

## CORPORATE INFORMATION

### BOARD OF DIRECTORS

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

\* *Independent non-executive director*

### COMPANY SECRETARY

Wu Kwok Lam CPA, FCCA

### QUALIFIED ACCOUNTANT

Wu Kwok Lam CPA, FCCA

### REGISTERED OFFICE

Century Yard, Cricket Square  
 Hutchins Drive  
 P.O. Box 2681 GT  
 George Town  
 Grand Cayman,  
 British West Indies

### 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  
 British West Indies

### AUDITORS

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

### HONG KONG BRANCH REGISTRAR

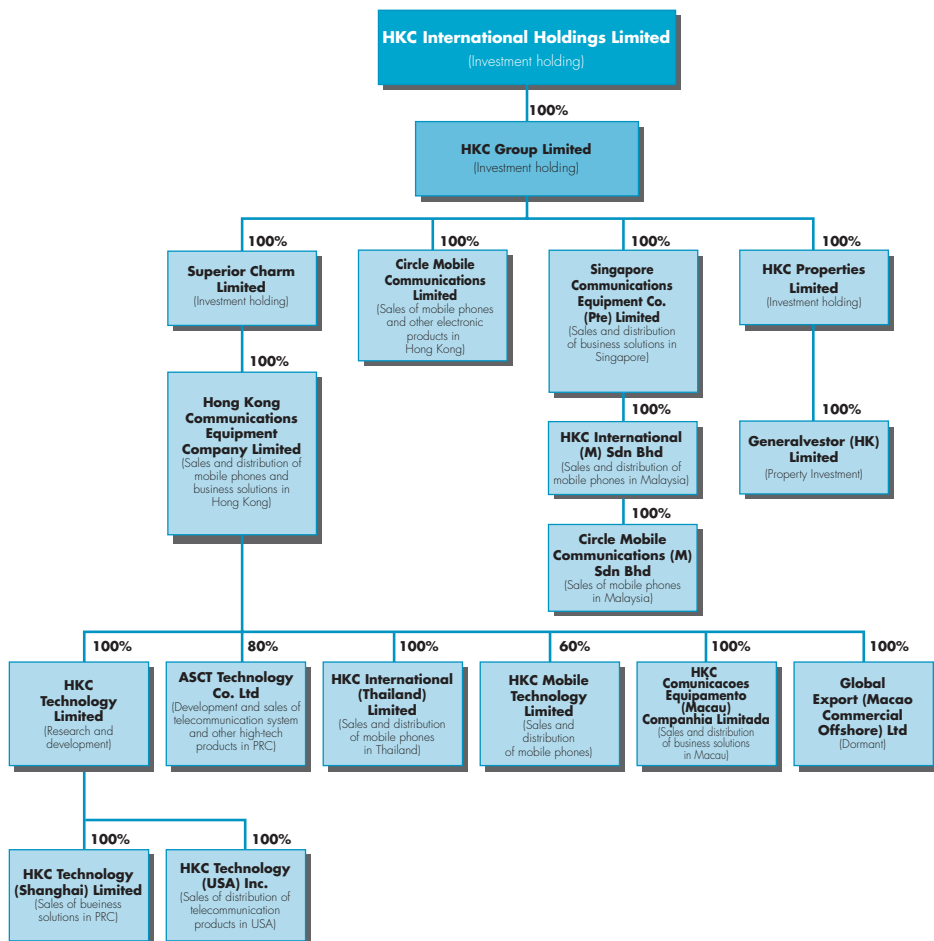
Pilare Limited  
 10th Floor, Sun Hung Kai Centre  
 30 Harbour Road  
 Hong Kong

### 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

## GROUP STRUCTURE



## INTERIM RESULTS

The directors of HKC International Holdings Limited (the "Company") are pleased to announce the unaudited consolidated results of the Company and its subsidiaries (collectively, the "Group") for the six months ended 30 September 2005 as follows. The interim report has been reviewed by the audit committee of the Company.

