# GLOBAL TECH (HOLDINGS) LIMITED
# 耀科國際（控股）有限公司 *

*(Incorporated in the Cayman Islands with limited liability)*
**(Stock Code: 143)**

## INTERIM RESULTS
## FOR THE SIX MONTHS ENDED 31 MARCH 2009

The Board of Directors (the "Board") of Global Tech (Holdings) Limited (the "Company") announces the unaudited condensed consolidated financial statements of the Company and its subsidiaries (the "Group") for the six months ended 31 March 2009 (the "Period").

### CONDENSED CONSOLIDATED INCOME STATEMENT

| | | **Unaudited For the six months ended 31 March** | |
|---|---|---|---|
| | | **2009** | 2008 |
| | *Notes* | **HK$'000** | HK$'000 (Restated) |
| **Turnover** | 2 | **14,277** | 548,357 |
| **Cost of sales** | | **(11,360)** | (561,507) |
| **Gross profit/(loss)** | | **2,917** | (13,150) |
| **Other revenue** | 3 | **47,263** | 1,915 |
| **Other income** | | **3,045** | 872 |
| **Selling and distribution expenses** | | **(1,943)** | (9,516) |
| **Administrative expenses** | | **(49,952)** | (45,952) |
| **Other operating expenses** | | **(7,056)** | (110) |
| **Loss from operations** | 4 | **(5,726)** | (65,941) |
| **Finance costs** | 5 | **(1,199)** | (2,040) |
| **Loss before taxation** | | **(6,925)** | (67,981) |
| **Taxation** | 6 | **66** | (17) |
| **Loss for the period attributable to equity holders of the Company** | | **(6,859)** | (67,998) |
| **Dividends** | 7 | **-** | - |
| **Loss per share attributable to equity holders of the Company** | | | |
| Basic and diluted | 8 | (**HK$0.001**) | (HK$0.013) |

* *For identification purpose only*

## CONDENSED CONSOLIDATED BALANCE SHEET

| | Notes | As at 31 March 2009 HK$'000 (unaudited) | As at 30 September 2008 HK$'000 (audited) |
|---|---|---|---|
| **Non-current assets** | | | |
| Investment property | | **11,600** | 12,000 |
| Property, plant and equipment | | **3,184** | 3,983 |
| Intangible assets | | **-** | 29,381 |
| Available-for-sale financial assets | | **11,935** | 12,301 |
| | | **26,719** | 57,665 |
| **Current assets** | | | |
| Inventories | | **5,320** | 3,668 |
| Trade receivables | 9 | **42,991** | 44,967 |
| Prepayments, deposits and other receivables | | **8,251** | 9,055 |
| Financial assets at fair value through profit or loss | | **6,080** | 5,761 |
| Pledged time deposits | | **106,174** | 106,360 |
| Cash and bank balances | | **3,965** | 8,217 |
| | | **172,781** | 178,028 |
| **Current liabilities** | | | |
| Trade payables | 10 | **3,603** | 7,652 |
| Accrued charges and other payables | | **18,517** | 22,502 |
| Tax payable | | **53,007** | 52,535 |
| Bank borrowings – secured | | **33,584** | 61,863 |
| | | **108,711** | 144,552 |
| **Net current assets** | | **64,070** | 33,476 |
| **Total assets less current liabilities** | | **90,789** | 91,141 |
| **Non-current liabilities** | | | |
| Deferred tax liabilities | | **438** | 504 |
| **Net assets** | | **90,351** | 90,637 |
| **Equity** | | | |
| **Capital and reserves attributable to equity holders of the Company** | | | |
| Share capital | | **51,659** | 51,659 |
| Reserves | | **38,692** | 38,978 |
| **Total equity** | | **90,351** | 90,637 |

## NOTES TO THE CONDENSED CONSOLIDATED FINANCIAL STATEMENTS

### 1. BASIS OF PREPARATION AND ACCOUNTING POLICIES

The interim report contains unaudited condensed consolidated financial statements and selected explanatory notes. The notes include an explanation of events and transactions that are significant to an understanding of the changes in financial position and performance of the Group since the 2008 annual financial statements. The unaudited condensed consolidated financial statements and notes thereon do not include all of the information required for full set of financial statements prepared in accordance with all applicable Hong Kong Financial Reporting Standards ("HKFRSs"), which is a collective term that includes all applicable individual HKFRSs, Hong Kong Accounting Standards ("HKASs") and Interpretations ("Ints") issued by the Hong Kong Institute of Certified Public Accountants (the "HKICPA") and accounting principles generally accepted in Hong Kong.

