HKC INTERNATIONAL HOLDINGS LIMITED

香港通訊國際控股有限公司*

(Incorporated in Cayman Islands with limited liability)
(Stock code: 248)

ANNOUNCEMENT OF ANNUAL RESULTS FOR THE YEAR ENDED 31ST MARCH, 2007

The board of directors (the "Board") of HKC International Holdings Limited (the "company") is pleased to announce the audited consolidated results of the company and its subsidiaries (collectively, the "group") for the year ended 31st March, 2007 together with audited comparative figures for the financial year ended 31st March, 2006 as follows:

CONSOLIDATED INCOME STATEMENT
FOR THE YEAR ENDED 31ST MARCH, 2007

	Notes	2007 HK$'000	2006 HK$'000
TURNOVER	3	869,232	1,002,490
Cost of sales		(770,368)	(888,526)
GROSS PROFIT		98,864	113,964
Other income and gains		10,214	6,768
Gain on disposal of leasehold land and buildings and investment properties		-	68,843
Loss on disposal of other property, plant and equipment		(12)	(63)
Other losses		(570)	(1,244)
Selling and distribution expenses		(14,775)	(14,635)
Administrative and other operating expenses		(85,336)	(90,909)
Impairment losses recognised in respect of goodwill		-	(3,601)
Finance costs	4	(1,525)	(1,048)
PROFIT BEFORE TAXATION	5	6,860	78,075
TAX EXPENSE	6	(2,322)	(5,775)
PROFIT FOR THE YEAR		4,538	72,300
Attributable to			
Equity holders of the company		5,071	72,174
Minority interests		(533)	126
		4,538	72,300
DIVIDEND	7	4,621	23,098
EARNINGS PER SHARE – (HK CENTS)			
- basic	8	1.1 cents	15.6 cents
- diluted	8	1.1 cents	15.6 cents

BALANCE SHEETS AS AT 31ST MARCH, 2007

	Notes	The group 2007 HK$'000	The group 2006 HK$'000	The company 2007 HK$'000	The company 2006 HK$'000
NON-CURRENT ASSETS					
Property, plant and equipment		10,921	13,300	-	-
Investment properties		15,485	15,911	-	-
Leasehold land		63,877	64,460	-	-
Interests in subsidiaries		-	-	204,853	202,207
Interest in associate		349	-	-	-
Available-for-sale financial assets		20,793	13,619	-	3,878
Financial assets at fair value through profit or loss		4,146	-	-	-
Long-term bank deposits		15,596	7,798	-	-
Deferred tax assets		36	41	-	-
		131,203	115,129	204,853	206,085
CURRENT ASSETS					
Inventories		54,850	58,415	-	-
Debtors, deposits and prepayments	9	58,100	56,663	-	-
Available-for-sale financial assets		9,101	-	-	-
Financial assets at fair value through profit or loss		4,551	27,669	-	-
Amount due from related companies		1,516	1,516	-	-
Derivative financial instruments		-	194	-	-
Tax recoverable		890	846	-	-
Cash and bank balances		91,469	66,432	690	729
		220,477	211,735	690	729
CURRENT LIABILITIES					
Creditors and accrued charges	10	49,233	34,336	-	8
Derivative financial instruments		-	992	-	-
Deposit received		6,850	-	-	-
Tax payable		68	1,253	-	-
Obligations under finance leases		31	29	-	-
Bank borrowings		2,430	2,495	-	-
		58,612	39,105	-	8
NET CURRENT ASSETS		161,865	172,630	690	721
TOTAL ASSETS LESS CURRENT LIABILITIES		293,068	287,759	205,543	206,806
NON-CURRENT LIABILITIES					
Obligations under finance leases		59	84	-	-
Bank borrowings		23,498	25,984	-	-
Deferred tax liabilities		363	728	-	-
		23,920	26,796	-	-
		269,148	260,963	205,543	206,806
CAPITAL AND RESERVES					
Share capital		4,621	4,621	4,621	4,621
Reserves		264,527	255,809	200,922	202,185
Equity attributable to equity holders of the company		269,148	260,430	205,543	206,806
Minority interests		-	533	-	-
Total equity		269,148	260,963	205,543	206,806