## CONDENSED CONSOLIDATED INCOME STATEMENT

FOR THE SIX MONTHS ENDED 30 SEPTEMBER 2005

		Six months ended	
	NOTES	30.9.2005 HK\$'000	30.9.2004 HK\$'000
Turnover	3	579,303	469,410
Cost of sales		<u>(523,536)</u>	<u>(417,603)</u>
Gross profit		55,767	51,807
Other operating income	4	2,081	378
Selling and distribution costs		<u>(6,384)</u>	<u>(4,779)</u>
Administrative and other operating expenses		<u>(36,910)</u>	<u>(36,355)</u>
Gain on disposal of investment properties and leasehold land and buildings		37,169	-
Fair value changes on financial instruments		<u>(1,993)</u>	-
Impairment loss recognised in respect of goodwill		-	(3,645)
Amortisation of goodwill arising on acquisition of subsidiaries		<u>-</u>	<u>(214)</u>
Profit from operations	5	49,730	7,192
Finance costs	6	<u>(315)</u>	<u>(404)</u>
Profit before taxation		49,415	6,788
Tax expense	7	<u>(3,768)</u>	<u>(2,556)</u>
Profit before minority interests		45,647	4,232
Minority interests		<u>(698)</u>	<u>15</u>
Profit for the period		<u>44,949</u>	<u>4,247</u>
Dividend	8	<u>23,098</u>	<u>4,496</u>
Earnings per share			
– basic	9	<u>9.7 cents</u>	<u>0.94 cents</u>
– diluted	9	<u>9.7 cents</u>	<u>0.94 cents</u>

**CONDENSED CONSOLIDATED BALANCE SHEET**

AT 30 SEPTEMBER 2005

	NOTES	<b>30.9.2005</b> <b>HK\$'000</b> <b>(unaudited)</b>	31.3.2005 HK\$'000 (audited)
<b>Non-current assets</b>			
Investment properties	10	<b>72,553</b>	91,301
Property, plant and equipment	10	<b>18,445</b>	67,138
Available-for-sale investment		<b>25,321</b>	–
Investments in securities		–	7,638
Club debentures		<b>335</b>	335
Derivative financial instruments		<b>7,936</b>	–
Deferred tax assets		<b>117</b>	47
		<b>124,707</b>	166,459
<b>Current assets</b>			
Inventories		<b>51,437</b>	51,493
Debtors, deposits and prepayments	11	<b>80,702</b>	46,807
Deposits for acquisitions of properties		–	11,398
Amount due from a related company		<b>1,325</b>	1,016
Investments held for trading		<b>3,862</b>	–
Investments in securities		–	3,862
Taxation recoverable		<b>511</b>	292
Derivative financial instruments		<b>17,275</b>	–
Bank balances and cash		<b>71,523</b>	40,651
		<b>226,635</b>	155,519

**CONDENSED CONSOLIDATED BALANCE SHEET (Continued)**

AT 30 SEPTEMBER 2005

	NOTES	30.9.2005 HK\$'000 (unaudited)	31.3.2005 HK\$'000 (audited)
<b>Current liabilities</b>			
Derivative financial instruments		1,942	–
Creditors and accrued charges	12	39,721	36,980
Deposits received		–	18,000
Taxation payable		8,533	3,875
Obligations under finance leases		14	33
Bank borrowings – secured		2,493	3,365
		<u>52,703</u>	<u>62,253</u>
<b>Net current assets</b>		<u>173,932</u>	<u>93,266</u>
<b>Total assets less current liabilities</b>		<u>298,639</u>	<u>259,725</u>
<b>Non-current liabilities</b>			
Obligations under hire purchase contracts		108	113
Bank borrowings – secured		27,131	18,792
Deferred tax liabilities		174	1,146
		<u>27,413</u>	<u>20,051</u>
<b>Minority interests</b>		<u>9,105</u>	<u>407</u>
		<u>262,121</u>	<u>239,267</u>
<b>Capital and reserves</b>			
Share capital		4,621	4,608
Reserves		257,500	234,659
		<u>262,121</u>	<u>239,267</u>

