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)

ANNOUNCEMENT OF ANNUAL RESULTS FOR THE YEAR ENDED 31ST MARCH, 2008

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, 2008 together with audited comparative figures for the year ended 31st March, 2007 as follows:

CONSOLIDATED INCOME STATEMENT

FOR THE YEAR ENDED 31ST MARCH, 2008

	Note	**2008**	2007
		HK$'000	*HK$'000*
TURNOVER	3	**1,156,355**	869,232
Cost of sales		**(1,047,554)**	(770,368)
GROSS PROFIT		**108,801**	98,864
Other income and gains	4	**13,438**	10,214
Gain on disposal of investment property and leasehold land		**852**	–
Loss on disposal of property, plant and equipment		**(1,375)**	(12)
Other losses	4	**(12,654)**	(570)
Selling and distribution expenses		**(16,261)**	(14,775)
Administrative and other operating expenses		**(83,794)**	(85,336)
Finance costs	5	**(241)**	(1,525)
PROFIT BEFORE TAXATION	6	**8,766**	6,860
TAX EXPENSE	7	**(2,178)**	(2,322)
PROFIT FOR THE YEAR		**6,588**	4,538

	Note	**2008**	2007
		HK$'000	*HK$'000*
Attributable to			
Equity holders of the company		**6,509**	5,071
Minority interests		**79**	(533)
		6,588	4,538
DIVIDEND	8	**4,761**	4,621
EARNINGS PER SHARE – (HK CENTS)			
– basic	9	**1.35 cents**	1.1 cents
– diluted	9	**1.35 cents**	1.1 cents

CONSOLIDATED BALANCE SHEETS
AS AT 31ST MARCH, 2008

	Note	2008 HK$'000	2007 HK$'000
NON-CURRENT ASSETS			
Property, plant and equipment		**10,907**	10,921
Investment properties		**6,496**	15,485
Leasehold land		**6,253**	63,877
Goodwill		**8,689**	–
Interest in associate		**1,047**	349
Available-for-sale financial assets		**8,409**	20,793
Financial assets at fair value through profit or loss		**23,241**	4,146
Long-term bank deposits		**15,950**	15,596
Deferred tax assets		**279**	36
		81,271	131,203
CURRENT ASSETS			
Inventories		**38,738**	54,850
Gross amount due from customers for contract work		**7,021**	–
Debtors, deposits and prepayments	10	**49,174**	58,100
Deposits paid for acquisition of properties		**1,526**	–
Available-for-sale financial assets		**–**	9,101
Financial assets at fair value through profit or loss		**19,719**	4,551
Amount due from related companies		**–**	1,516
Derivative financial instruments		**122**	–
Tax recoverable		**1,003**	890
Cash and bank balances		**140,408**	91,469
		257,711	220,477

	Note	2008 HK$'000	2007 HK$'000
CURRENT LIABILITIES			
Creditors and accrued charges	11	**52,688**	49,233
Derivative financial instruments		**9,986**	–
Deposit received		**–**	6,850
Amount due to a director		**667**	–
Tax payable		**992**	68
Obligation under finance lease		**34**	31
Bank borrowings		**27**	2,430
		64,394	58,612
NET CURRENT ASSETS		**193,317**	161,865
TOTAL ASSETS LESS CURRENT LIABILITIES		**274,588**	293,068
NON-CURRENT LIABILITIES			
Obligation under finance lease		**31**	59
Bank borrowings		**–**	23,498
Deferred tax liabilities		**409**	363
		440	23,920
		274,148	269,148
CAPITAL AND RESERVES			
Share capital		**4,901**	4,621
Reserves		**266,939**	264,527
Equity attributable to equity holders of the company		**271,840**	269,148
Minority interests		**2,308**	–
Total equity		**274,148**	269,148

NOTES TO THE FINANCIAL STATEMENTS

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), 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 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. CHANGES IN ACCOUNTING POLICIES

The HKICPA has issued a number of new and revised HKFRSs and Interpretations that are first effective or available for early adoption for the current accounting period of the group and the company.

There have been no significant changes to the accounting policies applied in these financial statements for the period presented as a result of these developments. However, as a result of the adoption of HKFRS 7, *Financial instruments*: Disclosures and the amendment to HKAS 1, *Presentation of financial statements*: *Capital disclosures*, there have been some additional disclosures provided as follows:

As a result of the adoption of HKFRS 7, the financial statements include expanded disclosure about the significance of the company's financial instruments and the nature and extent of risks arising from those instruments, compared with the information previously required to be disclosed by HKAS 32, *Financial instruments: Disclosures and presentation*. These disclosures are provided throughout these financial statements.

