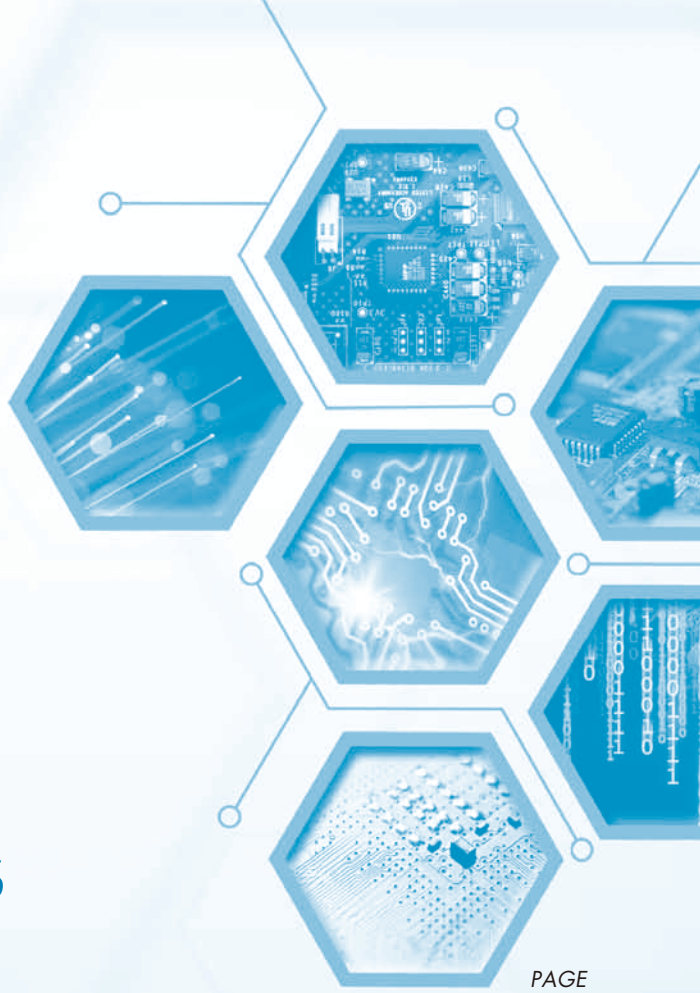


2013
Interim Report



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
(*Chief Executive Officer*)
Chan Ming Him, Denny
Wu Kwok Lam *CPA, FCCA*
Ip Man Hon
Ng Chi Hoi

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

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

CAYMAN ISLANDS PRINCIPAL REGISTRAR

Bank of Bermuda (Cayman) Limited
P.O. Box 513 GT
2nd Floor, Strathvale House
North Church Street, George Town
Grand Cayman, Cayman Islands
British West Indies

HONG KONG BRANCH REGISTRAR

Pilare Limited
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
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") 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, 2013 as follows:

CONDENSED CONSOLIDATED STATEMENT OF COMPREHENSIVE INCOME

FOR THE SIX MONTHS ENDED 30TH SEPTEMBER, 2013

	Note	Six months ended 30th September,	
		2013 HK\$'000 (unaudited)	2012 HK\$'000 (unaudited)
Turnover	3	121,816	133,108
Cost of sales		(92,771)	(96,201)
Gross profit		29,045	36,907
Other income and gains	4	2,003	478
Other losses	5	(96)	(477)
Loss on disposal of a subsidiary	6	(862)	-
Selling and distribution expenses		(3,767)	(3,762)
Administrative and other operating expenses		(32,950)	(40,497)
Finance costs	7	(497)	(402)
Loss before taxation	8	(7,124)	(7,753)
Tax expense	9	(2)	(52)
Loss for the period		(7,126)	(7,805)
Other comprehensive income/(expense) Item that may be reclassified subsequently to profit or loss:			
Exchange differences on translation of overseas operations		592	(520)
Fair value (loss)/gain on available-for-sale financial assets		(122)	81
Other comprehensive income/(expense) for the period		470	(439)
Total comprehensive expense for the period		(6,656)	(8,244)

CONDENSED CONSOLIDATED STATEMENT OF COMPREHENSIVE INCOME(Continued)