## CONDENSED CONSOLIDATED STATEMENT OF CHANGES IN EQUITY

FOR THE SIX MONTHS ENDED 30 SEPTEMBER 2005

	Share Capital HK\$'000	Share Premium HK\$'000	Capital reserve HK\$'000	Share option reserve HK\$'000	Investment property revaluation reserve HK\$'000	Leasehold land and buildings revaluation reserve HK\$'000	Translation reserve HK\$'000	Retained profits HK\$'000	Total HK\$'000
At 1.4.2005									
As previously reported	4,608	31,339	28,325	-	23,713	47,430	113	103,739	239,267
Prior period adjustment:									
Decrease in investment property revaluation reserve	-	-	-	-	(23,713)	-	-	23,713	-
As restated	4,608	31,339	28,325	-	-	47,430	113	127,452	239,267
Exercise of share option	13	241	-	-	-	-	-	-	254
Issue of share option	-	-	-	674	-	-	-	-	674
Reserve transfer upon disposal of leasehold land and buildings	-	-	-	-	-	(46,123)	-	46,123	-
Exchange difference on translation of overseas operation	-	-	-	-	-	-	75	-	75
Profit for the period	-	-	-	-	-	-	-	44,949	44,949
Dividend paid	-	-	-	-	-	-	-	(23,098)	(23,098)
At 30.9.2005	<u>4,621</u>	<u>31,580</u>	<u>28,325</u>	<u>674</u>	<u>-</u>	<u>1,307</u>	<u>188</u>	<u>195,426</u>	<u>262,121</u>
At 1.4.2004									
As previously reported	4,496	29,535	28,325	-	8,358	27,944	48	96,235	194,941
Prior period adjustment:									
Decrease in investment property revaluation reserve	-	-	-	-	(8,358)	-	-	8,358	-
As restated	4,496	29,535	28,325	-	-	27,944	48	104,593	194,941
Revaluation surplus	-	-	-	-	-	15,986	-	-	15,986
Deferred tax liabilities charged	-	-	-	-	-	(2,738)	-	-	(2,738)
Exchange difference on translation of overseas operation	-	-	-	-	-	-	(56)	-	(56)
Profit for the period	-	-	-	-	-	-	-	4,247	4,247
Dividend paid	-	-	-	-	-	-	-	(4,496)	(4,496)
At 30.9.2004	<u>4,496</u>	<u>29,535</u>	<u>28,325</u>	<u>-</u>	<u>-</u>	<u>41,192</u>	<u>(8)</u>	<u>104,344</u>	<u>207,884</u>

**CONDENSED CONSOLIDATED CASH FLOW STATEMENT**

FOR THE SIX MONTHS ENDED 30 SEPTEMBER 2005

	Six months ended	
	30.9.2005 HK\$'000 (unaudited)	30.9.2004 HK\$'000 (unaudited)
Net cash (used in) from operating activities	(21,522)	15,693
Net cash from (used in) investing activities	67,972	(479)
Net cash used in financing activities	(15,382)	(6,147)
Net increase in cash and cash equivalents	31,068	9,067
Cash and cash equivalents at beginning of the period	40,651	32,417
Effect of foreign exchange rate changes	(196)	(174)
Cash and cash equivalents at end of the period	<u>71,523</u>	<u>41,310</u>

## NOTES TO THE CONDENSED FINANCIAL STATEMENTS

FOR THE SIX MONTHS ENDED 30 SEPTEMBER 2005

### 1. BASIS OF PREPARATION

The condensed financial statements have been prepared in accordance with the applicable disclosure requirements of Appendix 16 to the Rules Governing the Listing of Securities on The Stock Exchange of Hong Kong Limited ("the Listing Rules") and with Hong Kong Accounting Standard ("HKAS") 34 *Interim Financial Reporting* issued by the Hong Kong Institute of Certified Public Accountants ("HKICPA").

### 2. PRINCIPAL ACCOUNTING POLICIES

The condensed financial statements have been prepared on the historical cost convention, as modified for the revaluation of available-for-sale investments, investment held for trading, and the derivative financial instruments.

The accounting policies used in the condensed financial statements are consistent with those followed in the preparation of the Group's annual financial statements for the year ended 31 March 2005 except as described below:

In the current period, the Group has applied, for the first time, a number of new Hong Kong Financial Reporting Standards (HKFRSs), HKASs and Interpretations (hereinafter collectively referred to as "new HKFRSs") issued by the HKICPA that are effective for accounting periods beginning on or after 1 January 2005. The application of the new HKFRSs has resulted in changes in the presentation of the income statement, balance sheet and the statement of changes in equity. The changes in presentation have been applied retrospectively. The adoption of the new HKFRSs has resulted in changes to the Group's accounting policies in the following areas that have an effect on how the results for the current or prior accounting periods are prepared and presented:

#### **Financial instruments**

In the current period, the Group has applied HKAS 32 *Financial Instruments: Disclosure and Presentation* and HKAS 39 *Financial Instruments: Recognition and Measurement*. HKAS 32 requires retrospective application. HKAS 39, which is effective for annual periods beginning on or after 1 January 2005, generally does not permit to recognise, derecognise or measure financial assets and liabilities on a retrospective basis. The principal effects resulting from the implementation of HKAS 32 and HKAS 39 are summarised below:

#### ***Classification and measurement of financial assets and financial liabilities***

The Group has applied the relevant transitional provisions in HKAS 39 with respect to classification and measurement of financial assets and financial liabilities that are within the scope of HKAS 39.



Prior to 1 April 2005, investments of the Group were classified into long term investments and short term investments, which were stated at their fair values.

Upon adoption of HKAS 32 and HKAS 39, all long term investments and short term investments held as at 31 March 2005 were re-designated into available-for-sales investments and investments held for trading on 1 April 2005, respectively. There is no effect on remeasurement, as the accounting policy on measurement of the investments as at 31 March 2005 was the same as that for the available-for-sales investments and investments held for trading.