NOTES TO THE FINANCIAL STATEMENTS
FOR THE YEAR ENDED 31ST MARCH, 2007

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, 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 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. IMPACT ON NEW AND REVISED HONG KONG FINANCIAL REPORTING STANDARDS

The group has adopted the following new and revised HKFRSs for the first time for current year's financial statements and applicable to its operations:

HKAS 21 (Amendment)	Net Investment in a Foreign Operation
HKAS 39 & HKFRS 4 (Amendment)	Financial Guarantee Contracts
HKAS 39 (Amendment)	Cash Flow Hedge Accounting of Forecast Intragroup Transactions
HKAS 39 (Amendment)	The Fair Value Option
HK(IFRIC) – Int 4	Determing whether an Arrangement contains a Lease
HK(IFRIC) – Int 7	Applying the restatement approach under HKAS 29 Financial Reporting in Hyperinflationary Economies

The adoption of the above new and revised HKFRSs have had no material impact on the accounting policies of the group and the company and the methods of computation in the group's and company's financial statements.

The group has not early applied the following new and revised HKFRSs that have been issued but are not yet effective for the accounting period ended 31st March, 2007.

HKAS 1 (Amendment)	Capital Disclosures [1]
HKFRS 7	Financial Instruments: Disclosures [1]
HKFRS 8	Operating Segments [2]
HK(IFRIC) - INT 8	Scope of HKFRS 2 [3]
HK(IFRIC) - INT 9	Reassessment of Embedded Derivatives [4]
HK(IFRIC) - INT 10	Interim Financial Reporting and Impairment [5]
HK(IFRIC) - INT 11	HKFRS 2 - Group and Treasury Share Transactions [6]
HK(IFRIC) - INT 12	Service Concession Arrangements [7]

[1] Effective for accounting periods beginning on or after 1st January, 2007.
[2] Effective for accounting periods beginning on or after 1st January, 2009.
[3] Effective for accounting periods beginning on or after 1st May, 2006.
[4] Effective for accounting periods beginning on or after 1st June, 2006.
[5] Effective for accounting periods beginning on or after 1st November, 2006.
[6] Effective for accounting periods beginning on or after 1st March, 2007.
[7] Effective for accounting periods beginning on or after 1st January, 2008.

The group has begun to consider the potential impact of the above standards and amendments, but is not yet in a position to determine whether these HKFRSs would have a significant impact on how its results of operations and financial position are prepared and presented. These standards and amendments may result in changes in the future as to how the results and financial position are prepared and presented.

3. TURNOVER/SEGMENTAL INFORMATION

Turnover represents sales of mobile phone, business solutions and gross rental income.

For management purposes, the group is currently organized into three operations divisions – sales of mobile phone, sales of business solutions and property investment. The segment information about the group's business is presented below:

For the year ended 31st March, 2007:

	Sales of mobile phones HK$'000	Sales of business solutions HK$'000	Property investment HK$'000	Eliminations HK$'000	Consolidated HK$'000
TURNOVER					
External sales	770,143	98,615	474	-	869,232
Inter-segment sales	1,834	-	-	(1,834)	-
Total turnover	771,977	98,615	474	(1,834)	869,232

Inter-segment sales were charged at prevailing market prices.

RESULTS					
Segment results	7,586	(6,448)	(1,332)	-	(194)
Interest income from bank deposits					2,992
Unallocated other income and gains					5,587
Finance costs					(1,525)
Profit before taxation					6,860
Tax expense					(2,322)
Profit for the year					4,538

For the year ended 31st March, 2006:

	Sales of mobile phones HK$'000	Sales of business solutions HK$'000	Property investment HK$'000	Eliminations HK$'000	Consolidated HK$'000
TURNOVER					
External sales	914,889	86,347	1,254	-	1,002,490
Inter-segment sales	1,278	-	-	(1,278)	-
Total turnover	916,167	86,347	1,254	(1,278)	1,002,490

Inter-segment sales were charged at prevailing market prices.

RESULTS					
Segment results	9,831	(2,616)	(102)	-	7,113
Interest income from bank deposits					1,170
Unallocated other income and gains					5,598
Gain on disposal of leasehold land and buildings and investment properties	-	-	68,843	-	68,843
Impairment losses recognised in respect of goodwill	(3,601)	-	-	-	(3,601)
Finance costs					(1,048)
Profit before taxation					78,075
Tax expense					(5,775)
Profit for the year					72,300

During the years ended 31st March, 2007 and 2006, more than 90% of the group's turnover, profit from operations, assets and liabilities were derived from and located in Hong Kong and, therefore, no geographical segments for the relevant years are presented in the financial statements.