		Six months ended 30th September,	
	Note	2013 HK\$'000 (unaudited)	2012 HK\$'000 (unaudited)
(Loss)/profit attributable to:			
Equity holders of the Company		(7,414)	(7,798)
Non-controlling interests		288	(7)
		<hr/>	<hr/>
Loss for the period		<u>(7,126)</u>	<u>(7,805)</u>
Total comprehensive (expense)/income attributable to:			
Equity holders of the Company		(6,944)	(8,237)
Non-controlling interests		288	(7)
		<hr/>	<hr/>
Total comprehensive expense for the period		<u>(6,656)</u>	<u>(8,244)</u>
Loss per share – (HK cents)			
– basic	10	<u>(1.44) cents</u>	<u>(1.56) cents</u>
– diluted	10	<u>(1.43) cents</u>	<u>(1.54) cents</u>
Dividend	11	<u>-</u>	<u>5,058</u>

CONDENSED CONSOLIDATED BALANCE SHEET

AS AT 30TH SEPTEMBER, 2013

	Note	As at 30th September, 2013 HK\$'000 (unaudited)	As at 31st March, 2013 HK\$'000 (audited)
Non-current assets			
Property, plant and equipment		51,958	53,822
Investment properties		189,535	183,680
Available-for-sale financial assets		4,677	4,798
Deposits paid for acquisition of investment properties	12	2,938	4,618
		249,108	246,918
Current assets			
Inventories		23,093	17,588
Gross amounts due from customers for contract work	13	18,663	21,484
Debtors, deposits and prepayments	14	37,366	42,200
Cash and bank balances		31,020	42,832
		110,142	124,104
Current liabilities			
Creditors and accrued charges	15	14,207	22,355
Gross amounts due to customers for contract work	13	178	641
Tax payable		735	720
Obligations under finance leases		19	31
Bank borrowings		44,452	40,535
		59,591	64,282

CONDENSED CONSOLIDATED BALANCE SHEET(Continued)

	As at 30th September, 2013 HK\$'000 (unaudited)	As at 31st March, 2013 HK\$'000 (audited)
Net current assets	50,551	59,822
Total assets less current liabilities	299,659	306,740
Non-current liabilities		
Obligations under finance leases	51	60
Deferred tax liabilities	168	168
	219	228
	299,440	306,512
Capital and reserves		
Share capital	5,667	5,152
Reserves	293,773	301,232
Equity attributable to equity holders of the Company	299,440	306,384
Non-controlling interests	-	128
Total equity	299,440	306,512

CONDENSED CONSOLIDATED STATEMENT OF CHANGES IN EQUITY

FOR THE SIX MONTHS ENDED 30TH SEPTEMBER, 2013

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 HK\$'000	Non-controlling interests HK\$'000	Total HK\$'000
At 1st April, 2013	5,152	46,922	(1,089)	664	28,325	2,040	41,556	265	182,549	306,384	128	306,512
Loss for the period	-	-	-	-	-	-	-	-	(7,414)	(7,414)	288	(7,126)
Other comprehensive (expense)/income for the period	-	-	-	-	-	(122)	-	592	-	470	-	470
Total comprehensive (expense)/income for the period	-	-	-	-	-	(122)	-	592	(7,414)	(6,944)	288	(6,656)
Shares awarded to staff under the Share Award Plan	-	-	635	(591)	-	-	-	-	(44)	-	-	-
Disposal of a subsidiary	-	-	-	-	-	-	-	-	-	-	(416)	(416)
Bonus shares issue	515	(515)	-	-	-	-	-	-	-	-	-	-
At 30th September, 2013 (Unaudited)	<u>5,667</u>	<u>46,407</u>	<u>(454)</u>	<u>73</u>	<u>28,325</u>	<u>1,918</u>	<u>41,556</u>	<u>857</u>	<u>175,091</u>	<u>299,440</u>	<u>-</u>	<u>299,440</u>
At 1st April, 2012	5,058	44,501	(1,041)	664	28,325	1,189	32,078	(1,102)	193,237	302,909	61	302,970
Loss for the period	-	-	-	-	-	-	-	-	(7,798)	(7,798)	(7)	(7,805)
Other comprehensive income/(expense) for the period	-	-	-	-	-	81	-	(520)	-	(439)	-	(439)
Total comprehensive income/(expense) for the period	-	-	-	-	-	81	-	(520)	(7,798)	(8,237)	(7)	(8,244)
Dividend payable	-	-	-	-	-	-	-	-	(5,058)	(5,058)	-	(5,058)
At 30th September, 2012 (Unaudited)	<u>5,058</u>	<u>44,501</u>	<u>(1,041)</u>	<u>664</u>	<u>28,325</u>	<u>1,270</u>	<u>32,078</u>	<u>(1,622)</u>	<u>180,381</u>	<u>289,614</u>	<u>54</u>	<u>289,668</u>

