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XPRESS GROUP LIMITED

(Incorporated in Hong Kong with limited liability)

(Stock Code: 185)

INTERIM RESULTS ANNOUNCEMENT FOR THE SIX MONTHS ENDED SEPTEMBER 30, 2010

The Board of Directors (the “Board”) of Xpress Group Limited (the “Company”), announce the unaudited consolidated results of the Company and its subsidiaries (the “Group”), which have been reviewed by the Company’s Audit Committee.

CONDENSED CONSOLIDATED INCOME STATEMENT

FOR THE SIX MONTHS ENDED SEPTEMBER 30, 2010

		Six months ended	
		9.30.2010	9.30.2009
	<i>Notes</i>	HK\$'000	HK\$'000
		(Unaudited)	(Unaudited)
Revenue	3	33,925	38,200
Cost of sales		(3,705)	(4,479)
Gross profit		30,220	33,721
Other operating income		342	1,393
Fair value gain on financial assets at fair value through profit or loss		7,191	32,592
Bad debt recovered		350	319
Administrative expenses		(82,425)	(41,381)
Fair value gain on investment properties		73,957	–
Profit from operations	4	29,635	26,644
Finance costs		(2,847)	(2,043)
Share of results of associates		(665)	(449)
Profit before income tax		26,123	24,152
Income tax expense	5	(8,840)	–
Profit for the period		17,283	24,152

		Six months ended	
	<i>Notes</i>	9.30.2010	9.30.2009
		HK\$'000	HK\$'000
		(Unaudited)	(Unaudited)
Attributable to:			
Owners of the Company		17,283	24,183
Non-controlling interests		—	(31)
		<u>17,283</u>	<u>24,152</u>
Earnings per share attributable to owners of the Company during the period			
– Basic	7	0.65 Cents	1.15 Cents
– Diluted		<u>0.65 Cents</u>	<u>1.15 Cents</u>

CONDENSED CONSOLIDATED STATEMENT OF COMPREHENSIVE INCOME
FOR THE SIX MONTHS ENDED SEPTEMBER 30, 2010

		Six months ended	
	<i>Notes</i>	9.30.2010	9.30.2009
		HK\$'000	HK\$'000
		(Unaudited)	(Unaudited)
Profit for the period		<u>17,283</u>	<u>24,152</u>
Other comprehensive income:			
Currency translation		26,018	14,143
Reclassification of property, plant and equipment to investment properties		—	48,205
Other comprehensive income for the period		<u>26,018</u>	<u>62,348</u>
Total comprehensive income for the period		<u>43,301</u>	<u>86,500</u>
Total comprehensive income attributable to:			
Owners of the Company		43,301	86,531
Non-controlling interests		—	(31)
		<u>43,301</u>	<u>86,500</u>

CONDENSED CONSOLIDATED STATEMENT OF FINANCIAL POSITION
AT SEPTEMBER 30, 2010

	<i>Notes</i>	9.30.2010 HK\$'000 (Unaudited)	3.31.2010 <i>HK\$'000</i> (Audited)
ASSETS AND LIABILITIES			
Non-current Assets			
Property, plant and equipment	8	51,527	52,081
Prepaid lease payments		22,668	22,907
Investment properties	8	925,864	742,501
Interests in associates		8,833	9,110
Available-for-sale financial assets		1,461	1,462
Goodwill		10,544	10,544
		<hr/> 1,020,897	<hr/> 838,605
Current assets			
Inventories		361	409
Trade and other receivables, deposits and prepayments	9	19,758	15,979
Loans receivables		386	926
Financial assets at fair value through profit or loss		209,284	136,117
Amounts due from associates		17,201	9,528
Pledged bank deposits		3,625	3,413
Bank balances and cash		53,708	133,846
		<hr/> 304,323	<hr/> 300,218
Current liabilities			
Trade and other payables and accruals	10	44,738	101,160
Bank overdraft		4,404	8,274
Borrowings		157,125	87,961
Tax payables		19,266	18,838
Amounts due to associates		16	10
		<hr/> 225,549	<hr/> 216,243
Net current assets		<hr/> 78,774	<hr/> 83,975
Total assets less current liabilities		<hr/> 1,099,671	<hr/> 922,580

