	160
Dividend income from listed equity securities	<b>2</b>	152
Fair value gain of financial assets at fair value through profit or loss	<b>3</b>	–
Others	<b>124</b>	548
	<hr/> <b>3,877</b> <hr/>	<hr/> 860 <hr/>

**5. OTHER LOSSES**

	<b>Six months ended</b>	
	<b>30.9.2016</b>	30.9.2015
	<b>HK\$'000</b>	HK\$'000
	<b>(unaudited)</b>	(unaudited)
Net exchange loss	<b>52</b>	479
Fair value loss of financial assets at fair value through profit or loss	<b>-</b>	139
	<b>52</b>	618

**6. FINANCE COSTS**

	<b>Six months ended</b>	
	<b>30.9.2016</b>	30.9.2015
	<b>HK\$'000</b>	HK\$'000
	<b>(unaudited)</b>	(unaudited)
Interest on bank borrowings not wholly repayable within five years	<b>1,055</b>	856

**7. (LOSS)/PROFIT BEFORE TAXATION**

	<b>Six months ended</b>	
	<b>30.9.2016</b>	30.9.2015
	<b>HK\$'000</b>	HK\$'000
	<b>(unaudited)</b>	(unaudited)
(Loss)/profit before taxation has been arrived at after charging:		
Operating lease rentals in respect of rented premises		
– minimum lease payments	<b>797</b>	879
– contingent rent	<b>244</b>	372
	<b>1,041</b>	1,251
Depreciation		
– owned assets	<b>950</b>	1,042
– leased assets	<b>10</b>	10
	<b>960</b>	1,052
Employee benefits expenses (including directors' remuneration)		
– salaries, allowances and benefits in kind	<b>16,058</b>	18,856
– retirement benefit scheme contributions	<b>1,491</b>	1,571
Total staff costs	<b>17,549</b>	20,427

**8. TAX EXPENSE**

	<b>Six months ended</b>	
	<b>30.9.2016</b>	30.9.2015
	<b>HK\$'000</b>	HK\$'000
	<b>(unaudited)</b>	(unaudited)
Hong Kong Profits Tax	<b>(95)</b>	(120)

Hong Kong Profits Tax is provided at the rate of 16.5% (2015: 16.5%) of the estimated assessable profits for the period.

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

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

	<b>Six months ended</b>	
	<b>30.9.2016</b>	30.9.2015
	<b>HK\$'000</b>	HK\$'000
	<b>(unaudited)</b>	(unaudited)
(Loss)/profit attributable to equity holders of the Company	<b>(3,611)</b>	521
	<b>Number of shares</b>	Number of shares (restated)
<b>Basic</b>		
Weighted average number of ordinary shares in issue less shares held for Share Award Plan for the purpose of calculating basic (loss)/earnings per share	<b>993,734,942</b>	793,504,426*
<b>Diluted</b>		
Weighted average number of ordinary shares in issue less shares held for Share Award Plan	<b>993,734,942</b>	793,504,426*
Effect of dilutive potential ordinary shares: Awarded shares	<b>2,530,080</b>	3,507,611
Weighted average number of ordinary shares for the purpose of calculating diluted (loss)/earnings per share	<b>996,265,022</b>	797,012,037

\* 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, 2016 (2015: HK\$ Nil).

**11. GROSS AMOUNTS DUE FROM CUSTOMERS FOR CONTRACT WORK**

	<b>30.9.2016</b> <b>HK\$'000</b> <b>(unaudited)</b>	31.3.2016 HK\$'000 (audited)
Contract costs incurred	<b>90,526</b>	76,419
Recognised profits	<b>26,148</b>	18,957
	<b>116,674</b>	95,376
Progress billings	<b>(76,455)</b>	(55,168)
	<b>40,219</b>	40,208

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\$26,187,000 (31st March, 2016: HK\$31,711,000) which are included in the Group's debtors, deposits and prepayments is as follows:

	<b>30.9.2016</b> <b>HK\$'000</b> <b>(unaudited)</b>	31.3.2016 HK\$'000 (audited)
Neither overdue nor impaired	<b>3,977</b>	13,207
Less than 1 month overdue	<b>12,350</b>	4,225
1 to 3 months overdue	<b>3,971</b>	1,826
More than 3 months overdue	<b>5,889</b>	12,453
	<b>26,187</b>	31,711

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

**13. CREDITORS, DEPOSITS RECEIVED AND ACCRUED CHARGES**

The ageing analysis of trade creditors of HK\$10,073,000 (31st March, 2016: HK\$14,582,000) which is included in the Group's creditors, deposit received and accrued charges is as follows:

	<b>30.9.2016</b> <b>HK\$'000</b> <b>(unaudited)</b>	31.3.2016 HK\$'000 (audited)
0-30 days	<b>7,927</b>	9,169
31-60 days	<b>816</b>	1,639
61-90 days	<b>964</b>	180
Over 90 days	<b>366</b>	3,594
	<hr/> <b>10,073</b> <hr/>	<hr/> 14,582 <hr/>

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

**14. RELATED PARTY TRANSACTIONS**

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

## **MANAGEMENT DISCUSSION AND ANALYSIS**

For the six months ended 30th September, 2016, the Group's revenue was HK\$95 million which represented a decrease of approximately 31% as compared with the HK\$138 million recorded for the corresponding period last year. The net loss attributable to equity holders was HK\$3.6 million (2015: profit of HK\$0.5 million).