The amendment to HKAS 1 introduces additional disclosure requirements to provide information about the level of capital and the group's and the company's objectives, policies and processes for managing capital.

Both HKFRS 7 and the amendment to HKAS 1 do not have any material impact on the classification, recognition and measurement of the amounts recognised in the financial instruments.

The group has not applied any new standard or interpretation that is not yet effective for the current accounting period.

3. TURNOVER/SEGMENTAL INFORMATION

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

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

i) Primary reporting format – business segments:

For the year ended 31st March, 2008:

	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	1,096,482	58,512	1,361	–	1,156,355
Inter-segment sales	84	–	–	(84)	–
Total turnover	1,096,566	58,512	1,361	(84)	1,156,355

Inter-segment sales were charged at prevailing market prices.

	Sales of mobile phones *HK$'000*	Sales of business solutions *HK$'000*	Property investment *HK$'000*	Eliminations *HK$'000*	Consolidated *HK$'000*
RESULTS					
Segment results	10,425	1,512	431	–	12,368
Interest income from bank deposits	–	–	–	–	4,351
Unallocated other income and gains	–	–	–	–	5,465
Gain on disposal of investment property and leasehold land	–	–	852	–	852
Loss on disposal of property, plant and equipment	–	(1,375)	–	–	(1,375)
Other losses					(12,654)
Finance costs					(241)
Profit before taxation					8,766
Tax expense					(2,178)
Profit for the year					6,588

At 31st March, 2008:

Balance sheet

	Sales of mobile phones *HK$'000*	Sales of business solutions *HK$'000*	Property investment *HK$'000*	Consolidated *HK$'000*
ASSETS				
Segment assets	138,256	170,154	12,807	321,217
Unallocated corporate assets				17,765
Consolidated total assets				338,982
LIABILITIES				
Segment liabilities	42,765	19,781	12	62,558
Unallocated corporate liabilities				2,276
Consolidated total liabilities				64,834

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.

	Sales of mobile phones *HK$'000*	Sales of business solutions *HK$'000*	Property investment *HK$'000*	Eliminations *HK$'000*	Consolidated *HK$'000*
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

At 31st March, 2007:

Balance sheet

	Sales of mobile phones *HK$'000*	Sales of business solutions *HK$'000*	Property investment *HK$'000*	Consolidated *HK$'000*
ASSETS				
Segment assets	158,543	60,899	78,050	297,492
Unallocated corporate assets				54,188
Consolidated total assets				351,680
LIABILITIES				
Segment liabilities	38,922	10,810	6,995	56,727
Unallocated corporate liabilities				25,805
Consolidated total liabilities				82,532

ii) Secondary reporting format – geographical segments

During the years ended 31st March, 2008 and 31st March, 2007, 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. OTHER INCOME AND GAINS

	2008	2007
	HK$'000	*HK$'000*
Interest income		
– bank deposits	**4,351**	2,992
– others	**–**	158
Computer service fee income	**115**	59
Commission income	**128**	127
Rental income for application software provider	**383**	396
Bad debts recovered	**26**	765
Reversal of impairment loss on trade debts	**32**	–
Gain on dissolution of a subsidiary	**19**	–
Gain on disposal of available-for-sale listed equity securities	**5,341**	–
Net realized and unrealised gains and interest income on financial assets at fair value through profit or loss		
– equity-linked deposits	**–**	140
– listed securities	**317**	2,007
Dividend income from listed equity securities	**124**	99
Net gains on derivative financial instruments	**–**	716
Net exchange gains	**1,555**	1,816
Others	**1,047**	939
	13,438	10,214

	HK$'000	*HK$'000*
OTHER LOSSES		
Net realized and unrealized losses on financial assets at fair value through profit or loss		
– equity-linked deposits and equity-linked notes	**2,868**	–
Net losses on derivative financial instruments	**9,786**	–
Penalty for early termination of bank deposit	**–**	570
	12,654	570

5. FINANCE COSTS

	2008	2007
	HK$'000	*HK$'000*
Interest on		
– Bank borrowings wholly repayable within five years	**236**	9
– Bank borrowings with instalments repayable after five years	**–**	1,507
– Interest on obligation under finance lease	**5**	5
– Others	**–**	4
	241	1,525

6. PROFIT BEFORE TAXATION

Profit before taxation has been arrived at after charging:

	2008	2007
	HK$'000	*HK$'000*
Auditors' remuneration	**529**	430
Depreciation		
– Owned assets	**4,795**	4,872
– Leased assets	**35**	33
	4,830	4,905
Amortisation of prepaid operating lease payments	**123**	610
Operating lease rentals in respect of rented premises		
– Minimum lease payment	**8,944**	9,205
– Contingent rent	**1,507**	1,545
	10,451	10,750
Employee benefits expenses (including directors' remuneration)		
– Salaries, allowances and benefits in kind	**53,774**	49,534
– Retirement benefit scheme contributions	**3,053**	2,776
– Equity-settled share-based payment expenses	**373**	–
Total staff costs	**57,200**	52,310
Loss on disposal of property, plant and equipment	**1,375**	–
Impairment loss on trade debtors	**1,419**	472
Bad debts written off	**1,876**	95
Donation	**500**	246

and after crediting:

	2008	2007
	HK$'000	*HK$'000*
Gross rental income from investment properties under operating leases	**1,361**	474

7. **TAX EXPENSE**

Hong Kong profits tax has been provided at the rate of 17.5% (2007: 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.:

	2008	2007
	HK$'000	*HK$'000*
Hong Kong		
Charge for the year	**1,929**	2,780
Overprovision in respect of prior years	**(66)**	(26)
Tax refunded	**–**	(162)
Elsewhere		
Charge for the year	**652**	90
Deferred tax		
Charge for the year	**(320)**	(360)
Attributable to change in tax rate	**(17)**	–
Tax expense for the year	**2,178**	2,322

8. **DIVIDEND**

	2008	2007
	HK$'000	*HK$'000*
Final dividend for the year 2007 of HK$0.01 per ordinary share (2007: final dividend for the year 2006 of HK$0.01 per ordinary share)	**4,761**	4,621

Final dividend of HK$0.01 (2007: HK$0.01) per ordinary share for the year ended 31st March, 2008 has been proposed by the directors and is subject to the approval by the shareholders in general meeting.

9. EARNINGS PER SHARE ATTRIBUTABLE TO ORDINARY EQUITY HOLDERS OF THE COMPANY

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

	2008	2007
	HK$'000	*HK$'000*
Profit attributable to equity holders of the company	**6,509**	5,071

	Number of shares	*Number of shares*
Basic		
Weighted average number of ordinary shares in issue less shares held for Share Award Plan for the purposes of calculating basic earnings per share	**480,603,120**	462,069,603
Diluted		
Weighted average number of ordinary shares in issue less shares held for Share Award Plan	**480,603,120**	462,069,603
Effect of dilutive potential ordinary shares :		
Award shares	**146,301**	–
Weighted average number of ordinary shares for the purpose of calculating diluted earnings per share	**480,749,421**	462,069,603

10. DEBTORS, DEPOSITS AND PREPAYMENTS

The ageing analysis of trade debts of HK$34,720,000 (2007: HK$33,326,000) that are neither individually nor collectively considered to be impaired are as follows:

	2008	2007
	HK$'000	*HK$'000*
0-30 days	**17,403**	18,412
31-60 days	**3,367**	4,218
61-90 days	**5,207**	2,963
Over 90 days	**8,743**	7,733
	34,720	33,326

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.

11. **CREDITORS AND ACCRUED CHARGES**

The aged analysis of trade creditors of HK$43,800,000 (2007: HK$39,938,000) which is included in the group's creditors and accrued charges is as follows:

	2008	2007
	HK$'000	*HK$'000*
0 – 30 days	**41,611**	35,476
31 – 60 days	**427**	395
61 – 90 days	**244**	339
Over 90 days	**1,518**	3,728
	43,800	39,938

12. **SUBSEQUENT EVENTS**

1) Subsequent to the balance sheet date, the group had completed the acquisition of the investment properties with an aggregate cost of HK$18,850,000.

2) On 28th April, 2008, the group entered into an agreement to acquire an investment property located at Hong Kong at a cash consideration of HK$5,750,000. This transaction was completed on 18th July, 2008.

3) On 8th May, 2008, the group entered into another agreement to acquire an office located at Shanghai, PRC at a cash consideration of HK$25,354,000 (RMB22,727,000). This transaction is expected to be completed on or before 28th October, 2008.

13. **COMPARATIVE FIGURES**

Certain comparative figures in note 6 have been adjusted to conform with the current year's presentation.

MANAGEMENT DISCUSSION AND ANALYSIS

For the year ended 31st March, 2008, the group's turnover increased by 33% to HK$1,156 million (2007: HK$869 million) and net profit was HK$7 million (2007: HK$5 million), representing an increase of approximately 45%.

