

Interim Report  
2014

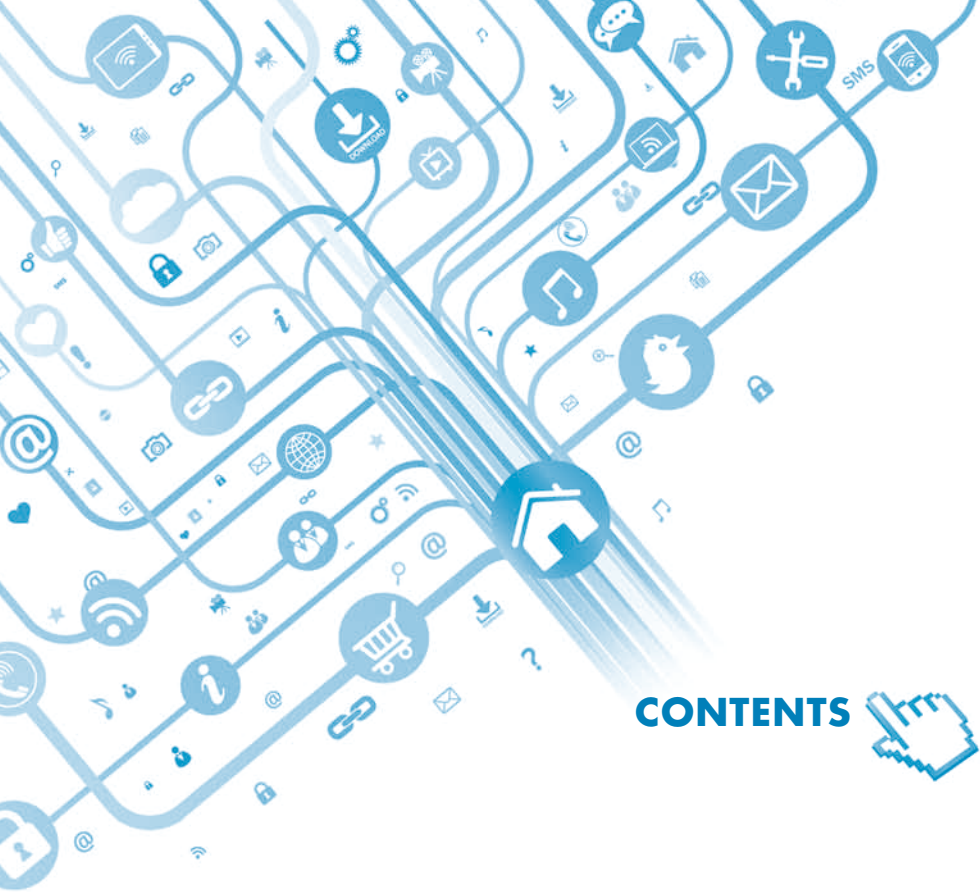
**HKC**

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



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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

Choi Chun Yik

#### *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") 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, 2014 as follows:

## CONDENSED CONSOLIDATED STATEMENT OF COMPREHENSIVE INCOME

FOR THE SIX MONTHS ENDED 30TH SEPTEMBER, 2014

		<b>Six months ended 30th September,</b>	
	Note	<b>2014 HK\$'000 (unaudited)</b>	2013 HK\$'000 (unaudited)
Turnover	3	<b>125,925</b>	121,816
Cost of sales		<b>(101,188)</b>	(92,771)
Gross profit		<b>24,737</b>	29,045
Other income and gains	4	<b>664</b>	2,003
Other losses	5	<b>(614)</b>	(96)
Loss on disposal of a subsidiary		-	(862)
Selling and distribution expenses		<b>(3,487)</b>	(3,767)
Administrative and other operating expenses		<b>(25,179)</b>	(32,950)
Finance costs	6	<b>(867)</b>	(497)
Loss before taxation	7	<b>(4,746)</b>	(7,124)
Tax expense	8	<b>(119)</b>	(2)
Loss for the period		<b>(4,865)</b>	(7,126)
Other comprehensive (expense)/income Items that may be reclassified subsequently to profit or loss:			
Exchange differences on translation of overseas operations		<b>(42)</b>	592
Fair value gain/(loss) on available-for-sale financial assets		<b>1,378</b>	(122)
Other comprehensive income for the period		<b>1,336</b>	470
Total comprehensive expense for the period		<b>(3,529)</b>	(6,656)