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

The measurement basis used in the preparation of these unaudited condensed consolidated financial statements is historical cost convention, as modified for financial assets at fair value through profit or loss and investment property which are stated at fair values.

These unaudited condensed consolidated financial statements should be read in conjunction with the annual financial statements for the year ended 30 September 2008. The accounting policies and methods of computation used in the preparation of these unaudited condensed consolidated financial statements are consistent with those used in the annual financial statements for the year ended 30 September 2008 with addition of the following interpretations (the "new HKFRSs") issued by the HKICPA, which have become effective.

| | |
|---|---|
| HK(IFRIC)-Int 12 | Service Concession Arrangements |
| HK(IFRIC)-Int 13 | Customer Loyalty Programmes |
| HK(IFRIC)-Int 14 | HKAS 19 – The Limit on a Defined Benefit Asset, Minimum Funding Requirements and their Interaction |
| HK(IFRIC)-Int 16 | Hedges of a Net Investment in a Foreign Operation |

The adoptions of the new HKFRSs had no material effect on how the results and financial position of the Group for the current or prior accounting periods have been prepared and presented.

The Group has not early adopted the following new and revised standards, amendments and interpretations that have been issued but are not yet effective:

| | |
|---|---|
| HKFRSs (Amendments) | Improvements to HKFRSs [1] |
| HKAS 1 (Revised) | Presentation of Financial Statements [2] |
| HKAS 23 (Revised) | Borrowing Costs [2] |
| HKAS 27 (Revised) | Consolidated and Separate Financial Statements [4] |
| HKAS 32 and HKAS 1 (Amendments) | Puttable Financial Instruments and Obligations Arising on Liquidation [2] |
| HKAS 39 (Amendment) | Eligible Hedged Items [4] |
| HKFRS 1 & HKAS 27 (Amendments) | Cost of an Investment in a Subsidiary, Jointly Controlled Entity or Associate [2] |
| HKFRS 1 (Revised) | First-time Adoption of Hong Kong Financial Reporting Standards [4] |
| HKFRS 2 (Amendment) | Share-based Payment - Vesting Conditions and Cancellations [2] |
| HKFRS 3 (Revised) | Business Combinations [4] |
| HKFRS 7 (Amendment) | Improving Disclosures about Financial Instruments [2] |
| HKFRS 8 | Operating Segments [2] |
| HK(IFRIC)-Int 9 & HKAS 39 (Amendments) | Embedded Derivatives [3] |

| | |
|---|---|
| HK(IFRIC)-Int 15 | Agreements for the Construction of Real Estate [2] |
| HK(IFRIC)-Int 17 | Distributions of Non-cash Assets to Owners [4] |
| HK(IFRIC)-Int 18 | Transfers of Assets from Customers [5] |

[1] *Effective for annual periods beginning on or after 1 January 2009 except for the amendments to HKFRS 5, effective for annual periods beginning on or after 1 July 2009*
[2] *Effective for annual periods beginning on or after 1 January 2009*
[3] *Effective for annual periods ending on or after 30 June 2009*
[4] *Effective for annual periods beginning on or after 1 July 2009*
[5] *Effective for transfers of assets from customers received on or after 1 July 2009*

The adoption of HKFRS 3 (Revised) may affect the accounting for business combinations for which the acquisition date is on or after the beginning of the first annual reporting period beginning on or after 1 July 2009. HKAS 27 (Revised) will affect the accounting treatment for changes in a parent's ownership interest in a subsidiary that do not result in a loss of control, which will be accounted for as equity transactions. The Group is still considering the potential impacts of these new and revised standards, amendments and interpretations but is not yet in a position to determine whether the adoption of these new and revised standards, amendments and interpretations would have a significant impact on the results and financial position of the Group.

## 2. SEGMENT INFORMATION

The Group has determined that business segments be presented as the primary reporting format and geographical segments as the secondary reporting format.