CONDENSED CONSOLIDATED STATEMENT OF CASH FLOW

FOR THE SIX MONTHS ENDED 30TH SEPTEMBER, 2013

	Six months ended	
	30.9.2013	30.9.2012
	HK\$'000	HK\$'000
	(unaudited)	(unaudited)
Net cash used in operating activities	(8,893)	(16,219)
Net cash generated from investing activities	2,334	8,005
Net cash generated from/(used in) financing activities	3,896	(1,174)
	<hr/>	<hr/>
Net decrease in cash and cash equivalents	(2,663)	(9,388)
Cash and cash equivalents at beginning of the period	31,703	45,691
Effect of foreign exchange rates changes	89	(72)
	<hr/>	<hr/>
Cash and cash equivalents at end of the period	29,129	36,231
	<hr/> <hr/>	<hr/> <hr/>
Analysis of balances of cash and cash equivalents		
Time deposits with maturity within three months	20,060	24,469
Cash and bank balances	9,069	11,762
	<hr/>	<hr/>
	29,129	36,231
	<hr/> <hr/>	<hr/> <hr/>

NOTES TO THE CONDENSED FINANCIAL STATEMENTS

FOR THE SIX MONTHS ENDED 30TH SEPTEMBER, 2013

1. BASIS OF PREPARATION

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

2. PRINCIPAL ACCOUNTING POLICIES

The unaudited condensed interim financial statements have been prepared in accordance with Hong Kong Accounting Standard 34 "Interim Financial Reporting" issued by HKICPA and with the applicable disclosure requirements of the Rules Governing the Listing of Securities of The Stock Exchange of Hong Kong Limited ("Listing Rules"). Except as described below, the accounting policies adopted are consistent with those set out in the annual financial statements for the year ended 31st March, 2013.

In the current interim period, the Group has applied, for the first time the following HKFRSs and HKASs issued by the HKICPA:

HKFRS 7 Amendments	Disclosures – Offsetting Financial Assets and Financial Liabilities
HKFRS 10	Consolidated Financial Statements
HKFRS 11	Joint Arrangements
HKFRS 12	Disclosure of Interests in Other Entities
HKFRS 10, HKFRS 11 and HKFRS 12 Amendments	Amendments to HKFRS 10, HKFRS 11 and HKFRS 12 – Transition Guidance
HKFRS 13	Fair Value Measurement
HKAS 1 Amendments	Presentation of Items of Other Comprehensive Income
HKAS 19 (as revised in 2011)	Employee Benefits
HKAS 27 (as revised in 2011)	Separate Financial Statements
HKAS 28 (as revised in 2011)	Investments in Associates and Joint Ventures
Amendments to HKFRSs	Annual Improvements to HKFRSs 2009-2011 Cycles except for the amendments to HKAS 1

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

3. TURNOVER/SEGMENT INFORMATION

The Group is currently organized into three divisions – sales of mobile phones, sales of business solutions and property investment. Segment information about the Group's business is presented below:

a) Segment results, assets and liabilities

The reportable segments for the period ended 30th September, 2013 are as follows:

	Sales of mobile phones in Hong Kong HK\$'000	Sales of business solutions in Hong Kong HK\$'000	Sales of business solutions in Mainland China and other countries in South East Asia HK\$'000	Property investment HK\$'000	Total HK\$'000
Revenue from external customers	83,531	21,392	14,417	2,476	121,816
Inter-segment sales	14	209	240	-	463
Reportable segment revenue	<u>83,545</u>	<u>21,601</u>	<u>14,657</u>	<u>2,476</u>	<u>122,279</u>
Reportable segment (loss)/profit	<u>(6,133)</u>	<u>2,861</u>	<u>(4,617)</u>	<u>557</u>	<u>(7,332)</u>
Interest income from bank deposits	167	-	30	-	197
Finance costs	-	-	-	(497)	(497)
Depreciation for the period	(1,560)	(269)	(312)	(15)	(2,156)
Additions to non-current assets during the period	12	509	66	25	612
	At 30th September, 2013				
	HK\$'000	HK\$'000	HK\$'000	HK\$'000	HK\$'000
Reportable segment assets	108,247	40,602	58,387	147,337	354,573
Reportable segment liabilities	4,319	1,244	8,764	45,315	59,642