#### ***Derivatives and hedging***

All derivatives that are within the scope of HKAS 39 are required to be carried at fair value at each balance sheet date regardless of whether they are deemed as held for trading or designated as effective hedging instruments. Under HKAS 39, derivatives (including embedded derivatives separately accounted for from the host contracts) are deemed as held-for-trading financial assets or financial liabilities, unless they qualify and are designated as effective hedging instruments. The corresponding adjustments on changes in fair values would depend on whether the derivatives are designated as effective hedging instruments, and if so, the nature of the item being hedged. For derivatives that are deemed as held for trading, changes in fair values of such derivatives are recognised in profit or loss for the period in which they arise.

#### ***Investment properties***

In the current period, the Group has, for the first time, applied HKAS 40 *Investment Property*. The Group has elected to use the cost model to account for its investment properties, under which investment properties are carried at cost less accumulated depreciation and accumulated impairment losses (if any). In previous periods, investment properties under the predecessor standard were measured at open market values, with revaluation surplus or deficits credited or charged to investment property revaluation reserve unless the balance on this reserve was insufficient to cover a revaluation deficit, in which case the excess of the revaluation deficit over the balance on the investment property revaluation reserve was charged to the income statement. Where a deficit had previously been charged to the income statement and revaluation subsequently arose, that surplus was credited to the income statement to the extent of the deficit previously charged. The Group has applied the relevant transitional provisions in HKAS 40. The Group has resolved to deem the carrying amount of the investment properties immediately before 1 April 2005 as cost, and transferred the amount held in investment property revaluation reserve at 1 April 2005 to the Group's retained earnings. The Group has commenced depreciation for the investment properties from 1 April 2005 onwards.

#### ***Share-based Payments***

In the current period, the Group has applied HKFRS 2 *Share-based Payment* which resulted in a change in the accounting policy for share-base payment. Until 31 March 2005, the provision of share options to directors and employees did not result in an expense in the income statement. Following the adoption of HKFRS 2, the fair value of share options at grant date is charged to the income statement of relevant accounting periods. As a transitional provision, HKFRS 2 has been applied retrospectively for all share options granted after 7 November 2002 and had not been vested upon 1 January 2005.

Effect on profit after taxation for the six months ended 30 September 2005 and 2004:

	Six months ended			
	30.9.2005		30.9.2004	
	HKAS 40 HK\$'000	HKFRS 2 HK\$'000	HKAS 40 HK\$'000	HKFRS 2 HK\$'000
Increase in depreciation	554	-	-	-
Increase in administrative and other operating expenses relating to issue of share options	-	674	-	-
Total decrease in profit	<u>554</u>	<u>674</u>	<u>-</u>	<u>-</u>

Effect on opening balance of total equity as at 1 April 2005 and 2004:

	1.4.2005		1.4.2004	
	HKAS 40 HK\$'000	HKFRS 2 HK\$'000	HKAS 40 HK\$'000	HKFRS 2 HK\$'000
Decrease in investment property reserve	(23,713)	-	(8,358)	-
Increase in retained profits	<u>23,713</u>	<u>-</u>	<u>8,358</u>	<u>-</u>

### 3. SEGMENT INFORMATION

The turnover and profit from operations of the Group for the period, analysed by business segments are as follows:

For the six months ended 30 September 2005

	Sales of mobile phones HK\$'000	Sales of business solutions HK\$'000	Property investment HK\$'000	Elimination HK\$'000	Consolidated HK\$'000
<b>TURNOVER</b>					
External sales	533,560	44,924	819	-	579,303
Inter-segment sales	-	-	-	-	-
Total turnover	<u>533,560</u>	<u>44,924</u>	<u>819</u>	<u>-</u>	<u>579,303</u>
<b>RESULTS</b>					
Segment results	<u>12,109</u>	<u>403</u>	<u>(39)</u>		12,473
Other operating income					2,081
Gain on disposal of investment properties and leasehold land and buildings					37,169
Fair value changes on financial instruments					(1,993)
Profit from operations					<u>49,730</u>

For the six months ended 30 September 2004

	Sales of mobile phones HK\$'000	Sales of business solutions HK\$'000	Property investment HK\$'000	Elimination HK\$'000	Consolidated HK\$'000
<b>TURNOVER</b>					
External sales	428,046	40,199	1,165	-	469,410
Inter-segment sales	-	-	648	(648)	-
	<u>428,046</u>	<u>40,199</u>	<u>1,813</u>	<u>(648)</u>	<u>469,410</u>

Inter-segment sales are charged at prevailing market rates.