## CONDENSED CONSOLIDATED STATEMENT OF COMPREHENSIVE INCOME (Continued)

FOR THE SIX MONTHS ENDED 30TH SEPTEMBER, 2014

		<b>Six months ended 30th September,</b>	
	Note	<b>2014 HK\$'000 (unaudited)</b>	2013 HK\$'000 (unaudited)
(Loss)/profit attributable to:			
Equity holders of the Company		<b>(4,865)</b>	(7,414)
Non-controlling interests		-	288
		<hr/>	<hr/>
Loss for the period		<b><u>(4,865)</u></b>	<u>(7,126)</u>
Total comprehensive (expense)/income attributable to:			
Equity holders of the Company		<b>(3,529)</b>	(6,944)
Non-controlling interests		-	288
		<hr/>	<hr/>
Total comprehensive expense for the period		<b><u>(3,529)</u></b>	<u>(6,656)</u>
Loss per share – (HK cents)			
– basic	9	<b><u>(0.86) cents</u></b>	<u>(1.44) cents</u>
– diluted	9	<b><u>(0.85) cents</u></b>	<u>(1.43) cents</u>

## CONDENSED CONSOLIDATED BALANCE SHEET

AS AT 30TH SEPTEMBER, 2014

	Note	As at 30th September, 2014 HK\$'000 (unaudited)	As at 31st March, 2014 HK\$'000 (audited)
<b>Non-current assets</b>			
Property, plant and equipment		63,812	65,603
Investment properties		197,192	197,440
Available-for-sale financial assets		5,067	3,689
		<b>266,071</b>	266,732
<b>Current assets</b>			
Inventories		21,252	25,727
Gross amounts due from customers for contract work	11	14,967	11,660
Debtors, deposits and prepayments	12	49,199	51,720
Financial assets at fair value through profit or loss		769	-
Tax recoverable		40	159
Cash and bank balances		26,688	12,166
		<b>112,915</b>	101,432
<b>Current liabilities</b>			
Creditors and accrued charges	13	17,613	17,597
Gross amounts due to customers for contract work	11	1,359	4,759
Tax payable		530	639
Obligations under finance leases		19	19
Bank borrowings		68,038	50,184
		<b>87,559</b>	73,198

## CONDENSED CONSOLIDATED BALANCE SHEET (Continued)

AS AT 30TH SEPTEMBER, 2014

	<b>As at 30th September, 2014 HK\$'000 (unaudited)</b>	As at 31st March, 2014 HK\$'000 (audited)
<b>Net current assets</b>	<b>25,356</b>	28,234
<b>Total assets less current liabilities</b>	<b>291,427</b>	294,966
<b>Non-current liabilities</b>		
Obligations under finance leases	<b>33</b>	43
Deferred tax liabilities	<b>168</b>	168
	<b>201</b>	211
	<b>291,226</b>	294,755
<b>Capital and reserves</b>		
Share capital	<b>6,376</b>	5,667
Reserves	<b>284,850</b>	289,088
Total equity	<b>291,226</b>	294,755