***Primary reporting format - business segments***

During the Period, the Group was principally engaged in (i) trading of telecommunications products; (ii) provision of repair services of telecommunications products; and (iii) investments in financial assets.

Segment information about these businesses for the six months ended 31 March 2009 and 2008 is as follows:

| | Trading of tele-communications products HK$'000 | Provision of repair services of tele-communications products HK$'000 | Investments in financial assets HK$'000 | Consolidated HK$'000 |
|---|---|---|---|---|
| | **Unaudited for the six months ended 31 March 2009** | | | |
| **TURNOVER** | **6,427** | **7,531** | **319** | **14,277** |
| **SEGMENT RESULTS** | **33,917** | **(1,257)** | **317** | **32,977** |
| **Unallocated expenses** | | | | **(38,703)** |
| **Finance costs** | | | | **(1,199)** |
| **Loss before taxation** | | | | **(6,925)** |
| **Taxation** | | | | **66** |
| **Loss for the period attributable to equity holders of the Company** | | | | **(6,859)** |

| | Trading of tele-communications products HK$'000 | Provision of repair services of tele-communications products HK$'000 | Investments in financial assets HK$'000 | Consolidated HK$'000 |
|---|---|---|---|---|
| | Unaudited for the six months ended 31 March 2008 | | | |
| TURNOVER | 560,161 | 3,829 | (15,633) | 548,357 |
| SEGMENT RESULTS | (28,685) | (1,221) | (15,815) | (45,721) |
| Unallocated expenses | | | | (20,220) |
| Finance costs | | | | (2,040) |
| Loss before taxation | | | | (67,981) |
| Taxation | | | | (17) |
| Loss for the period attributable to equity holders of the Company | | | | (67,998) |

## 3. OTHER REVENUE

| | **Unaudited For the six months ended 31 March 2009 HK$'000** | Unaudited For the six months ended 31 March 2008 HK$'000 |
|---|---|---|
| Interest income | **637** | 1,915 |
| Compensation income | **46,626** | - |
| | **47,263** | 1,915 |

Note:
Compensation income mainly represents the allowance paid by a major supplier.

## 4. LOSS FROM OPERATIONS

| | Unaudited For the six months ended 31 March | |
|---|---|---|
| | **2009** | 2008 |
| | **HK$'000** | HK$'000 |
| Loss from operations has been arrived at after charging: | | |
| Cost of trading inventories sold | **5,515** | 533,890 |
| Employee benefit expenses (including directors' emoluments) | **8,038** | 25,428 |
| Retirement benefit costs (including directors' retirement benefit costs) | **198** | 793 |
| Depreciation | | |
| - owned assets | **794** | 900 |
| - leased assets | **-** | 18 |
| Amortisation of intangible assets | **3,480** | 3,480 |
| Impairment loss recognised on intangible assets | **25,901** | - |
| Impairment loss recognised on available-for-sale financial assets | **366** | - |
| Fair value loss on investment property | **400** | - |
| Loss on disposal of property, plant and equipment | **76** | 199 |
| Allowance for obsolete and slow-moving inventories | **-** | 1,165 |

## 5. FINANCE COSTS

| | Unaudited For the six months ended 31 March | |
|---|---|---|
| | **2009** | 2008 |
| | **HK$'000** | HK$'000 |
| Interest element of finance lease | **-** | 2 |
| Interest expenses on secured bank borrowings wholly repayable within five years | **1,199** | 2,038 |
| | **1,199** | 2,040 |

## 6. TAXATION

| | Unaudited For the six months ended 31 March **2009** **HK$'000** | 2008 HK$'000 |
|---|---|---|
| Current tax: | | |
| Hong Kong profits tax (Note (i)) | - | - |
| Overseas taxation (Note (ii)) | - | 17 |
| | - | 17 |
| Deferred tax: | | |
| Current period | **(66)** | - |
| | **(66)** | 17 |

Note:

(i) No provision for Hong Kong profits tax has been made for the Company and its subsidiaries as they have no assessable profits for the Period.

(ii) Overseas taxation has been provided on the estimated assessable profits for the six months ended 31 March 2008 at the taxation rates prevailing in the countries in which the subsidiaries of the Group operate.