### **Sales of mobile phones**

During the period under review, the revenue was HK\$45 million, representing a 39% decrease compared to the same period last year (2015: HK\$74 million) due to the keen competition and lower market demand. The division recorded loss of HK\$4.7 million (2015: profit of HK\$0.4 million).

### **Sales of IOT solutions**

The revenue decreased by 22% to HK\$47 million (2015: HK\$61 million) because less home automation projects were completed during the period under review. The division recorded loss of HK\$3.1 million (2015: HK\$0.1 million).

### **Property investment**

The rental income slightly decreased from HK\$3.3 million to HK\$3 million and the profit of this division was HK\$0.7 million (2015: HK\$1 million).

## **PROSPECTS**

Regarding the mobile phone business, we expect that keen competition will continue during the second half of the year.

In IOT solutions segment, we 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, 2016, the Group's cash and bank balances amounted to approximately HK\$14 million (31st March, 2016: HK\$15 million) while the bank borrowings were HK\$72 million (31st March, 2016: HK\$77 million). The Board believes that the Group has sufficient resources to satisfy its commitment and working capital requirements. The gearing ratio was 27% (31st March, 2016: 28%) which is expressed as a percentage of total borrowings to total equity.

## **EMPLOYEES**

As at 30th September, 2016, the total number of employees of the Group was approximately 130 (31st March, 2016: 160) and the aggregate remuneration of employees (excluding directors' emoluments) amounted to HK\$15 million (2015: HK\$18 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, 2016, 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\$56,302,000 (31st March, 2016: HK\$ 56,866,000); (2) first legal charge on certain investment properties with total fair value of HK\$139,500,000 (31st March, 2016: HK\$139,500,000); (3) bank deposits of HK\$2,463,000 (31st March, 2016: HK\$2,441,000); and (4) financial assets at fair value through profit and loss with total fair value of HK\$300,000 (31st March, 2016: HK\$298,000).

## **CONTINGENT LIABILITIES**

As at 30th September, 2016, the Company had provided corporate guarantees of HK\$77 million (31st March, 2016: HK\$77 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, 2016, 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:

<b>Name of Director</b>	<b>The Company/ associated corporation</b>	<b>Capacity</b>	<b>Number of shares (long position) (Note 1)</b>	<b>Approximate percentage of interest</b>
Chan Chung Yee, Hubert	The Company	Interest of controlled corporation	515,475,483 (L) (Note 2)	51.74%
	The Company	Beneficial owner	19,436,715 (L) (Note 3)	1.95%
	Matrix World Group Limited	Beneficial owner	1 share of US\$1.00	100.00%
Chan Chung Yin, Roy	The Company	Beneficial owner	79,576,153 (L) (Note 4)	8.00%
Chan Ming Him, Denny	The Company	Beneficial owner	2,093,593 (L) (Note 5)	0.21%
Ip Man Hon	The Company	Beneficial owner	1,230,078 (L) (Note 6)	0.12%
Leung Shing Koon	The Company	Beneficial owner	540,000 (L) (Note 7)	0.06%
		Interest of spouse	350,000 (L) (Note 8)	0.03%
Wu Kwok Lam	The Company	Beneficial owner	780,000 (L) (Note 9)	0.08%
Chow So Fan Candy	The Company	Beneficial owner	500,000 (L) (Note 10)	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, 17,609,670 shares were held by Light Emotion Limited, a company wholly owned by Matrix World Group Limited and 497,865,813 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. Leung Shing Koon.
8. These shares are registered in the name of Ms. Chow Yuk Yee, wife of Leung Shing Koon.
9. These shares are registered in the name of Mr. Wu Kwok Lam.
10. These shares are registered in the name of Ms. Chow So Fan Candy.
11. Save as disclosed above, as at 30th September, 2016, 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, 2016, the interests and short positions of the substantial shareholders of the Company (other than the directors and the chief executive of the Company) in the shares and underlying shares of the Company as recorded in the register required to be kept by the Company pursuant to section 336 of the SFO were as follows:

Name	Number of shares (long position) (Note 1)	Capacity/nature of interest	Approximate percentage of interest
Matrix World Group Limited	515,475,483(L) (Note 2)	Beneficial owner	51.74%
Chan Low Wai Han, Edwina (Note 3)	79,576,153(L)	Interest of spouse	8.00%
Josephine Liu (Note 4)	534,912,198(L)	Interest of spouse	53.69%

Notes:

1. The Letter "L" represents the person's interest in the shares of the Company.
2. Among these shares, 17,609,670 shares were held by Light Emotion Limited, a company wholly owned by Matrix World Group Limited and 497,865,813 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, 2016, 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, 2016, 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. Mr. Chiu Ngar Wing and Dr. Chu Chor Lup were unable to attend the annual general meeting of the Company held on 22nd August, 2016 due to their other commitments.



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

The Company has adopted the Model Code set out in Appendix 10 to the Listing Rules as its own code of conduct regarding directors' securities transactions. Having made specific enquiry of all directors, all directors confirmed that they had complied with the required standards set out in the Model Code during the six months ended 30th September, 2016.

## **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, 2016.

## **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, 25th November, 2016