4. FINANCE COSTS

	2007 HK$'000	2006 HK$'000
Interest on		
- Bank borrowings wholly repayable within five years	9	13
- Bank borrowings with instalments repayable after five years	1,507	1,030
- Interest on obligations under finance leases	5	5
- Others	4	-
	1,525	1,048
	=========	=========

5. PROFIT BEFORE TAXATION

Profit before taxation has been arrived at after charging:

	2007 HK$'000		2006 HK$'000	
Auditors' remuneration		430		429
Operating lease rentals in respect of rented premises				
- Minimum lease payment	9,205		7,736	
- Contingent rent	1,545		1,624	
		10,750		9,360
Depreciation				
- Owned assets	4,872		4,090	
- Leased assets	33		31	
		4,905		4,121
Amortisation of prepaid operating lease payments		610		609
Employee benefits expenses (including directors' remuneration)				
- Salaries, allowances and benefits in kind	49,534		50,864	
- Retirement benefit scheme contributions	2,776		2,573	
- Equity-settled share option expenses	-		1,047	
Total staff costs		52,310		54,484
Donation		246		495
Deposits paid written off		-		3,725
Provision for impairment of trade debtors		354		9,025
Bad debts written off		16		424
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and after crediting:

	2007 HK$'000	2006 HK$'000
Gross rental income from investment properties under operating leases	474	1,426
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6. TAX EXPENSE

Hong Kong Profits Tax has been provided at the rate of 17.5% (2006: 17.5%) on the estimated assessable profits arising in Hong Kong during the year. Taxes on profits assessable in elsewhere have been calculated at the rates of tax prevailing in those places in which the group operates, based on existing legislation, interpretations and practices in respect thereof.

	2007 HK$'000	2006 HK$'000
Current – Hong Kong		
Charge for the year	2,780	5,790
Overprovision in respect of prior years	(26)	(4)
Tax refunded	(162)	-
Current – Elsewhere		
Charge for the year	90	398
Deferred tax	(360)	(409)
Tax expense for the year	2,322	5,775

7. DIVIDEND

	2007 HK$'000	2006 HK$'000
Final dividend for the year 2006 of HK$0.01 per ordinary share (2006: final dividend for the year 2005 of HK$0.01 per ordinary share)	4,621	4,621
Special dividend for the year 2007 of HK$Nil (2006: HK$0.04) per ordinary share	-	18,477
	4,621	23,098

Final dividend of HK$0.01 (2006: HK$0.01) per ordinary share for the year ended 31st March, 2007 has been proposed by the directors and is subject to the approval by the shareholders in general meeting.

8. EARNINGS PER SHARE

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

	The group	
	2007 HK$'000	2006 HK$'000
Profit attributable to equity holders of the company	5,071	72,174
	Number of shares	Number of shares
Weighted average number of ordinary shares for the purposes of calculating basic earnings per share	462,069,603	462,005,624
Effect of dilutive potential ordinary shares:		
Options	-	885,322
Weighted average number of ordinary shares for the purposes of calculating diluted earnings per share	462,069,603	462,890,946

No diluted earnings per share for the year ended 31st March, 2007 is presented because the exercise price of the company's options was higher than the average market price of the shares for the year.

9. DEBTORS, DEPOSITS AND PREPAYMENTS

The group has a policy of allowing average credit period ranging from seven days to one month to its customers. In addition, for certain customers with long-established relationship and have good credit worthiness, a longer credit period may be granted.

The aged analysis of trade debtors of HK$43,358,000 (2006: HK$40,509,000) which are included in the group's debtors, deposits and prepayments is as follows:

	The group	
	2007	2006
	HK$'000	HK$'000
0 – 30 days	28,991	27,173
31 – 60 days	3,169	4,836
61 – 90 days	1,753	2,885
91 – 120 days	737	1,265
Over 120 days	8,708	4,350
	43,358	40,509

10. CREDITORS AND ACCRUED CHARGES

The aged analysis of trade creditors of HK$39,938,000 (2006: HK$25,102,000) which are included in the group's creditors and accrued charges is as follows:

	The group	
	2007	2006
	HK$'000	HK$'000
0 – 30 days	35,476	18,411
31 – 60 days	395	1,751
61 – 90 days	339	480
Over 90 days	3,728	4,460
	39,938	25,102

11. CONTINGENT LIABILITIES

As at 31st March, 2007, the company had provided corporate guarantees of HK$49,000,000 (2006: HK$74,000,000) to secure banking facilities granted to the subsidiary companies.