## 7. DIVIDENDS

The Board does not recommend the payment of interim dividends for the six months ended 31 March 2009 (2008: Nil).

## 8. LOSS PER SHARE ATTRIBUTABLE TO EQUITY HOLDERS OF THE COMPANY

The calculation of the basic loss per share is based on the loss attributable to equity holders of the Company of approximately HK$6,859,000 (2008: HK$67,998,000) and on 5,165,973,933 (2008: 5,165,973,933) shares in issue during the Period.

No diluted loss per share for the periods ended 31 March 2009 and 2008 has been presented as the share options outstanding during the period had an anti-dilutive effect on the basic loss per share for the period.

## 9. TRADE RECEIVABLES

At the balance sheet date, the aging analysis of the trade receivables is as follows:

| | **As at 31 March 2009 HK$'000 (unaudited)** | As at 30 September 2008 HK$'000 (audited) |
|---|---|---|
| Current | **1,398** | 1,634 |
| One to three months overdue | **149** | 2,517 |
| More than three months but less than twelve months overdue | **38,458** | 151,759 |
| Over twelve months overdue | **123,958** | 10,966 |
| | **163,963** | 166,876 |
| Less: Allowance for impairment | **(120,972)** | (121,909) |
| | **42,991** | 44,967 |

Note:
The credit terms granted to the Group's customers vary and are generally the results of negotiations between the Group and individual customers.

## 10. TRADE PAYABLES

At the balance sheet date, the aging analysis of the trade payables is as follows:

| | **As at 31 March 2009 HK$'000 (unaudited)** | As at 30 September 2008 HK$'000 (audited) |
|---|---|---|
| Current and within one month | **1,302** | 1,554 |
| One to three months overdue | **3** | 794 |
| Over three months overdue | **2,298** | 5,304 |
| | **3,603** | 7,652 |

## 11. OPERATING LEASE COMMITMENTS

At the balance sheet date, the Group had commitments for total future minimum lease payments under non-cancellable operating leases falling due as follows:

| | **As at 31 March 2009 HK$'000 (unaudited)** | As at 30 September 2008 HK$'000 (audited) |
|---|---|---|
| Within one year | **6,568** | 6,846 |
| In the second to fifth years, inclusive | **18,835** | 19,446 |
| Over five years | **-** | 2,293 |
| | **25,403** | 28,585 |

## 12. CONTINGENT LIABILITIES

There had been no material change in contingent liabilities for the Group since 30 September 2008.

## BUSINESS REVIEW AND OUTLOOK

### Business Review

Exposed to both the weakening domestic market and the recession in most other parts of the world, the Group's performance, and businesses alike, was inevitably affected. During the six months ended 31 March 2009 (the "Period"), the Group reported a turnover of approximately HK$14.3 million, representing a decrease of 97.4% over the corresponding period last year. The sharp decline in turnover was resulted from a major subsidiary which no longer provides the distribution services to the major supplier, with reference made to the Company's announcement dated 25 February 2009. Gross profit increased to HK$2.9 million (31 March 2008: Gross loss HK$13.2 million) mainly due to the reclassification of the gain from financial assets at fair value through profit or loss of approximately HK$0.3 million compared to the loss from financial assets at fair value through profit or loss of approximately HK$15.6 million of the corresponding period last year. Net loss for the Period reduced to approximately HK$6.9 million compared with the net loss of approximately HK$68.0 million in the corresponding period last year, the significant decrease is chiefly attributed to other income received during the Period and selling and distribution expenses and the administrative expenses were reduced as the major subsidiary was no longer acting as the distributor of the major supplier.

### Market Overview

The year 2008 has been described as the worst twelve months for the global economy since the end of World War II and The Great Depression. In a dismal assessment of the global economy, the International Monetary Fund ("IMF") in early 2009 slashed its forecast for this year's global growth to 0.5% from its November estimate of 2.2%. The advanced economies were down by 2%, a drastic downward revision from the 0.3% contraction estimated by the end of 2008, pointing to a deep recession faced by the world economy. The IMF's forecast also indicated no sign of recovery for the global economy until the latter part of 2010, when they anticipated a return to a 3% growth rate.