	<i>Notes</i>	9.30.2010 HK\$'000 (Unaudited)	3.31.2010 <i>HK\$'000</i> <i>(Audited)</i>
Non-current liabilities			
Borrowings		190,275	87,601
Deferred taxation		74,782	62,300
		<u>265,057</u>	<u>149,901</u>
Net assets		<u>834,614</u>	<u>772,679</u>
CAPITAL AND RESERVES			
Share capital	<i>11</i>	26,408	26,408
Reserves		808,206	746,271
		<u>834,614</u>	<u>772,679</u>
Equity attributable to owners of the Company		834,614	772,679
Non-controlling interests		–	–
		<u>–</u>	<u>–</u>
Total equity		<u>834,614</u>	<u>772,679</u>

NOTES TO THE UNAUDITED CONDENSED FINANCIAL STATEMENTS
FOR THE SIX MONTHS ENDED SEPTEMBER 30, 2010

1. BASIS OF PREPARATION

The condensed consolidated 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 and with Hong Kong Accounting Standard 34 “Interim Financial Reporting” issued by the Hong Kong Institute of Certified Public Accountants (the “HKICPA”).

2. APPLICATION OF NEW AND REVISED HONG KONG FINANCIAL REPORTING STANDARDS (“HKFRSs”)

The Group has applied, for the first time, the following new and revised standards, amendments and interpretations (“new HKFRSs”) issued by HKICPA which are effective for the Group’s financial year beginning on 1 April 2010.

HKFRS 1 (Revised)	<i>First-time Adoption of Hong Kong Financial Reporting Standards</i>
HKFRS 1 Amendment	<i>Amendments to HKFRS 1 First-time Adoption of Hong Kong Financial Reporting Standards – Additional Exemptions for First-time Adopters</i>
HKFRS 2 Amendment	<i>Amendments to HKFRS 2 Share-based Payment – Group Cash-settled Share-based Payment Transactions</i>
HKFRS 3 (Revised)	<i>Business Combinations</i>
HKFRS 5 Amendment	<i>Non-current Assets Held for Sale and Discontinued Operations – Plan to Sell the Controlling Interest in a Subsidiary</i>
HKAS 27 (Revised)	<i>Consolidated and Separate Financial Statements</i>
HKAS 32 Amendment	<i>Amendment to HKAS 32 Financial Instruments: Presentation – Classification of Rights Issues</i>
HKAS 39 Amendment	<i>Amendment to HKAS 39 Financial Instruments: Recognition and Measurement – Eligible Hedged Items</i>
HK(IFRIC)-Int 17	<i>Distributions of Non-cash Assets to Owners</i>
HK Interpretation 4 (Revised in December 2009)	<i>Leases – Determination of the Length of Lease Term in respect of Hong Kong Land Leases</i>
Improvements to HKFRSs 2009	<i>Amendments to a number of HKFRSs</i>

The adoption of the new HKFRSs had no material effect on the results and financial position for the current or prior accounting periods which have been prepared and presented. Accordingly, no prior period adjustment has been recognised.

3. SEGMENT INFORMATION

The Group is organised into five (2009: five) main operating divisions – financing operations, securities trading and investments, treasury investment, property investment and hotel operations. These principal operating activities are the basis on which the chief operating decision maker (ie: executive directors) allocate resources to segments and assess their performance.