#### RESULTS

Segment results	<u>9,613</u>	<u>422</u>	<u>638</u>		10,673
Other operating income					378
Impairment loss recognised in respect of goodwill	-	(3,645)	-		(3,645)
Amortisation of goodwill arising on acquisition of subsidiaries	-	(214)	-		(214)
Profit from operations					<u>7,192</u>

#### 4. OTHER OPERATING INCOME

	Six months ended	
	30.9.2005 HK\$'000	30.9.2004 HK\$'000
Interest income from banks	657	95
Investment income	1,027	-
Sundry income	<u>397</u>	<u>283</u>
	<u>2,081</u>	<u>378</u>

**5. PROFIT FROM OPERATIONS**

	Six months ended	
	30.9.2005 HK\$'000	30.9.2004 HK\$'000
Profit from operations has been arrived at after charging:		
Depreciation		
owned assets	1,649	2,203
assets under hire purchase contracts	29	10
	<u>1,678</u>	<u>2,213</u>

**6. FINANCE COSTS**

	Six months ended	
	30.9.2005 HK\$'000	30.9.2004 HK\$'000
Interest on obligations under hire purchase contracts	3	3
Interest on bank borrowings wholly repayable within five years	7	10
Interest on bank borrowings wholly repayable after five years	305	391
	<u>315</u>	<u>404</u>

**7. TAX EXPENSE**

	Six months ended	
	30.9.2005 HK\$'000	30.9.2004 HK\$'000
The charge comprises:		
Hong Kong Profits Tax	3,435	2,264
PRC Income Tax	333	92
Deferred tax	-	200
	<u>3,768</u>	<u>2,556</u>

Hong Kong Profits Tax is provided at the rate of 17.5% (2004: 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	
	30.9.2005 HK\$'000	30.9.2004 HK\$'000
Final dividend for the year 2005 of HK\$0.01 per ordinary share (2004: final dividend for the year 2004 of HK\$0.01 per ordinary share)	4,621	4,496
Special dividend for the year 2006 of HK\$0.04 per ordinary share	<u>18,477</u>	—
	<u><b>23,098</b></u>	<u>4,496</u>

The directors do not recommend the payment of any interim dividend for the six months ended 30 September 2005 (2004: HK\$ Nil).

**9. EARNINGS PER SHARE**

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

	Six months ended	
	30.9.2005 HK\$'000	30.9.2004 HK\$'000
Net profit attributable to shareholders	<u>44,949</u>	<u>4,247</u>
	<b>Number of shares</b>	Number of shares
Weighted average number of ordinary shares for the purposes of calculating basic earnings per share	461,960,983	449,637,603
Effect of dilutive potential ordinary shares: Option	<u>674,737</u>	—
Weighted average number of ordinary shares for the purposes of calculating diluted earning per share	<u><b>462,635,720</b></u>	<u>449,637,603</u>

During the period ended 30 September 2004, 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. INVESTMENT PROPERTIES AND PROPERTY, PLANT AND EQUIPMENT

During the period, the Group had completed the acquisitions of investment properties in Hong Kong and Shanghai at a total cash consideration of approximately HK\$73,000,000.

On 8 April 2005, the Group completed the disposal of some of its investment properties and leasehold land and buildings with a total carrying value of HK\$ 140,590,000 to an independent third party at a cash consideration of HK\$180,000,000.

## 11. 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 following is an aged analysis of trade debtors:

	<b>30.9.2005</b> <b>HK\$'000</b>	31.3.2005 HK\$'000
Within 30 days	35,715	18,818
Between 31 to 60 days	9,926	2,938
Between 61 to 90 days	1,953	2,796
Between 91 to 120 days	262	752
Over 120 days	4,755	5,172
	<u>52,611</u>	<u>30,476</u>

## 12. CREDITORS AND ACCRUED CHARGES

The following is an aged analysis of trade creditors:

	<b>30.9.2005</b> <b>HK\$'000</b>	31.3.2005 HK\$'000
Within 30 days	29,403	21,371
Between 31 to 60 days	2,893	893
Between 61 to 90 days	849	851
	<u>33,145</u>	<u>23,115</u>

**13. RELATED PARTY TRANSACTIONS**

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

Name	Notes	Nature of transactions	Six months ended	
			30.9.2005 HK\$'000	30.9.2004 HK\$'000
HKC Intown Limited	(i)	Internet access fee paid	104	116
Hong Kong Communications Computer Company Limited	(i)	Computer software maintenance fee paid and purchase from	294	39
	(ii)	Rental income received	-	90
BIA Technology Ltd	(i)	Sales to	2,093	2,299
	(ii)	Rental income received	-	18
Koywa HKC Company Limited	(iii)	Rental expense	40	40

*Notes:*

- (i) The transactions are based on cost plus a percentage of profit mark-up.
- (ii) Rentals income was charged based on the area occupied, which the management of the Group considered to be appropriate basis of allocation.
- (iii) Rental expense was charged at prevailing market rates.