As China is linked closely with the global economy and will not be exempt from the global shock, some economists predict that the nation's growth in gross domestic product ("GDP") would fall below the target 8%. Even though Chinese companies constantly improve their positions and maintain their competitiveness, they are yet to receive substantial new orders from their trading partners. It is the negative environment overseas that has affected China's GDP growth.

Hong Kong's economic outlook continues to weaken. The labour market also continues to deteriorate as a result of the lag in domestic consumption. According to a recent government economic report, Hong Kong's economy suffered a heavy blow in the first quarter. GDP fell by 7.8% and, for 2009 as a whole, is now forecast to contract by 5.5% to 6.5% in real terms. The labour market is adjusting to this economic downturn through corporate downsizing and pay cuts, with the unemployment rate rising to 5.3% in the three months ending April 2009, the highest level for three years. The unemployment rate is expected to stay high in the near future as the demand for labour remains weak under the deepening impact of the recession. The outbreak of Influenza A H1N1 has also emerged as a new source of uncertainty, placing further pressure on an already struggling labour market. These factors combined significantly to affect consumer spending confidence and, during the first quarter of 2009, private consumption expenditure was seen to slide by 5.5%.

Worldwide mobile phone sales witnessed the biggest quarter-on-quarter contraction in the first quarter of 2009, according to research firm Gartner. Compared with the corresponding period of 2008, an 8.6% drop was registered in the first three months of 2009, being the first time the market had contracted on a year-on-year basis during the first quarter, a period traditionally boosted by strong seasonality in the Asia Pacific market.

Nevertheless, smartphones continued to be the up-and-coming trend in the mobile-phone market, even during this major economic downturn. In spite of the decline in mobile phone sales, smartphone sales continued to grow, at 12.7% for the first quarter, based on an up-to-date report by Gartner. This category represented 13.5% of overall mobile device sales for the first quarter of 2009. The report found Apple, Nokia and Research in Motion to be the big winners during the quarter. A large proportion of the smartphone growth during the first quarter was also driven by touch-screen products, both in the mid-tier and high-end segments. Market leader Nokia lost share in smartphones last year as it lacked appealing touch-screen models. The brand ended up with a 41% market share in the fourth quarter, compared with 51% in the prior year. Blackberry-maker Research in Motion and Apple, with its iPhone, took larger market share in the fourth quarters, controlling 20% and 11% respectively.

Consumer preference has not been affected by the economic trend. Smartphones are differentiated not only by their advanced functionalities, expanded touch-sensitive screens, 3.5G and Wi-Fi broadband Internet connectivity, superior built-in cameras, multimedia devices and operating systems on par with computers, but also by their upscale prices. Although in the midst of a worldwide recession, consumers believe they are receiving better value for money by buying multifunctional devices than by opting for mid- or low-range mobile phones. Demand for smartphones has been growing since their debut as they are gradually becoming a ‘must-have’ item for the sophisticated technology-savvy segment. At the same time, as mobile vendors try to avoid price increases and network operators offer flat-rate tariff plans and unlimited data-download services, manufacturers are finding it more affordable to launch smartphones. While technology and functionality have become the new winner, fashion-oriented mobile phones are fading from the limelight. Increasing levels of resources had to be allocated to develop smartphones and thus collaboration with fashion brands slipped from many manufacturers’ list of priorities.

Locally, electronic product retail sales in the first quarter of 2009 declined by 20% compared with last year. Declining numbers of inbound tourists from the United States and Europe and the weak consumption propensity of local consumers are considered to be the major contributing factors to the plunge. Industry sources reveal that the launch of new mobile models has become less frequent during the first quarter of this year as compared with previous ones. At the same time, many major mobile suppliers decided to cut their marketing and promotion expenses, which in turn led to decreasing sales. As with the global scene, the local market is still dominated by major mobile brands and smartphone manufacturers, namely Nokia, Samsung, HTC, Apple and LG.

At the same time, the economic downturn has also undermined retailers’ and network operators’ profits from sales of mobile phones as major brands continued to impose large sales quotas, causing retailers and network operators to eventually build up large inventories. Less popular models ended up being moved in stock-clearing promotions during festive seasons, the enormous price cuts observed being inevitable.

**Financial Review**

As at 31 March 2009, the overall inventory level continued to maintain a relatively low level of approximately HK$5.3 million (30 September 2008: HK$3.7 million).