Information regarding the Group's reportable segments as provided to the chief decision maker is set out as below:

	Revenue		Segment results	
	Six months ended		Six months ended	
	9.30.2010	9.30.2009	9.30.2010	9.30.2009
	HK\$'000	HK\$'000	HK\$'000	HK\$'000
	(Unaudited)	(Unaudited)	(Unaudited)	(Unaudited)
By reportable segment:				
Hotel operations	17,600	19,765	(3,000)	(3,773)
Financing operations	147	1,188	(398)	(1,637)
Securities trading and investments	2,905	271	7,108	32,240
Treasury investment	3,693	10,662	3,693	10,662
Property investment	9,574	6,314	83,175	6,052
	<u>33,925</u>	<u>38,200</u>	<u>90,578</u>	<u>43,544</u>
Unallocated corporate revenue			342	1,597
Unallocated corporate expenses			(61,285)	(18,497)
Profit from operations			29,635	26,644
Finance costs			(2,847)	(2,043)
Share of results of associates			(665)	(449)
Profit before income tax			26,123	24,152
Income tax expenses			(8,840)	–
Profit for the period			<u>17,283</u>	<u>24,152</u>

4. PROFIT FROM OPERATIONS

	Six months ended	
	9.30.2010	9.30.2009
	HK\$'000	HK\$'000
	(Unaudited)	(Unaudited)
Profit from operations has been arrived at after charging (crediting):		
Depreciation	2,108	2,469
Amortisation of leasehold land	239	–
Equity settled share-based payment expenses	18,632	3,097
Fair value gain on revaluation of investment properties	(73,957)	–
Dividend income	(2,905)	(271)
	<u>(2,905)</u>	<u>(271)</u>

5. INCOME TAX EXPENSE

On 26 June 2008, the Hong Kong Legislative Council passed the Revenue Bill 2008 which reduced corporate profits tax rate from 17.5% to 16.5% effective from the year of assessment 2008/2009. Therefore, Hong Kong Profits Tax is calculated at 16.5% of the estimated assessable profit for the period ended September 30, 2010.

No provision for Hong Kong profits tax have been made in the condensed financial statements as the Group had no assessable profit for the period ended September 30, 2009.

Taxes on overseas profits have been calculated at the rates of tax prevailing in the countries in which the Group operates, based on existing legislation, interpretations and practices in respect thereof.

	Six months ended	
	9.30.2010 HK\$'000 (Unaudited)	9.30.2009 HK\$'000 (Unaudited)
Current tax		
– Hong Kong	–	–
– Overseas	699	–
Deferred tax	8,141	–
Total tax charge for the period	<u>8,840</u>	<u>–</u>

6. DIVIDEND

No dividend were paid during the period. The directors do not recommend the payment of an interim dividend.

7. EARNINGS PER SHARE

The calculation of basic earnings per share is based on the profit attributable to owners of the Company for the period of approximately HK\$17,283,000 (six months ended September 30, 2009: HK\$24,183,000) and on the weighted average number of 2,640,836,050 (six months ended September 30, 2009: 2,104,276,792) ordinary shares in issue during the period.

The calculation of diluted earnings per share for the period ended September 30, 2010 was based on the profit attributable to owners of the Company of HK\$17,283,000 (six months ended September 30, 2009: HK\$24,183,000) and on the weighted average number of 2,663,050,008 (six months ended September 30, 2009: 2,106,668,269) ordinary shares in issue during the period.

	Number of shares	
	2010	2009
Weighted average number of ordinary shares for the purposes of the basic earnings per share	2,640,836,050	2,104,276,792
Effect of dilutive potential ordinary shares		
Share options	<u>22,213,958</u>	<u>2,391,477</u>
Weighted average number of ordinary shares for the purposes of diluted earnings per share	<u>2,663,050,008</u>	<u>2,106,668,269</u>

8. INVESTMENT PROPERTIES/PROPERTY, PLANT AND EQUIPMENTS

During the period, the Group disposed investment property of approximately HK\$22.4 million and acquired investment properties and property, plant and equipment of approximately HK\$90.1 million (six months ended September 30, 2009: approximately HK\$27.6 million).