**14. CONTINGENT LIABILITIES**

As at 30 September 2005, the Company has provided corporate guarantees of HK\$80,000,000 (31 March 2005: HK\$86,900,000) to secure the banking facilities granted to subsidiary companies.

**15. PLEDGES OF ASSETS**

As at 30 September 2005, certain leasehold land and buildings and investment properties with aggregate carrying values of HK\$3,348,000 (31 March 2005: HK\$4,360,000) and HK\$72,857,000 (31 March 2005: HK\$ 65,740,000) respectively were pledged to banks to secure banking facilities granted to the Group.

## MANAGEMENT DISCUSSION AND ANALYSIS

For the six months ended 30 September 2005, the Group's turnover increased by 23% to HK\$ 579 million (2004: HK\$ 469 million) and net profit significantly increased from HK\$ 4 million to HK\$ 45 million, including gain on disposal of investment properties and leasehold land and buildings amounted to HK\$37 million, in comparison with the corresponding period of last year.

### Sales of mobile phones

The sales of mobile phones continue to be the Group's major core business for the period. The increase of the profit from HK\$ 10 million to HK\$ 12 million in the business segment was driven by the high popularity of new models launched.

As at 30 September 2005, the mobile phones retail chain of the Group, namely "Circle", operated 15 counters in the Jusco Department Stores in Hong Kong and Malaysia. In addition, the Group also operated a franchised "Nokia Professional Centre" in Mongkok.

### Sales of business solutions

The sales of business solutions relate to the sales of office telephone systems, security systems and integrated services, and the provision of installation, repair and maintenance services in relation to the systems. During the period under review, the profit from this business segment decreased from HK\$ 422,000 for the corresponding period of last year to HK\$ 403,000 for the relevant period for this year. The downturn in financial performance was due to higher level of resources being input into the research and development of new network telephone system by the Group.

### Property investment

Gross rental income generated from the investment properties decreased by 30% to HK\$0.8 million (2004: HK\$ 1.8 million), while the operating result decreased from a profit of HK\$ 638,000 to a loss of HK\$ 39,000. The loss was principally attributable to disposal of the investment properties by the Group during the period.

In addition, the Group had also completed the acquisition of investment properties in Hong Kong and Shanghai during the period in order to enrich our investment properties portfolio for stable rental income.

## PROSPECTS

Barring unforeseen circumstances, we expect that the full year performance of the Group will have a stable growth when compared with last year.



## LIQUIDITY AND FINANCIAL RESOURCES

The Group continues to maintain a strong financial position. As at 30 September 2005, the Group's bank balances and cash amounted to approximately HK\$71.5 million (31 March 2005: HK\$40.7 million) while the bank borrowings was HK\$30 million (31 March 2005: HK\$22 million). The long term bank borrowings was denominated in Hong Kong dollars. The gearing ratio was 11% (31 March 2005: 9 %) which was expressed as a percentage of total borrowings to shareholders' funds.

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

## CAPITAL EXPENDITURE

The Group invested HK\$ 75 million in investment properties and property, plant and equipment during the period. This was financed by internal resources and a HK\$30 million mortgage loan.

## EMPLOYEES

As at 30 September 2005, the total number of employees of the Group was approximately 320 (31 March 2005: 300) and the aggregate remuneration of employees (excluding directors' emoluments) amounted to HK\$20 million (2004: HK\$20 million). The remuneration and bonus packages of the employees are based on the individual merits and performance and are reviewed at least annually. There is a share option scheme in place designed to award employees for their performance at the discretion of the directors. The Group maintains a good relationship with its employees.

## PLEDGE OF ASSETS

As at 30 September 2005, certain leasehold land and buildings and investment properties with aggregate carrying values of HK\$3,348,000 (31 March 2005: HK\$4,360,000) and HK\$72,857,000 (31 March 2005: HK\$65,740,000) respectively were pledged to banks to secure banking facilities granted to the Group.