# CONDENSED CONSOLIDATED STATEMENT OF CHANGES IN EQUITY

FOR THE SIX MONTHS ENDED 30TH SEPTEMBER, 2014

	Attributable to equity holders of the Company										Non-controlling interests	Total
	Share capital	Share premium	Shares held for share award plan	Share award reserve	Capital reserve	Investment revaluation reserve	Property revaluation reserve	Translation reserve	Retained profits	Total		
	HK\$'000	HK\$'000	HK\$'000	HK\$'000	HK\$'000	HK\$'000	HK\$'000	HK\$'000	HK\$'000	HK\$'000	HK\$'000	HK\$'000
At 1st April, 2014	5,667	46,407	(498)	664	28,325	1,675	41,556	477	170,482	294,755	-	294,755
Loss for the period	-	-	-	-	-	-	-	-	(4,865)	(4,865)	-	(4,865)
Other comprehensive income/(expense) for the period	-	-	-	-	-	1,378	-	(42)	-	1,336	-	1,336
Total comprehensive income/(expense) for the period	-	-	-	-	-	1,378	-	(42)	(4,865)	(3,529)	-	(3,529)
Bonus shares issue	709	(709)	-	-	-	-	-	-	-	-	-	-
At 30th September, 2014 (Unaudited)	6,376	45,698	(498)	664	28,325	3,053	41,556	435	165,617	291,226	-	291,226
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)/profit 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)	5,667	46,407	(454)	73	28,325	1,918	41,556	857	175,091	299,440	-	299,440



## CONDENSED CONSOLIDATED STATEMENT OF CASH FLOWS

FOR THE SIX MONTHS ENDED 30TH SEPTEMBER, 2014

	<b>Six months ended</b>	
	<b>30.9.2014</b>	30.9.2013
	<b>HK\$'000</b>	HK\$'000
	<b>(unaudited)</b>	(unaudited)
<b>Net cash used in operating activities</b>	<b>(3,608)</b>	(8,893)
<b>Net cash generated from investing activities</b>	<b>276</b>	2,334
<b>Net cash generated from financing activities</b>	<b>17,844</b>	3,896
	<hr/>	<hr/>
<b>Net increase/(decrease) in cash and cash equivalents</b>	<b>14,512</b>	(2,663)
<b>Cash and cash equivalents at beginning of the period</b>	<b>5,067</b>	31,703
<b>Effect of foreign exchange rates changes</b>	<b>10</b>	89
	<hr/>	<hr/>
<b>Cash and cash equivalents at end of the period</b>	<b>19,589</b>	29,129
	<hr/> <hr/>	<hr/> <hr/>
<b>Analysis of balances of cash and cash equivalents</b>		
<b>Time deposits with maturity within three months</b>	<b>10,076</b>	20,060
<b>Cash and bank balances</b>	<b>9,513</b>	9,069
	<hr/>	<hr/>
	<b>19,589</b>	29,129
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# NOTES TO THE CONDENSED FINANCIAL STATEMENTS

FOR THE SIX MONTHS ENDED 30TH SEPTEMBER, 2014

## 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, 2014.

In the current interim period, the Group has applied for the first time the following amendments to HKFRSs and an interpretation issued by the HKICPA:

HKAS 32 (Amendments)	Financial Instruments: Presentation – Offsetting Financial Assets and Financial Liabilities
HKAS 36 (Amendments)	Recoverable Amount Disclosures for Non Financial Assets
HKAS 39 (Amendments)	Novation of Derivatives and Continuation of Hedge Accounting
Amendments to HKFRS 10, HKFRS 12 and HKAS 27	Investment Entities
HK(IFRIC) – Int 21	Levies

The application of the new or revised 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.

### 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, 2014 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	81,147	24,125	17,606	3,047	125,925
Inter-segment sales	-	245	-	-	245
Reportable segment revenue	<u>81,147</u>	<u>24,370</u>	<u>17,606</u>	<u>3,047</u>	<u>126,170</u>
Reportable segment (loss)/profit	<u>(5,985)</u>	<u>3,512</u>	<u>(2,448)</u>	<u>789</u>	<u>(4,132)</u>
Interest income from bank deposits	32	-	-	-	32
Finance costs	(229)	-	-	(638)	(867)
Depreciation for the period	(1,030)	(266)	(277)	(11)	(1,584)
Additions to non-current assets during the period	91	79	-	-	170
	HK\$'000	HK\$'000	At 30th September, 2014 HK\$'000	HK\$'000	HK\$'000
Reportable segment assets	106,930	43,486	64,388	158,346	373,150
Reportable segment liabilities	22,163	3,183	9,141	53,105	87,592

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

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

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
	HK\$'000	HK\$'000	At 31st March, 2014 HK\$'000	HK\$'000	HK\$'000
Reportable segment assets	105,845	41,158	62,915	154,557	364,475
Reportable segment liabilities	5,198	7,053	9,853	51,137	73,241