9. TRADE AND OTHER RECEIVABLES, DEPOSITS AND PREPAYMENTS

The average credit term granted by the Group to its trade customers are as follows:

Hotel operations	60 days
Financing operations	30 days

An aging analysis of the trade receivables as at the end of the reporting period is as follows:

	9.30.2010 <i>HK\$'000</i> (Unaudited)	3.31.2010 <i>HK\$'000</i> (Audited)
0 – 60 days	1,494	2,250
61 – 90 days	12	89
Over 90 days	6,282	5,434
	7,778	7,773
Deposits, prepayments and other receivables	11,493	7,729
Prepaid operating lease payment	477	477
	19,758	15,979

10. TRADE AND OTHER PAYABLES AND ACCRUALS

An aging analysis of the trade payables as at the end of the reporting period, based on the invoice date, is as follows:

	9.30.2010 <i>HK\$'000</i> (Unaudited)	3.31.2010 <i>HK\$'000</i> (Audited)
0 – 60 days	697	737
61 – 90 days	–	–
Over 90 days	3	3
	700	740
Other payables and accrued expenses	44,038	100,420
	44,738	101,160

11. SHARE CAPITAL

	Number of shares	Amount HK\$'000
<i>Authorised:</i>		
Ordinary shares of HK\$0.01 each At March 31, 2010 and September 30, 2010	1,000,000,000,000	10,000,000
 Issued and fully paid:		
Ordinary shares of HK\$0.01 each at March 31, 2010 and September 30, 2010	2,640,836,050	26,408

12. PLEDGE OF ASSETS

As at September 30, 2010, the Group's banking facilities of HK\$347,400,000 (March 31, 2010: HK\$175,562,000) are secured by:

- (a) its land and buildings and prepaid lease payments with a total carrying value of HK\$68,607,000 (March 31, 2010: HK\$66,003,000);
- (b) its investment properties with carrying value of HK\$917,279,000 (March 31, 2010: HK\$731,376,000);
- (c) its bank deposits of approximately HK\$3,625,000 (March 31, 2010: HK\$3,413,000).

13. RELATED PARTY TRANSACTIONS

Compensation of key management personnel

The remuneration of key management personnel, which are the directors of the Company, during the period was as follows:

	9.30.2010 HK\$'000 (Unaudited)	9.30.2009 HK\$'000 (Unaudited)
Salaries and other short term benefits	43,934 [#]	3,200
Fees	194	214
	44,128	3,414

[#] This includes the amount of approximately HK\$18,480,000 calculated under HKFRS 2 "share-based payment transaction" that attributable to a director.

14. POST BALANCE SHEET EVENTS

- (a) In August 2010, the Group has undertaken to make applications in excess of its pro rata entitlement to the convertible bonds under the rights issue of SingXpress Ltd (“Rights Issue”) and pay for not less than S\$7 million in aggregate principal amount of the convertible bond provisionally allotted to the Group of which the Group has undertaken to take up. The Rights Issue was completed on 9 November 2010 and the Group has subscribed for approximately S\$16.2 million in aggregate principal amount of the convertible bonds. On 15 November 2010, the Group converted S\$3 million of the convertible bonds into 100,000,000 new shares of SingXpress and the shareholding interests has been increased from approximately 33% to approximately 51% and SingXpress became a subsidiary of the Company.
- (b) On 24 November 2010, the Group received an acceptance letter confirming the successful tender for the properties located in 235 Balestier Road, Waldorf Mansions, Singapore 329699 at a price of S\$21,000,000.

MANAGEMENT DISCUSSION AND ANALYSIS

Business Review

The Group recorded a turnover of approximately HK\$33.9 million for the six months ended September 30, 2010, representing a decrease of approximately 11.2% as compared to a turnover of approximately HK\$38.2 million the six months ended September 30, 2009. The profit attributable to owners of the Company for the six months ended September 30, 2010 was approximately HK\$17.3 million compared to profit of approximately HK\$24.2 million for the same period in 2009.