12. PLEDGE OF ASSETS

As at 31st March, 2007, the group's general banking facilities were secured by (1) first legal charge on certain leasehold land and buildings and investment properties with aggregate net book value of HK$75,930,000 (2006: HK$76,760,000), (2) bank deposit of HK$7,798,000 (2006: HK$7,798,000) and (3) available-for-sale financial assets of HK$12,976,000 (2006: HK$3,417,000).

13. SUBSEQUENT EVENTS

Subsequent to the balance sheet date, a subsidiary had completed the disposal of its investment properties with a carrying value of HK$66,773,000 to an independent third party at a cash consideration of HK$68,500,000. Profit arising from this disposal is estimated to be HK$1,400,000.

MANAGEMENT DISCUSSION AND ANALYSIS

For the year ended 31st March, 2007, the group's turnover decreased by 13 % to HK$ 869 million (2006: HK$ 1,002 million) and net profit was HK$ 5 million (2006 : HK$ 72 million). The drastic drop in profit was due to the disposal of certain properties recording a profit of HK$ 69 million in previous year. By excluding this item, the profit increased by 31%.

Sales of mobile phones

The sale of mobile phones continued to be the group's major core business for the year. The turnover decreased to HK$772 million (2006: HK$ 916 million) due to the cessation of mobile phone business of overseas subsidiaries. The profit decreased from HK$ 10 million to HK$ 8 million when compare with last year.

Sales of business solutions

During the year under review, the turnover was HK$ 99 million, an improvement of 14% from last year (2006: HK$ 86 million). However, the division suffered loss of HK$ 6.4 million compared with the loss of HK$ 2.6 million last year. The downturn in performance was due to substantial resources being input into the research and development of network telephone system, Radio Frequency Identification ("RFID") project and software development.

Property investment

The loss increased from HK$ 0.1 million to HK$ 1.3 million when compared with last year. This was mainly caused by the interest on mortgage loan. Due to the sale of relevant properties in April 2007, we expect that the interest will be significantly reduced in the coming year.

Prospects

The sale of mobile phones continues to be the group's major core business. With the substantial efforts and resources put on product development, RFID projects and software development in the past few years, we are well placed for the bidding of some projects. By possessing cash and bank balances of approximately HK$91 million, our capital base is strong and we will continue to identify suitable investment opportunities to increase the return.

FINANCIAL REVIEW

Liquidity and financial resources

The group continues to maintain a strong financial position. As at 31st March, 2007, the group's bank balances and cash amounted to approximately HK$91 million (2006: HK$ 66 million) while bank borrowing was HK$26 million (2006: HK$ 28 million). The long term bank borrowing was denominated in Hong Kong dollars. The gearing ratio was 10% (2006: 11%) which is expressed as a percentage of total borrowings to shareholders' funds.

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

Capital expenditures

The group invested HK$ 2 million in investment properties, leasehold land and property, plant and equipment during the year. This was financed from internal resources.

Employees

As at 31st March, 2007, the total number of employees of the group was approximately 380 (2006: 380) and the aggregate remuneration of employees (excluding directors' remuneration) amounted to HK$48 million (2006: HK$49 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. In addition to the share option scheme, the company had on 8th September, 2006 adopted a share award plan which the directors of the company may, in their absolute discretion, make awards of share of the company to any full time employees (including any directors) of the company, any of its subsidiaries or any entity in which any member of the group holds an equity interest. The group maintains a good relationship with its employees.

Pledge of assets

As at 31st March, 2007, the group's general banking facilities were secured by (1) first legal charge on certain leasehold land and buildings and investment properties with aggregate net book value of HK$75,930,000 (2006: HK$76,760,000), (2) bank deposit of HK$7,798,000 (2006: HK$7,798,000) and (3) available-for-sale financial assets of HK$12,976,000 (2006: HK$3,417,000).