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 net exchange gain/(loss), other losses, gain on disposal of investment properties, loss on disposal of a subsidiary 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			
	30.9.2014	30.9.2013	30.9.2014	31.3.2014
	HK\$'000 (unaudited)	HK\$'000 (unaudited)	HK\$'000 (unaudited)	HK\$'000 (audited)
Hong Kong (place of domicile)	108,319	107,399	215,938	217,429
Mainland China	9,087	4,740	32,431	32,805
Singapore	8,194	7,952	12,635	12,809
Other countries in South East Asia	325	1,725	-	-
	17,606	14,417	45,066	45,614
	125,925	121,816	261,004	263,043

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

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

	Six months ended	
	30.9.2014 HK\$'000 (unaudited)	30.9.2013 HK\$'000 (unaudited)
<b>REVENUES</b>		
Reportable segment revenue	126,170	122,279
Elimination of inter-segment revenue	(245)	(463)
Consolidated turnover	125,925	121,816
<b>PROFIT OR LOSS</b>		
Reportable segment loss	(4,132)	(7,332)
Net exchange (loss)/gain	(122)	120
Other losses	(492)	(96)
Gain on disposal of investment properties	-	1,046
Loss on disposal of a subsidiary	-	(862)
Consolidated loss before taxation	(4,746)	(7,124)

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

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

	<b>30.9.2014</b> <b>HK\$'000</b> <b>(unaudited)</b>	31.3.2014 HK\$'000 (audited)
<b>ASSETS</b>		
Reportable segment assets	<b>373,150</b>	364,475
Non-current financial assets	<b>5,067</b>	3,689
Unallocated corporate assets	<b>769</b>	–
	<hr/>	<hr/>
Consolidated total assets	<b><u>378,986</u></b>	<b><u>368,164</u></b>
<b>LIABILITIES</b>		
Reportable segment liabilities	<b>87,592</b>	73,241
Deferred tax liabilities	<b>168</b>	168
	<hr/>	<hr/>
Consolidated total liabilities	<b><u>87,760</u></b>	<b><u>73,409</u></b>

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>30.9.2014</b> <b>HK\$'000</b> <b>(unaudited)</b>	30.9.2013 HK\$'000 (unaudited)
Gain on disposal of investment properties	–	1,046
Net exchange gain	–	120
Bank interest income	<b>32</b>	197
Dividend income from listed equity securities	<b>156</b>	–
Others	<b>476</b>	640
	<hr/>	<hr/>
	<b><u>664</u></b>	<b><u>2,003</u></b>

## 5. OTHER LOSSES

	<b>Six months ended</b>	
	<b>30.9.2014</b>	30.9.2013
	<b>HK\$'000</b>	HK\$'000
	<b>(unaudited)</b>	(unaudited)
Loss on disposal of property, plant and equipment	<b>294</b>	96
Net exchange loss	<b>122</b>	–
Unrealized losses on financial assets at fair value through profit or loss		
– listed equity securities	<b>198</b>	–
	<b>614</b>	96

## 6. FINANCE COSTS

	<b>Six months ended</b>	
	<b>30.9.2014</b>	30.9.2013
	<b>HK\$'000</b>	HK\$'000
	<b>(unaudited)</b>	(unaudited)
Interest on bank borrowings not wholly repayable within five years	<b>867</b>	497

## 7. LOSS BEFORE TAXATION

	<b>Six months ended</b>	
	<b>30.9.2014</b>	30.9.2013
	<b>HK\$'000</b>	HK\$'000
	<b>(unaudited)</b>	(unaudited)
Loss before taxation has been arrived at after charging:		
Operating lease rentals in respect of rented premises		
– minimum lease payments	<b>1,570</b>	2,335
– contingent rent	<b>235</b>	348
	<b>1,805</b>	2,683
Depreciation		
– owned assets	<b>1,574</b>	2,148
– leased assets	<b>10</b>	8
	<b>1,584</b>	2,156
Employee benefits expenses (including directors' remuneration)		
– salaries, allowances and benefits in kind	<b>17,268</b>	20,809
– retirement benefit scheme contributions	<b>1,490</b>	1,752
Total staff costs	<b>18,758</b>	22,561

## 8. TAX EXPENSE

	<b>Six months ended</b>	
	<b>30.9.2014</b> <b>HK\$'000</b> <b>(unaudited)</b>	30.9.2013 HK\$'000 (unaudited)
Hong Kong Profits Tax	<u><b>(119)</b></u>	<u>(2)</u>

Hong Kong Profits Tax is provided at the rate of 16.5% (2013: 16.5%) of the estimated assessable profits for the period.