3. TURNOVER/SEGMENT INFORMATION (Continued)

a) Segment results, assets and liabilities (Continued)

The reportable segments for the period ended 30th September, 2012 are as follows:

	Sales of mobile phones in Hong Kong HK\$'000	Sales of business solutions in Hong Kong HK\$'000	Sales of business solutions in Mainland China and other countries in South East Asia HK\$'000	Property investment HK\$'000	Total HK\$'000
Revenue from external customers	73,214	28,845	28,615	2,434	133,108
Inter-segment sales	2	819	118	-	939
	<u>73,216</u>	<u>29,664</u>	<u>28,733</u>	<u>2,434</u>	<u>134,047</u>
Reportable segment revenue	<u>73,216</u>	<u>29,664</u>	<u>28,733</u>	<u>2,434</u>	<u>134,047</u>
Reportable segment (loss)/profit	<u>(10,120)</u>	<u>2,867</u>	<u>(1,829)</u>	<u>1,806</u>	<u>(7,276)</u>
Interest income from bank deposits	156	-	73	-	229
Finance costs	-	-	(2)	(400)	(402)
Depreciation and amortisation for the period	(1,985)	(240)	(571)	(11)	(2,807)
Additions to non-current assets during the period	262	166	180	67	675
	HK\$'000	HK\$'000	At 31st March, 2013 HK\$'000	HK\$'000	HK\$'000
Reportable segment assets	120,585	44,279	62,230	139,130	366,224
Reportable segment liabilities	4,473	10,142	8,482	41,245	64,342

The accounting policies of the reportable segments are the same as the Group's accounting policies. Segment profit/(loss) represents the profit/(loss) earned by each segment without allocation of gain on disposal of investment properties, net exchange gain, other losses and loss on disposal of a subsidiary. 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 Revenues from external customers		Non-current assets*	
	30.9.2013 HK\$'000 (unaudited)	30.9.2012 HK\$'000 (unaudited)	30.9.2013 HK\$'000 (unaudited)	31.3.2013 HK\$'000 (audited)
Hong Kong (place of domicile)	107,399	104,493	208,458	206,678
Mainland China	4,740	8,584	34,093	33,406
Singapore	7,952	17,612	1,880	2,036
Other countries in South East Asia	1,725	2,419	-	-
	14,417	28,615	35,973	35,442
	121,816	133,108	244,431	242,120

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

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

	Six months ended	
	30.9.2013 HK\$'000 (unaudited)	30.9.2012 HK\$'000 (unaudited)
REVENUES		
Reportable segment revenue	122,279	134,047
Elimination of inter-segment revenue	(463)	(939)
Consolidated turnover	121,816	133,108
PROFIT OR LOSS		
Reportable segment loss	(7,332)	(7,276)
Gain on disposal of investment properties	1,046	-
Net exchange gain	120	-
Other losses	(96)	(477)
Loss on disposal of a subsidiary	(862)	-
Consolidated loss before taxation	(7,124)	(7,753)

3. TURNOVER/SEGMENT INFORMATION (Continued)

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

	30.9.2013 HK\$'000 (unaudited)	31.3.2013 HK\$'000 (audited)
ASSETS		
Reportable segment assets	354,573	366,224
Non-current financial assets	4,677	4,798
Consolidated total assets	<u>359,250</u>	<u>371,022</u>
LIABILITIES		
Reportable segment liabilities	59,642	64,342
Deferred tax liabilities	168	168
Consolidated total liabilities	<u>59,810</u>	<u>64,510</u>

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.
- all liabilities are allocated to reportable segments other than deferred tax liabilities.