Contingent liabilities

As at 31st March, 2007, the company had provided corporate guarantees of HK$49 million (2006: HK$74 million) to secure banking facilities granted to the subsidiary companies.

Dividend

The Directors recommend the payment of a final dividend of HK$0.01 (2006: HK$0.01) per ordinary share payable to shareholders of the company whose names appear on the register of members of the company on Friday, 7th September, 2007. Subject to the approval of the shareholders of the company at the forthcoming annual general meeting of the company, the dividend will be paid on or before 14th September, 2007.

CLOSURE OF REGISTER OF MEMBERS

The register of members of the company will be closed from Wednesday, 5th September, 2007 to Friday, 7th September, 2007, both days inclusive, for the purpose of, among other things, establishing entitlements to the proposed final dividend, during which period no transfer of shares will be effected. In order to qualify for the final dividend, the shareholders of the company must be registered as members of the company on Friday, 7th September, 2007 and as such, all transfers, accompanied by the relevant share certificates, should be lodged with the company's Share Registrars in Hong Kong, Pilare Limited, at 10th Floor, Sun Hung Kai Centre, 30 Harbour Road, Wanchai, Hong Kong not later than 4:00 p.m. on Tuesday, 4th September, 2007.

COMPLIANCE WITH THE CODE ON CORPORATE GOVERNANCE PRACTICES

The company complied throughout the year ended 31st March, 2007 with the code provisions ("Code Provisions") set out in the Code on Corporate Governance Practices ("Code") contained in Appendix 14 to the Rules Governing the Listing of Securities on The Stock Exchange of Hong Kong Limited ("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 segregate the roles of 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 for Securities Transactions by Directors of Listed Issuers ("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, each of the directors confirmed that he had complied with the required standard set out in the Model Code during the year ended 31st March, 2007.

AUDIT COMMITTEE

The company's audit committee comprises three independent non-executive directors namely, Mr. Chiu Ngar Wing, Dr. Chu Chor Lup and Mr. Leung Tai Wai, David. The audit committee has reviewed reports on internal control system of the group, and discussed with the management and the external auditors the audit plans, the accounting policies and practices which may affect the group and financial reporting matters. The group's audited financial statements have been reviewed by the audit committee.

REMUNERATION COMMITTEE

The members of the remuneration committee comprise Dr. Chu Chor Lup, Mr. Chiu Ngar Wing and Mr. Wu Kwok Lam. Dr. Chu Chor Lup and Mr. Chiu Ngar Wing are independent non-executive directors. The remuneration committee is mainly responsible for making recommendations to the Board on the company's policy and structure for all remuneration of directors and senior management, determining the specific remuneration packages of all executive directors and senior management of the group and reviewing and approving the compensation payable to executive directors and senior management of the group in connection with any loss or termination of their office or appointment.

PURCHASE, SALE OR REDEMPTION OF THE COMPANY'S LISTED SHARES

There was no purchase, sale or redemption of the company's listed shares by the company or any of its subsidiaries during the year.

APPRECIATION

The Board would like to extend its sincere gratitude to the company's shareholders, business counterparts and all management and staff members of the group for their contribution and continued support during the year.

ANNUAL GENERAL MEETING AND DESPATCH OF ANNUAL REPORT

The annual general meeting ("AGM") of the company will be held on Friday, 7th September, 2007 at 4:00 p.m.

The annual report of the company for the year ended 31st March, 2007 together with the notice of the AGM will be dispatched to shareholders of the company and will be published on the company's website at "www.hkc.com.hk" and the website of The Hong Kong Exchange and Clearing Limited at "www.hkex.com.hk" in due course.

BOARD OF DIRECTORS

As at the date of this announcement, the Board comprises Mr. Chan Chung Yee, Hubert, Mr. Chan Chung Yin, Roy, Mr. Chan Man Min, Mr. Chan Ming Him, Denny, Mr. Tsui Hon Wing, Mr. Wu Kwok Lam and Mr. Yeh Yui Fong as executive directors, Mr. Chiu Ngar Wing , Dr. Chu Chor Lup and Mr. Leung Tai Wai, David as independent non-executive directors.

On behalf of the Board
Chan Chung Yee, Hubert
Chairman

Hong Kong, 16th July, 2007

* *For identification purpose only*