The Group’s cash reserves as at 31 March 2009 stood at approximately HK$110.1 million (30 September 2008: HK$114.6 million), of which approximately HK$106.2 million (30 September 2008: HK$106.4 million) was pledged for banking facilities. The current ratio was 1.59 (30 September 2008: 1.23) while the liquid ratio was approximately 1.54 (30 September 2008: 1.21).

As at 31 March 2009, the total borrowings of the Group, which mainly consisted of bank borrowings, amounted to approximately HK$33.6 million (30 September 2008: HK$61.9 million). These bank borrowings were secured by fixed deposits of approximately HK$106.2 million (30 September 2008: HK$106.4 million) and investment property with a carrying amount of approximately HK$11.6 million (30 September 2008: HK$12.0 million). The gearing ratio, which is expressed as a percentage of total borrowings over total assets, was 16.8% (30 September 2008: 26.2%).

As in previous years, the Group will continue to adopt a conservative cash-management policy.

The Group conducts its core business transactions mainly in Hong Kong and United States dollars. The greater part of these cash and bank balances are in either Hong Kong or United States dollars, hence the Hong Kong dollar peg to the United States dollar provides a natural hedge against short-term currency fluctuations under normal trading circumstances.

**Prospects**

Overall, the mobile phone market is expected to contract by roughly 10% during 2009 and due to the weak economy handset sellers will try to clear out unsold phones, according to research firm Gartner. On the other hand, many forecasts for this year expect demand for more advanced mobile phones to surge. In order to make a difference at the high end of the market, ‘touch for the sake of touch’ will not be as adequate as in the mid-tier segment. Tighter integration with applications and services around music, mobile e-mail and Internet browsing is considered the minimum requirement.

Gartner also revealed that sales of smartphones will jump 28% in 2009. Nokia, Samsung and LG are expected to play a key role in driving smartphone market growth this year. The two Korean brands are ramping up their smartphone portfolio while Nokia continues to push its Symbian operating system into the lower tier. Competition is once more about to intensify as many personal computer and chip makers are charging into mobile phones, or to be specific, into smartphones. According to one industry analyst, several computer makers are announcing plans for smartphones in various sizes, shapes and abilities. Acer, for instance, regarded the smartphone market to be the natural direction for their long-term mobile phone strategy, while Asustek Computer also has new smartphones coming on stream. Smartphones give the computer makers a chance to extend their new-found expertise in creating low-power products.

In light of these factors, and as it acts as the distributor for other supplier, the Group intends to continue for the time being in the operation of its telecommunications products trading segment. The business model, namely the distribution of products to chain stores, operators and traders on a wholesale basis, will remain largely unchanged. It will keep in view both this segment’s performance and the general economic situation in considering whether or not to scale down this operation in future. The Group will also continue with the operation of repair services, for both the major and other suppliers, and with investment in financial assets.

Meanwhile, the Group will take a prudent approach in evaluating and pursuing various business opportunities, including that for existing telecommunications products. Further, in an effort to diversify the Group's business, it has been in contact with various parties over the years and been presented with a variety of new business opportunities, including but not limited to telecommunications business. The Group is seeking to capitalize on its experience in trading of information technology ("IT") products by pursuing business development in the arena of small electronic products. The Group is also sourcing new suppliers that match its requirement for maintaining low inventory levels and with a view to maximizing customers' choice between different product types, tiers, functions and price levels.

However, the business environment, at both global and local levels, continues to present many uncertainties and a relatively bleak outlook. Based on the United States Federal Open Market Committee discussions in April 2009, which reflected to a certain extent the global economic situation, businesses have cut production and employment substantially over recent months. Labour market conditions deteriorated further in March and economic conditions again worsened in the advanced foreign economies during the first quarter. Employment declined substantially and retail sales were relatively weak. As for the United States economic outlook, it is expected that the unemployment rate will rise through the beginning of 2010 before gradually declining over the rest of that year. Growth in consumption expenditure was likely to be restrained by the weakness in labour markets and the lagged effects of tapering household wealth. Moreover, it was the general view of this committee that significant downside risk in the economic outlook would continue to be present and that the global financial system would remain vulnerable to further shocks. Although there are tentative signs of stabilizing household spending and the economic outlook has improved modestly since March, economic activity is likely to remain weak for some time due to ongoing job losses.