The basic earnings per share for the six months ended September 30, 2010 was HK0.65 cents when compared with the earnings per share of HK1.15 cents for the same period in 2009.

Financial and Securities Investment Division

During the period, the stock market rallied substantial driven by the liquidity caused by economic stimulation policies implemented by various governments and low interest rates. The Group’s securities business recorded a profit of approximately HK\$7.1 million as compared to approximately HK\$32.2 million for the same period in 2009.

Hotels and Hospitality Division

During the period, the hospitality business recorded a turnover and operating loss of approximately HK\$17.6 million (2009: HK\$19.8 million) and HK\$3.0 million (2009: HK\$3.8 million).

Financing Division

During the period, the Group recovered bad debts of approximately HK\$0.35 million (2009: HK\$0.32 million) and the financing business recorded a turnover of approximately HK\$0.1 million (2009: HK\$1.2 million), representing an increase of 9% and decrease of 92% from the same period in 2009. The decrease in turnover was mainly due to the closure of its credit card division during the year ended 31 March 2009 and the Group has reallocated its resources to property investment and securities investments.

Property Investment Division

This division contributed revenues of approximately HK\$9.6 million (2009: HK\$6.3 million) and operating profit of approximately HK\$83.2 million (2009: HK\$6.1 million) to the Group, including a fair value gain of approximately HK\$74.0 million (2009: Nil).

Treasury Investment Division

This division contributed revenues of approximately HK\$3.7 million (2009: HK\$10.7 million) and operating profit of approximately HK\$3.7 million (2009: HK\$10.7 million) to the Group which was mainly come from the interest earned from the equity link notes.

Liquidity and Capital Resources

At the end of the reporting period, the Company had outstanding 172,000,000 unlisted warrants. Exercise in full of such warrants would result in the issue of 172,000,000 additional shares of HK\$0.01 each. As at September 30, 2010, the shareholder equity of the Group was approximately HK\$834.6 million (3.31.2010: HK\$772.7 million).

As at September 30, 2010, the Group had bank balance and cash amounted of approximately HK\$53.7 million (3.31.2010: HK\$133.8 million) mainly dominated in US dollars, Hong Kong dollars, Singapore dollars and Japanese Yen. The Group had borrowings of approximately HK\$351.8 million mainly dominated in Hong Kong dollars, Singapore dollars and Japanese Yen (3.31.2010: HK\$183.8 million). As at September 30, 2010, the Group's current ratio was 1.3 (3.31.2010: 1.4) and had a gearing ratio of 22% (3.31.2010: 4%), defined as the ratio of total borrowing less cash balances to total assets.

Foreign currencies and treasury policy

Substantially all the revenues, expenses, assets and liabilities are denominated in Hong Kong dollars, U.S. dollars, Canadian dollars, Japanese Yen and Singapore dollars. Due to the currency peg of the Hong Kong dollars to the U.S. dollars, the exchange rate between these two currencies has remained stable and thus no hedging or other alternatives have been implemented by the Group. Going forward, the Group may formulate a foreign currency hedging policy to provide a reasonable margin of safety in our exposure in Japanese Yen and Singapore dollars transaction, assets and liabilities.

Credit risk management

The Group's credit policy defines the credit extension criteria, the credit approval and monitoring processes, and the loan provisioning policy. The Group maintains tight control on loan assessments and approvals and will continue to exercise a conservative and prudent policy in granting loans in order to maintain a quality loan portfolio and manage the credit risk exposure of the Group.

Human resources

Remuneration packages are generally structured by reference to prevailing market terms and individual qualifications. Salaries and wages are normally reviewed on an annual basis based on performance appraisals and other relevant factors. Apart from salary payments, there are other staff benefits including provident fund, medical insurance and performance related bonus. At the end of the reporting period, there were approximately 110 employees employed by the Group. Share options may also be granted to eligible employees and persons of the Group.