4. OTHER INCOME AND GAINS

	Six months ended	
	30.9.2013 HK\$'000 (unaudited)	30.9.2012 HK\$'000 (unaudited)
Gain on disposal of investment properties	1,046	–
Net exchange gain	120	–
Interest income from bank deposits	197	229
Sundry income	640	249
	<u>2,003</u>	<u>478</u>

5. OTHER LOSSES

	Six months ended	
	30.9.2013 HK\$'000 (unaudited)	30.9.2012 HK\$'000 (unaudited)
Net exchange loss	-	43
Loss on disposal of property, plant and equipment	96	434
	<u>96</u>	<u>477</u>

6. LOSS ON DISPOSAL OF A SUBSIDIARY

On 12th July 2013, the Group entered into a sale and purchase agreement to dispose of its subsidiary, HKC Systems Limited, to an independent third party, for a cash consideration of HK\$800,000.

7. FINANCE COSTS

	Six months ended	
	30.9.2013 HK\$'000 (unaudited)	30.9.2012 HK\$'000 (unaudited)
Interest on obligations under finance leases	-	2
Interest on bank borrowings not wholly repayable within five years	497	400
	<u>497</u>	<u>402</u>

8. LOSS BEFORE TAXATION

	Six months ended	
	30.9.2013 HK\$'000 (unaudited)	30.9.2012 HK\$'000 (unaudited)
Loss before taxation has been arrived at after charging:		
Operating lease rentals in respect of rented premises		
– minimum lease payment	2,335	5,697
– contingent rent	348	380
	<u>2,683</u>	<u>6,077</u>
Amortisation of prepaid operating lease payments	-	4
Depreciation		
– owned assets	2,148	2,757
– leased assets	8	46
	<u>2,156</u>	<u>2,803</u>
Employee benefits expenses (including directors' remuneration)		
– salaries, allowances and benefits in kind	20,809	23,678
– retirement benefit scheme contributions	1,752	1,711
Total staff costs	<u>22,561</u>	<u>25,389</u>
Donations	-	55

9. TAX EXPENSE

	Six months ended	
	30.9.2013 HK\$'000 (unaudited)	30.9.2012 HK\$'000 (unaudited)
The charge comprises:		
Hong Kong Profits Tax	<u>(2)</u>	<u>(52)</u>

Hong Kong Profits Tax is provided at the rate of 16.5% (2012: 16.5%) of the estimated assessable profits for the period.

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

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

	Six months ended	
	30.9.2013 HK\$'000 (unaudited)	30.9.2012 HK\$'000 (unaudited)
Loss attributable to equity holders of the Company	<u>(7,414)</u>	<u>(7,798)</u>
	Number of shares	Number of shares
Basic		
Weighted average number of ordinary shares in issue less shares held for Share Award Plan for the purpose of calculating basic loss per share	<u>515,324,271</u>	<u>501,008,524</u>
Diluted		
Weighted average number of ordinary shares in issue less shares held for Share Award Plan	<u>515,324,271</u>	501,008,524
Effect of dilutive potential ordinary shares:		
Awarded shares	<u>2,494,302</u>	<u>4,776,000</u>
Weighted average number of ordinary shares for the purpose of calculating diluted loss per share	<u>517,818,573</u>	<u>505,784,524</u>

11. DIVIDEND

	Six months ended	
	30.9.2013 HK\$'000 (unaudited)	30.9.2012 HK\$'000 (unaudited)
2013 Final dividend paid: HK\$Nil (2012: HK\$0.01) per ordinary share	<u>-</u>	<u>5,058</u>

The directors do not recommend the payment of any interim dividend for the six months ended 30th September, 2013 (2012: HK\$Nil).

12. DEPOSITS PAID FOR ACQUISITION OF INVESTMENT PROPERTIES

On 6th February, 2013, the Group entered into an agreement with a third party for acquisition of a property for a cash consideration of HK\$14,688,000. Deposits of HK\$2,937,600 were paid. The acquisition had been completed on 7th November, 2013.

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

	30.9.2013 HK\$'000 (unaudited)	31.3.2013 HK\$'000 (audited)
Contract costs incurred	44,703	43,684
Recognised profits	12,836	13,090
	57,539	56,774
Progress billings	(39,054)	(35,931)
Due from customers	18,485	20,843
Classified as:		
Gross amount due from customers	18,663	21,484
Gross amount due to customers	(178)	(641)

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

14. 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\$30,206,000 (31st March, 2013: HK\$31,359,000) which are included in the Group's debtors, deposits and prepayments is as follows:

	30.9.2013 HK\$'000 (unaudited)	31.3.2013 HK\$'000 (audited)
Neither overdue nor impaired	18,355	19,715
Less than 1 month overdue	2,297	2,341
1 to 3 months overdue	984	2,188
More than 3 months	8,570	7,115
	30,206	31,359