## CONTINGENT LIABILITIES

As at 30 September 2005, the Company had provided corporate guarantees of HK\$80,000,000 (31 March 2005: HK\$86,900,000) 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 30 September 2005, 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 (the "Model Code") contained in the Rules Governing the Listing of Securities on the Stock Exchange (the "Listing Rules"), to be notified to the Company and the Stock Exchange were as follows:

Name	The Company/ associated corporation	Capacity/nature of interest	Number and class of securities (Note 1)	Percentage of interests in the issued share capital as at 30 September, 2005
Chan Chung Yee, Hubert	The Company	Founder of a trust	231,660,575 ordinary shares (each a "Share") of HK\$0.01 each (L) (Note 2)	50.14%
	The Company	Beneficial owner	8,600,000 Shares (L) (Note 3)	1.86%
	Matrix World Group Limited	Founder of a trust	1 share of US\$1.00 each (L)	100%

Name	The Company/ associated corporation	Capacity/nature of interest	Number and class of securities (Note 1)	Percentage of interests in the issued share capital as at 30 September, 2005
Chan Chung Yin, Roy	The Company	Founder of a trust	68,417,400 Shares (L) (Note 4)	14.81%
	The Company	Beneficial owner	2,000,000 Shares (L) (Note 5)	0.43%
Chan Man Min	The Company	Interest of controlled corporation	24,709,650 Shares (L) (Note 6)	5.35%
	The Company	Beneficial owner	2,000,000 Shares (L) (Note 7)	0.43%
Yeh Yui Fong	The Company	Interest of controlled corporation	2,681,550 Shares (L) (Note 8)	0.58%
	The Company	Beneficial owner	2,000,000 Shares (L) (Note 9)	0.43%
Tsui Hon Wing	The Company	Beneficial owner	3,939,200 Shares (L) (Note 10)	0.85%
Chan Ming Him, Denny	The Company	Beneficial owner	2,000,000 Shares (L) (Note 11)	0.43%
Wu Kwok Lam	The Company	Beneficial owner	1,000,000 Shares (L) (Note 12)	0.22%

*Notes:*

1. The Letter "L" represents the director's or the chief executive's long position in the Shares or underlying Shares of the Company or its associated corporations.

2. Among these Shares, 8,484,848 Shares were held by Light Emotion Limited, a company wholly owned by Matrix World Group Limited and 223,175,727 Shares were held by Matrix World Group Limited, a company wholly owned by Trustcorp Limited as the trustee of a discretionary trust of which Mr. Chan Chung Yee, Hubert is the founder (within the meaning ascribed to it under Part XV of the SFO). By virtue of the provisions of Divisions 7 and 8 of Part XV of the SFO, Matrix World Group Limited was deemed to be interested in the Shares held by Light Emotion Limited and Mr. Chan Chung Yee Hubert was deemed to be interested in the Shares in which Matrix World Group Limited was interested.
3. Interests in these Shares comprise 4,300,000 Shares registered in the name of Mr. Chan Chung Yee, Hubert and 4,300,000 Shares to be allotted and issued to him upon the exercise in full of the outstanding option granted to him on 17 June 2005 under the share option scheme of the Company.
4. These Shares were held by Star Global International Limited, a company wholly owned by Trustcorp Limited as the trustee for a discretionary trust of which Mr. Chan Chung Yin, Roy is the founder (within the meaning ascribed to it under Part XV of the SFO). By virtue of the provisions of Divisions 7 and 8 of Part XV of the SFO, Mr. Chan Chung Yin, Roy was deemed to be interested in the Shares held by Star Global International Limited.
5. These represent the interests of Mr. Chan Chung Yin, Roy in 2,000,000 Shares to be allotted and issued to him upon the exercise in full of the outstanding option granted to him on 17 June 2005 under the share option scheme of the Company.
6. These Shares were held by Ocean Hope Group Limited, a company wholly owned by Mr. Chan Man Min. By virtue of the provisions of Divisions 7 and 8 of Part XV of the SFO, Mr. Chan Man Min was deemed to be interested in the Shares held by Ocean Hope Group Limited.
7. Interests in these Shares comprise 1,000,000 Shares registered in the name of Mr. Chan Man Min and 1,000,000 Shares to be allotted and issued to him upon the exercise in full of the outstanding option granted to him on 17 June 2005 under the share option scheme of the Company.
8. These Shares were held by CIT Company Limited, a company wholly owned by Mr. Yeh Yui Fong and his wife in equal share. By virtue of the provisions of Divisions 7 and 8 of Part XV of the SFO, Mr. Yeh Yui Fong was deemed to be interested in the Shares held by CIT Company Limited.
9. Interests in these Shares comprise 1,000,000 Shares registered in the name of Mr. Yeh Yui Fong and 1,000,000 Shares to be allotted and issued to him upon the exercise in full of the outstanding option granted to him on 17 June 2005 under the share option scheme of the Company.
10. Interests in these Shares comprise 2,939,200 Shares registered in the name of Mr. Tsui Hon Wing and 1,000,000 Shares to be allotted and issued to him upon the exercise in full of the outstanding option granted to him on 17 June 2005 under the share option scheme of the Company.