Prospects

Recently the US Federal Reserve announced to stimulate the economy in a program known as quantitative easing 2 (QE2). Hong Kong will benefit most from capital relocation away from developed to emerging markets. Inflation and low economic growth are reducing the attractiveness of developed-market assets and the easy liquidity and stable regulatory environment in Hong Kong and Singapore make the cities' real estate and securities market attractive, and values are likely to appreciate. The recent announcement of anti-property speculation measures by the Hong Kong government will curb short-term property speculation which will also add uncertainties to the environment that we operate. The Group will continue to adopt a risk-conscious approach towards managing its property portfolios and capture the investment opportunities and increase its properties portfolios in order to enhance its investment portfolio and benefit from the long-term increase in property appreciation.

In August 2010, the Group has undertaken to make applications in excess of its pro rata entitlement to the convertible bonds under the rights issue of SingXpress Ltd ("Rights Issue") and pay for not less than S\$7 million in aggregate principal amount of the convertible bond provisionally allotted to the Group of which the Group has undertaken to take up. The Rights Issue was completed on 9 November 2010 and the Group has subscribed for approximately S\$16.2 million in aggregate principal amount of the convertible bonds.

On 15 November 2010, the Group converted S\$3 million of the convertible bonds into 100,000,000 new shares of SingXpress and the shareholding interests has been increased from approximately 33% to approximately 51% and SingXpress became a subsidiary of the Company.

SingXpress is a company incorporated in Singapore with limited liability, the shares of which are listed on the SGX-ST Catalist board and is engaged in securities investments, property trading, properties investment and properties development businesses. The Group is confident in and committed to the longer term future and prospects of SingXpress which will bring financial benefit to the Group in the long run.

DIRECTORS' SECURITIES TRANSACTIONS

The Company has adopted a code for securities transactions by directors (the "Code of Conduct") on terms no less exacting than the required standard of the Model Code as set out in Appendix 10 of the Listing Rules.

Having made specific enquiry, all Directors have confirmed compliance with the Code of Conduct throughout the period.

PURCHASE, SALE OR REDEMPTION OF LISTED SECURITIES

During the period, neither the Company nor any of its subsidiaries purchased, sold or redeemed any listed securities of the Company.

CORPORATE GOVERNANCE

In the opinion of the directors, the Company has complied with the code provisions listed in the Code on Corporate Governance Practices as set out in Appendix 14 of the Listing Rules throughout the period.

AUDIT COMMITTEE

The Audit Committee has reviewed with management the accounting principles and practices adopted by the Group and discussed auditing, internal control and financial reporting matters including the review of the unaudited interim financial statements. The Audit Committee comprises three Independent Non-Executive Directors, namely Mr. Wong Dor Luk, Peter, Mr. Joao Paulo Da Roza and Mr. Wong Tat Keung.

PUBLICATION OF RESULTS ON THE STOCK EXCHANGE'S AND COMPANY'S WEBSITE

The Company's preliminary results announcement for the six months ended September 30, 2010 containing all information required by Appendix 16 of the Listing Rules is published on the website of the Stock Exchange at <http://www.hkex.com.hk> under "Latest Listed Company Information" and the Company's website at <http://www.xpressgroup.com>. The interim report of the Company for the six months ended September 30, 2010 will be dispatched to the shareholders and published on the above website in due course.

By order of the Board
Chan Tong Wan
Managing Director

Hong Kong, November 26, 2010

As at the date of this announcement, the Board comprises of the executive directors Mr. Chan Heng Fai, Mr. Chan Tong Wan, Ms. Chan Yoke Keow and non-executive director Mr. Fong Kwok Jen as well as independent non-executive directors Mr. Wong Dor Luk, Peter, Mr. Joao Paulo Da Roza and Mr. Wong Tat Keung.