Sales of mobile phones

The business of this division maintained stable growth. The turnover increased from HK$772 million to HK$1,097 million and the profit increased from HK$8 million to HK$10 million when compared with last year respectively. The profit margin was stable.

Sale of business solutions

During the year under review, the turnover decreased by 40% to HK$59 million (2007: HK$99 million) due to scaling down of certain overseas subsidiaries. Despite the decline in turnover, the division had an operating profit of HK$2 million compared with the loss of HK$6 million last year. The improvement in the performance was mainly due to completion of a home automation project for a property developer and a telephone system project for a hotel during the year under review. In addition, the scaling down of certain overseas subsidiaries helped to cut the losses incurred in previous year.

Property investment

The profit of this division was HK$0.4 million (2007: loss of HK$1.3 million). The improvement in the performance was due to sale of a vacant property at the beginning of this year, thus saving the mortgage loan interest.

PROSPECTS

The sale of mobile phones continues to be the group's major core business. To increase the profitability of the group, we will look for more home automation projects and enhance our property portfolio for stable rental income.

LIQUIDITY AND FINANCIAL RESOURCES

The group continues to maintain a strong financial position. As at 31st March, 2008, the group's bank balances and cash amounted to approximately HK$140 million (2007: HK$91 million) while the bank borrowing was HK$0.03 million (2007: HK$26 million). The gearing ratio was 0.01% (2007: 10%) 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 EXPENDITURE

The group invested HK$5 million in investment properties, leasehold land and property and plant and equipment during the year. All of the capital expenditure were financed from internal resources.

EMPLOYEES

As at 31st March, 2008, the total number of employees of the group was approximately 330 (2007: 380) and the aggregate remuneration of employees (excluding directors' emoluments) amounted to HK$52 million (2007: HK$48 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 and 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 31st March, 2008, 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$9,044,000 (2007: HK$75,930,000), (2) bank deposit of HK$11,840,000 (2007: HK$7,798,000) and (3) available-for-sale financial assets of HK$3,806,000 (2007: HK$12,976,000) and (4) financial assets at fair value through profit or loss of HK$988,000 (2007: HK$ Nil).

CONTINGENT LIABILITIES

As at 31st March, 2008, the company had provided corporate guarantees of HK$49 million (2007: HK$49 million) to secure general banking facilities granted to the subsidiaries.

DIVIDEND

The Directors recommend the payment of a final dividend of HK$0.01 (2007: HK$0.01) per ordinary share payable to shareholders of the company whose names appear on the register of members of the company on Monday, 8th September, 2008. 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 15th September, 2008.

CLOSURE OF REGISTER OF MEMBERS

The register of members of the company will be closed from Thursday, 4th September, 2008 to Monday, 8th September, 2008, 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, 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 4:30 p.m. on Wednesday, 3rd September, 2008.

CODE ON CORPORATE GOVERNANCE PRACTICES

The Board considers that good corporate governance is central to safeguard the interests of the shareholders and enhancing the performance of the group. The company had complied throughout the year ended 31st March, 2008 with the code provisions ("Code Provision") set out in the Code of Corporate Governance Practices ("Code") contained in Appendix 14 to the Rules Governing the Listing of Securities on The Stock Exchange of Hong Kong Limited, 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. The Board will continuously review and improve the corporate governance practices and standards of the company to ensure that business activities and decision making processes are regulated in a proper and prudent manner.

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, 2008.

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 and Mr. Chiu Ngar Wing is the chairman of the audit committee. During the year, the audit committee reviewed the unaudited interim financial statements for the six months ended 30th September, 2007 and the audited financial statements for the year ended 31st March, 2008 with recommendations to the Board for approval, 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.

REMUNERATION COMMITTEE

The members of the remuneration committee comprise Dr. Chu Chor Lup, Mr. Chiu Ngar Wing and Mr. Wu Kwok Lam and Mr. Chiu Ngar Wing is the Chairman of the remuneration committee. 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. One meeting of the remuneration committee had been held during the year to review and approve the remuneration policy of the company and to determine the remuneration of the directors of the company.

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 except the shares of the company acquired by the trustee of the Share Award Plan.

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 Monday, 8th September, 2008. The annual report of the company for the year ended 31st March, 2008 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, and Mr. Wu Kwok Lam as executive directors, Mr. Ng Ching Wah as non-executive director and 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, 21st July, 2008

* *For identification purpose only*