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

15. CREDITORS AND ACCRUED CHARGES

The ageing analysis of trade creditors of HK\$7,342,000 (31st March, 2013: HK\$11,000,000) which are included in the Group's creditors and accrued charges is as follows:

	30.9.2013 HK\$'000 (unaudited)	31.3.2013 HK\$'000 (audited)
0-30 days	4,305	6,601
31-60 days	935	503
61-90 days	385	630
Over 90 days	1,717	3,266
	<hr/> 7,342 <hr/>	<hr/> 11,000 <hr/>

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

16. 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, 2013, the Group's turnover was HK\$122 million which represented a decrease of approximately 8.5% as compared with the HK\$133 million recorded for the corresponding period last year. The net loss attributable to equity holders was HK\$7.4 million (2012: HK\$7.8 million).

Sales of mobile phones

The turnover was HK\$84 million, representing a 14% increase compared to the same period last year. The division recorded loss of HK\$6 million compared with the loss of HK\$10 million for the same period last year.

Sales of business solutions

The turnover decreased by 38% to HK\$35.8 million (2012: HK\$57.5 million) and the division recorded loss of HK\$1.8 million (2012: profit of HK\$1 million).

Property investment

The rental income increased from HK\$2.4 million to HK\$2.5 million and the profit of this division was HK\$0.6 million (2012: HK\$1.8 million). The decrease in profit was due to increase in property tax expenses and administration expenses.

PROSPECTS

Regarding the mobile phone business, since more high-end smartphones will be launched, we expect that the growth in turnover can be maintained during the second half of the year.

In business 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.

LIQUIDITY AND FINANCIAL RESOURCES

The Group continues to maintain a strong financial position. As at 30th September, 2013, the Group's cash and bank balances amounted to approximately HK\$31 million (31st March, 2013: HK\$43 million) while the bank borrowings were HK\$44 million (31st March, 2013: HK\$41 million). The gearing ratio was 14.8% (31st March, 2013: 13.2%) which is expressed as a percentage of total borrowings to total equity.

EMPLOYEES

As at 30th September, 2013, the total number of employees of the Group was approximately 190 (31st March, 2013: 200) and the aggregate remuneration of employees (excluding directors' emoluments) amounted to HK\$20 million (2012: HK\$23 million). The remuneration and bonus packages of the employees are based on the individual merits and performance and are reviewed at least annually. There is a share award plan in place designed to award employees for their performance at the discretion of the directors. The Group maintains a good relationship with its employees.

PLEDGE OF ASSETS

As at 30th September, 2013, the Group's general banking facilities were secured by (1) first legal charge on certain investment properties with total of fair value of HK\$132,149,000 (31st March, 2013: HK\$122,240,000) and (2) bank deposits of HK\$1,891,000 (31st March, 2013: HK\$11,129,000).

CONTINGENT LIABILITIES

As at 30th September, 2013, the Company had provided corporate guarantees of HK\$90 million (31st March, 2013: HK\$97 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, 2013, the interests and short positions of each director and chief executive of the Company in shares, underlying shares or debentures of the Company or any of its associated corporations (within the meaning of Part XV of the Securities and Futures Ordinance (Chapter 571 of the Laws of Hong Kong) ("SFO")) which were required to be notified to the Company and The Stock Exchange of Hong Kong Limited (the "Stock Exchange") pursuant to Divisions 7 and 8 of Part XV of the SFO (including the interests and short positions which he was taken or deemed to have under such provisions of the SFO), or which were required, pursuant to section 352 of the SFO, to be entered in the register maintained by the Company referred to therein, or which were required, pursuant to the Model Code for Securities Transactions by Directors of Listed Issuers contained in the Listing Rules, to be notified to the Company and the Stock Exchange were as follows:

Name of Director	The Company/ associated corporation	Capacity	Number and class of securities (long position) (Note 1)	Approximate percentage of interest
Chan Chung Yee, Hubert	The Company	Interest of controlled corporation	293,248,276 Shares (L) (Note 2)	51.74%
	The Company	Beneficial owner	11,057,332 Shares (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	Interest of controlled corporation	66,000,000 Shares (L) (Note 4)	11.65%
	The Company	Beneficial owner	453,200 Shares (L) (Note 5)	0.08%
	Star Global International Limited	Beneficial owner	1 share of US\$1.00	100.00%
Chan Ming Him, Denny	The Company	Beneficial owner	1,100,000 Shares (L) (Note 6)	0.19%
Ng Chi Hoi	The Company	Beneficial owner	466,400 Shares (L) (Note 7)	0.08%
Ip Man Hon	The Company	Beneficial owner	330,000 Shares (L) (Note 8)	0.06%
Wu Kwok Lam	The Company	Beneficial owner	294,800 Shares (L) (Note 9)	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, 10,017,946 Shares were held by Light Emotion Limited, a company wholly owned by Matrix World Group Limited and 283,230,330 Shares were held by Matrix World Group Limited, a company wholly owned by Mr. Chan Chung Yee, Hubert. By virtue of the provisions of Divisions 7 and 8 of Part XV of the SFO, Matrix World Group Limited is deemed to be interested in the Shares held by Light Emotion Limited and Mr. Chan Chung Yee, Hubert is deemed to be interested in the Shares in which Matrix World Group Limited is interested.
3. These Shares are registered in the name of Mr. Chan Chung Yee, Hubert.
4. These Shares were held by Star Global International Limited, a company wholly owned by Mr. Chan Chung Yin, Roy. By virtue of the provisions of Divisions 7 and 8 of Part XV of the SFO, Mr. Chan Chung Yin, Roy 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 are registered in the name of Mr. Chan Ming Him, Denny.
7. These Shares are registered in the name of Mr. Ng Chi Hoi.
8. These Shares are registered in the name of Mr. Ip Man Hon.
9. These Shares are registered in the name of Mr. Wu Kwok Lam.
10. Save as disclosed above, as at 30th September, 2013, 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, 2013, 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	293,248,276 (L) (Note 2)	Beneficial owner	51.74%
	11,057,332 (L) (Note 2)	Interest of controlled corporation	1.95%
Star Global International Limited (Note 3)	66,000,000 (L)	Beneficial owner	11.65%
Chan Low Wai Han, Edwina (Note 4)	66,453,200 (L)	Interest of spouse	11.73%
Josephine Liu (Note 5)	304,305,608 (L)	Interest of spouse	53.69%

Notes:

1. The Letter "L" represents the person's interest in the Shares.
2. Among these Shares, 11,057,332 Shares were held by Light Emotion Limited, a company wholly owned by Matrix World Group Limited and 293,248,276 Shares were held by Matrix World Group Limited, a company wholly owned by Mr. Chan Chung Yee, Hubert. By virtue of the provisions of Divisions 7 and 8 of Part XV of the SFO, Matrix World Group Limited is deemed to be interested in the Shares held by Light Emotion Limited and Mr. Chan Chung Yee, Hubert is deemed to be interested in the Shares in which Matrix World Group Limited is interested. Mr. Chan Chung Yee, Hubert is a director of Light Emotion Limited and Matrix World Group Limited.
3. Star Global International Limited is a company wholly owned by Mr. Chan Chung Yin, Roy. Mr. Chan Chung Yin, Roy is a director of Star Global International Limited.
4. Mrs. Chan Low Wai 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.
5. 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 SHARES

During the six months ended 30th September, 2013, 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, 2013, except for the deviation in respect of the attendance of the chairman of the Board and independent non-executive directors at the general meetings of the Company set out in Code Provision A.6.7 and E.1.2 of the Code.

Code Provision A.6.7 of the Code stipulates, among other things, that the independent non-executive directors and other non-executive directors should attend general meetings. Dr. Chu Chor Lup, Mr. Chiu Ngar Wing and Mr. Law Ka Hung were unable to attend the annual general meeting of the Company held on 12th August, 2013 due to their other commitments.

Code Provision E.1.2 of the Code stipulates that the chairman of the Board should attend the annual general meeting. Mr. Chan Chung Yee, Hubert, the chairman of the Board was unable to attend the annual general meeting of the Company held on 12th August, 2013 due to his other commitments.

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

The Company has adopted the Model Code set out in Appendix 10 to the Listing Rules as its own code of conduct regarding directors' securities transactions. Having made specific enquiry of all directors, all directors confirmed that they had complied with the required standards set out in the Model Code during the six months ended 30th September, 2013.

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, 2013.

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, 22nd November, 2013