## 9. 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:

	<b>Six months ended</b>	
	<b>30.9.2014</b> <b>HK\$'000</b> <b>(unaudited)</b>	30.9.2013 HK\$'000 (unaudited)
Loss attributable to equity holders of the Company	<u><b>(4,865)</b></u>	<u>(7,414)</u>
	<b>Number</b> <b>of shares</b>	Number of shares
<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 per share	<u><b>566,481,308</b></u>	<u>515,324,271</u>
<b>Diluted</b>		
Weighted average number of ordinary shares in issue less shares held for Share Award Plan	<b>566,481,308</b>	515,324,271
Effect of dilutive potential ordinary shares: Awarded shares	<u><b>2,806,089</b></u>	<u>2,494,302</u>
Weighted average number of ordinary shares for the purpose of calculating diluted loss per share	<u><b>569,287,397</b></u>	<u>517,818,573</u>

## 10. DIVIDEND

The directors do not recommend the payment of any interim dividend for the six months ended 30th September, 2014 (2013: HK\$ Nil).



## 11. GROSS AMOUNTS DUE FROM/(TO) CUSTOMERS FOR CONTRACT WORK

	<b>30.9.2014</b> <b>HK\$'000</b> <b>(unaudited)</b>	31.3.2014 HK\$'000 (audited)
Contract costs incurred	<b>55,871</b>	47,071
Recognised profits	<b>16,933</b>	11,827
	<b>72,804</b>	58,898
Progress billings	<b>(59,196)</b>	(51,997)
Due from customers	<b>13,608</b>	6,901
Classified as:		
Gross amounts due from customers	<b>14,967</b>	11,660
Gross amounts due to customers	<b>(1,359)</b>	(4,759)

The directors consider that the carrying amounts of gross amounts due from/(to) 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\$37,166,000 (31st March, 2014: HK\$43,883,000) which are included in the Group's debtors, deposits and prepayments is as follows:

	<b>30.9.2014</b> <b>HK\$'000</b> <b>(unaudited)</b>	31.3.2014 HK\$'000 (audited)
Neither overdue nor impaired	<b>25,525</b>	20,244
Less than 1 month overdue	<b>4,256</b>	12,885
1 to 3 months overdue	<b>1,862</b>	2,993
More than 3 months overdue	<b>5,523</b>	7,761
	<b>37,166</b>	43,883

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

### 13. CREDITORS AND ACCRUED CHARGES

The ageing analysis of trade creditors of HK\$6,140,000 (31st March, 2014: HK\$7,777,000) which is included in the Group's creditors and accrued charges is as follows:

	<b>30.9.2014</b> <b>HK\$'000</b> <b>(unaudited)</b>	31.3.2014 HK\$'000 (audited)
0-30 days	<b>2,799</b>	4,608
31-60 days	<b>553</b>	546
61-90 days	<b>993</b>	459
Over 90 days	<b>1,795</b>	2,164
	<hr/> <b>6,140</b> <hr/>	<hr/> 7,777 <hr/>

The directors consider that the carrying amounts of creditors 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.

### 15. SUBSEQUENT EVENT

On 3rd June, 2014, the Group entered into a provisional sale and purchase agreement with a third party to dispose of one of its investment properties located at PRC with carrying value of HK\$11,930,000 at a cash consideration of HK\$11,970,000. Total deposits of HK\$5,027,000 were paid by the purchaser. This transaction is expected to be completed in December 2014.

## MANAGEMENT DISCUSSION AND ANALYSIS

For the six months ended 30th September, 2014, the Group's turnover was HK\$126 million which represented an increase of approximately 3% as compared with the HK\$122 million recorded for the corresponding period last year. The net loss attributable to equity holders was HK\$4.9 million (2013: HK\$7.4 million).