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

Save as disclosed above, as at 30 September 2005, 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 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 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:

	Exercisable period	Exercise price per share HK\$	Outstanding at 1 April 2005	Lapsed during the period	Granted during the period	Exercised during the period	Outstanding at 30 September 2005
Directors:							
Chan Chung Yee, Hubert	17.12.2005 – 16.6.2007	0.284	-	-	4,300,000	-	4,300,000
Chan Chung Yin, Roy	17.12.2005 – 16.6.2007	0.284	-	-	2,000,000	-	2,000,000
Chan Man Min	17.12.2005 – 16.6.2007	0.284	-	-	1,000,000	-	1,000,000
Chan Ming Him, Denny	17.12.2005 – 16.6.2007	0.284	-	-	1,000,000	-	1,000,000
Tsui Hon Wing	17.12.2005 – 16.6.2007	0.284	-	-	1,000,000	-	1,000,000
Wu Kwok Lam	17.12.2005 – 16.6.2007	0.284	-	-	1,000,000	-	1,000,000
Yeh Yui Fong	17.12.2005 – 16.6.2007	0.284	-	-	1,000,000	-	1,000,000
			-	-	11,300,000	-	11,300,000
Employees	4.11.2004 – 3.5.2006	0.196	3,860,000	-	-	(1,296,000)	2,564,000
	17.12.2005 – 16.6.2007	0.284	-	-	22,400,000	-	22,400,000
			<u>3,860,000</u>	<u>-</u>	<u>33,700,000</u>	<u>(1,296,000)</u>	<u>36,264,000</u>

## SUBSTANTIAL SHAREHOLDERS AND OTHER PERSONS WHO ARE REQUIRED TO DISCLOSE THEIR INTERESTS PURSUANT TO PART XV OF THE SFO

As at 30 September 2005, 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 Shares (Note 1)	Capacity/nature of interest	Percentage of interests in the issued share capital as at 30 September 2005
Matrix World Group Limited (Note 2)	223,175,727 (L) 8,484,848 (L)	Beneficial owner Interest of controlled corporation	48.30% 1.84%
Star Global International Limited (Note 3)	68,417,400 (L)	Beneficial owner	14.81%
Ocean Hope Group Limited (Note 4)	24,709,650 (L)	Beneficial owner	5.35%
Trustcorp Limited (Notes 2 and 3)	300,077,975 (L)	Trustee	64.94%

### Notes:

- The letter "L" represents the person's long position in the Shares.
- Among these Shares, 8,484,848 Shares were held by Light Emotion Limited, a company wholly owned by Matrix World Group Limited and 223,175,727 Shares were held by Matrix World Group Limited, a company wholly owned by Trustcorp Limited as the trustee of a discretionary trust of which Mr. Chan Chung Yee, Hubert is the founder (within the meaning ascribed to it under Part XV of the SFO). By virtue of the provisions of Divisions 2 and 3 of Part XV of the SFO, Matrix World Group Limited was deemed to be interested in the Shares held by Light Emotion Limited and Trustcorp Limited was deemed to be interested in the Shares in which Matrix World Group Limited was interested.
- Star Global International Limited is a company wholly owned by Trustcorp Limited as the trustee for a discretionary trust of which Mr. Chan Chung Yin, Roy is the founder (within the meaning ascribed to it under Part XV of the SFO). By virtue of the provisions of Division 2 and 3 of Part XV of the SFO, Trustcorp Limited was deemed to be interested in the Shares held by Star Global International Limited.
- Ocean Hope Group Limited is a company wholly owned by Mr. Chan Man Min.

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

During the six months ended 30 September 2005, 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 30 September 2005 with the code provisions set out in the Code on Corporate Governance Practices ("Code") contained in Appendix 14 to the 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 have a separate 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.

## **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 standard set out in the Model Code during the six months ended 30 September 2005.

## **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.



## REMUNERATION COMMITTEE

To comply with the Code, a remuneration committee was established on 1 April 2005 with specific written terms of reference which deal clearly with its authorities and duties. The members of the remuneration committee comprises Mr. Chu Chor Lup, Mr. Chiu Ngar Wing and Mr. Wu Kwok Lam. Mr. Chu Chor Lup and Mr. Chiu Ngar Wing are independent non-executive directors.

## APPRECIATION

We would like to extend our sincere gratitude to our 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, 6 December 2005