Closer to home, fears are mounting over the mainland China's economic recovery. As stated in separate reports conducted by two international banks, the Mainland's economic recovery may have slowed or even contracted during the month of April. Most analysts consider that the recovery in China is still in progress, but that the pace may not be as robust as many had hoped. The Hong Kong Monetary Authority, in a recent release, also cautioned that the economy is not likely to recover very soon, and given that the financial systems in the United States and Europe are still not yet functioning normally, it is more than likely that financial markets around the world will continue to be extremely volatile.

Adding to the uncertainty will be the scope and duration of the A H1N1 influenza pandemic which has the potential to derail a global economic recovery, and even prolong and intensify the worldwide recession. While trade restrictions are considered one of the biggest impediments to economic recovery, any large-scale pandemic could provide a convenient excuse for countries in favour of imposing trade protectionist measures.

Although there could be a mini mid-cycle recovery by the middle of the year, Hong Kong will remain in recession for most of 2009. In addition, amid the difficult external environment, domestic consumer spending will most probably continue to be sluggish in the near term.

As the Group moves further into a period in which the external environment presents increasing risks to businesses, management will take every precaution in taking forward new business plans and assessing existing operations, in order to stay the course and maintain business momentum.

**Employee Information**

As at 31 March 2009, the Group employed a workforce of 51 (31 March 2008: 136). Staff costs, including salaries and bonuses, for the Period were approximately HK$8.2 million (31 March 2008: HK$26.2 million).

The Group adheres to a competitive remuneration policy to ensure that it can motivate and retain existing employees as well as attract potential employees.

The remuneration packages mainly include salary payments, group medical insurance plans and discretionary bonuses awarded on a performance basis. The Group provides pension schemes for employees as part of their staff benefits.

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

Neither the Company nor any of its subsidiaries has purchased, sold or redeemed any of the Company's listed securities during the Period.

## COMPLIANCE WITH THE CODE ON CORPORATE GOVERNANCE PRACTICES

Throughout the period of the six months ended 31 March 2009, the Company has complied with the code provisions ("Code Provisions") set out in the Code on Corporate Governance Practices contained in Appendix 14 to the Listing Rules, except for the following deviations:-

1. **Code Provision A.2.1**

   Code Provision A.2.1 provides that the roles of chairman and chief executive officer should be separate and should not be performed by the same individual.

   The positions of Chairman of the Board and Chief Executive Officer ("CEO") of the Company are both currently carried on by the same person. The Board considers that this structure does not undermine the balance of power and authority between the Board and the management. The Board members have considerable experience and qualities which they bring to the Company and the Board believes that it is able to ensure that the balance of power between the Board and the management is not impaired. The Board believes that having the same person performing the roles of both Chairman and CEO does provide the Group with strong and consistent leadership and that, operating in this manner allows for more effective and efficient overall strategic planning of the Group.

2. **Code Provision A.4.2**

   Code Provision A.4.2 provides that every director, including those appointed for a specific term, should be subject to retirement by rotation at least once every three years.

   According to Article 116 of the articles of association of the Company, all Directors (except the CEO) shall retire by rotation at the annual general meeting of the Company at least once every three years. In the opinion of the Board, stability and continuation are key factors to the successful implementation of business plans. The Board believes that it is beneficial to the Group that there is continuity in the role of the CEO and, therefore, the Board is of the view that the CEO should be exempt from this arrangement at the present time.

## AUDIT COMMITTEE REVIEW

The Audit Committee has reviewed with the management of the Company the accounting principles and practices adopted by the Group, and discussed internal controls and financial reporting matters including a review of the unaudited consolidated interim results of the Group for the Period.

On behalf of the Board
**SY Ethan, Timothy**
*Chairman*

Hong Kong, 8 June 2009

*As at the date of this announcement, the Board comprises 6 directors, of which 2 are executive directors, namely Mr. SY Ethan, Timothy and Mr. SUNG Yee Keung, Ricky, 1 is a non-executive director, namely Mr. KO Wai Lun, Warren and 3 are independent non-executive directors, namely Mr. Andrew David ROSS, Mr. Geoffrey William FAWCETT and Mr. Charles Robert LAWSON.*