### Sales of mobile phones

During the period under review, the turnover was HK\$81 million, representing a 3% decrease compared to the same period last year (2013: HK\$84 million). The decrease in turnover was due to the closure of three underperforming retail shops. The division recorded loss of HK\$6 million (2013: HK\$6 million).

### Sales of business solutions

The turnover increased by 17% to HK\$41.7 million (2013: HK\$35.8 million) and the division recorded profit of HK\$1 million (2013: loss of HK\$1.8 million).

### Property investment

The rental income increased from HK\$2.5 million to HK\$3 million and the profit of this division was HK\$0.8 million (2013: HK\$0.6 million).

## PROSPECTS

Regarding the mobile phone business, we have closed three underperforming retail shops during the period under review. This helps to improve the results for the second half of the year. We expect that the distribution business will be stable.

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. 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 strong financial position. As at 30th September, 2014, the Group's cash and bank balances amounted to approximately HK\$27 million (31st March, 2014: HK\$12 million) while the bank borrowings were HK\$68 million (31st March, 2014: HK\$50 million). The gearing ratio was 23% (31st March, 2014: 17%) which is expressed as a percentage of total borrowings to total equity.

## EMPLOYEES

As at 30th September, 2014, the total number of employees of the Group was approximately 130 (31st March, 2014: 150) and the aggregate remuneration of employees (excluding directors' emoluments) amounted to HK\$16 million (2013: 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 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, 2014, the Group's general banking facilities were secured by (1) first legal charge on certain leasehold land and buildings with aggregate net book value of HK\$43,610,000 (31st March, 2014: HK\$ Nil) (2) investment properties with total of fair value of HK\$141,700,000 (31st March, 2014: HK\$141,700,000) and (3) bank deposits of HK\$7,099,000 (31st March, 2014: HK\$7,099,000).

## CONTINGENT LIABILITIES

As at 30th September, 2014, the Company had provided corporate guarantees of HK\$58 million (31st March, 2014: HK\$58 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, 2014, 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 of shares (long position) (Note 1)	Approximate percentage of interest
Chan Chung Yee, Hubert	The Company	Interest of controlled corporation	329,904,310 (L) (Note 2)	51.74%
	The Company	Beneficial owner	12,439,498 (L) (Note 3)	1.95%
	Matrix World Group Limited	Beneficial owner	1 share of US\$1.00 (L)	100.00%
Chan Chung Yin, Roy	The Company	Interest of controlled corporation	70,678,000 (L) (Note 4)	11.08%
	The Company	Beneficial owner	509,850 (L) (Note 5)	0.08%
	Star Global International Limited	Beneficial owner	1 share of US\$1.00 (L)	100.00%
Chan Ming Him, Denny	The Company	Beneficial owner	1,237,500 (L) (Note 6)	0.19%
Ip Man Hon	The Company	Beneficial owner	371,250 (L) (Note 7)	0.06%
Choi Chun Yik	The Company	Beneficial owner	3 (L) (Note 8)	0.00%

*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, 11,270,189 shares were held by Light Emotion Limited, a company wholly owned by Matrix World Group Limited and 318,634,121 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. Ip Man Hon.
8. These shares are registered in the name of Mr. Choi Chun Yik.
9. Save as disclosed above, as at 30th September, 2014, 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, 2014, 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	329,904,310 (L) (Note 2)	Beneficial owner	51.74%
Star Global International Limited (Note 3)	70,678,000 (L)	Beneficial owner	11.08%
Chan Low Wai Han, Edwina (Note 4)	71,187,850 (L)	Interest of spouse	11.16%
Josephine Liu (Note 5)	342,343,808 (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, 11,270,189 shares were held by Light Emotion Limited, a company wholly owned by Matrix World Group Limited and 318,634,121 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 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.
5. 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, 2014, 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, 2014, except for the deviation in respect of the attendance of the independent non-executive directors at the general meetings of the Company set out in Code Provision A.6.7 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 was unable to attend the annual general meeting of the Company held on 25th August, 2014 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, 2014.

## **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, 2014.

## **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, 28th November, 2014