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 INTERIM RESULTS FOR THE SIX MONTHS ENDED 30TH SEPTEMBER, 2008

The directors of HKC International Holdings Limited (the "Company") are pleased to announce the unaudited condensed consolidated results of the Company and its subsidiaries (collectively, the "Group") for the six months ended 30th September, 2008 as follows. The interim report has been reviewed by the audit committee of the Company.

CONDENSED CONSOLIDATED INCOME STATEMENT

FOR THE SIX MONTHS ENDED 30TH SEPTEMBER, 2008

		Six months ended	
	Notes	**30.9.2008** *HK$'000* **(unaudited)**	30.9.2007 *HK$'000* (unaudited)
Turnover	3	**626,160**	481,704
Cost of sales		**(566,609)**	(432,942)
Gross profit		**59,551**	48,762
Other income and gains	4	**3,820**	7,931
Gain on disposal of leasehold land and buildings and investment properties		**–**	1,001
Other losses	5	**(6,793)**	–
Selling and distribution expenses		**(6,222)**	(7,230)
Administrative and other operating expenses		**(46,798)**	(40,904)
Finance costs	6	**(134)**	(235)
Profit before taxation	7	**3,424**	9,325
Tax expense	8	**(909)**	(1,524)
Profit for the period		**2,515**	7,801
Attributable to:			
Equity holders of the company		**2,163**	7,801
Minority interests		**352**	–
		2,515	7,801
Dividend	9	**4,901**	4,761
Earnings per share – *(HK cents)*			
– basic	10	**0.44 cents**	1.7 cents
– diluted	10	**0.44 cents**	1.7 cents

* *For identification purpose only*

CONDENSED CONSOLIDATED BALANCE SHEET

AS AT 30TH SEPTEMBER, 2008

	Notes	30.9.2008 HK$'000 (unaudited)	31.3.2008 HK$'000 (audited)
Non-current assets			
Property, plant and equipment		**12,172**	10,907
Investment properties		**32,128**	6,496
Leasehold land		**6,195**	6,253
Goodwill		**8,689**	8,689
Interest in associate		**1,458**	1,047
Available-for-sale financial assets		**3,531**	8,409
Financial assets at fair value through profit or loss		**2,843**	23,241
Long-term bank deposits		**15,950**	15,950
Deferred tax assets		**287**	279
		83,253	81,271
Current assets			
Inventories		**46,763**	38,738
Gross amount due from customers for contract work	11	**13,399**	7,021
Debtors, deposits and prepayments	12	**42,375**	49,174
Deposits paid for acquisition of properties	13	**23,168**	1,526
Financial assets at fair value through profit or loss		**47,187**	19,719
Derivative financial instruments	14	**414**	122
Tax recoverable		**997**	1,003
Cash and bank balances		**84,397**	140,408
		258,700	257,711
Current liabilities			
Creditors and accrued charges	15	**45,952**	52,688
Derivative financial instruments	14	**7,553**	9,986
Amount due to a director		**667**	667
Tax payable		**984**	992
Obligations under finance leases		**28**	34
Mortgage loan, short-term portion		**567**	–
Bank borrowings		**–**	27
		55,751	64,394
Net current assets		**202,949**	193,317
Total assets less current liabilities		**286,202**	274,588

	Notes	30.9.2008 *HK$'000* (unaudited)	31.3.2008 *HK$'000* (audited)
Non-current liabilities			
Obligations under finance leases		**235**	31
Mortgage loan, long-term portion		**16,456**	–
Deferred tax liabilities		**270**	409
		16,961	440
		269,241	274,148
Capital and reserves			
Share capital		**4,901**	4,901
Reserves		**261,680**	266,939
Equity attributable to equity holders of the company		**266,581**	271,840
Minority interests		**2,660**	2,308
Total equity		**269,241**	274,148

CONDENSED CONSOLIDATED STATEMENT OF CHANGES IN EQUITY

FOR THE SIX MONTHS ENDED 30TH SEPTEMBER, 2008

	Share capital	Share premium	Shares held for share award plan	Share option reserve	Share award reserve	Capital reserve	Investment revaluation reserve	Translation reserve	Retained profits	Total	Minority interests	Total
	HK$'000	*HK$'000*	*HK$'000*	*HK$'000*	*HK$'000*	*HK$'000*	*HK$'000*	*HK$'000*	*HK$'000*	*HK$'000*	*HK$'000*	*HK$'000*
At 1st April, 2008	4,901	41,404	(947)	–	373	28,325	1,254	1,380	195,150	271,840	2,308	274,148
Shares purchased for share award plan	–	–	(1,358)	–	–	–	–	–	–	(1,358)	–	(1,358)
Exchange difference on translation of overseas operation	–	–	–	–	–	–	–	128	–	128	–	128
Transfer upon share award plan	–	–	–	–	(373)	–	–	–	–	(373)	–	(373)
Decrease in fair value of available-for-sale financial assets	–	–	–	–	–	–	(918)	–	–	(918)	–	(918)
Profit for the period	–	–	–	–	–	–	–	–	2,163	2,163	352	2,515
Dividend paid	–	–	–	–	–	–	–	–	(4,901)	(4,901)	–	(4,901)
At 30th September, 2008	4,901	41,404	(2,305)	–	–	28,325	336	1,508	192,412	266,581	2,660	269,241
At 1st April, 2007	4,621	31,580	–	939	–	28,325	9,778	720	193,185	269,148	–	269,148
Exchange difference on translation of overseas operation	–	–	–	–	–	–	–	866	–	866	–	866
Decrease in fair value of available-for-sale financial assets	–	–	–	–	–	–	(4,617)	–	–	(4,617)	–	(4,617)
Reserve realized on disposal of available-for-sale financial assets	–	–	–	–	–	–	(4,142)	–	–	(4,142)	–	(4,142)
Exercise of stock options	140	3,835	–	–	–	–	–	–	–	3,975	–	3,975
Profit for the period	–	–	–	–	–	–	–	–	7,801	7,801	–	7,801
Dividend paid	–	–	–	–	–	–	–	–	(4,761)	(4,761)	–	(4,761)
At 30th September, 2007	4,761	35,415	–	939	–	28,325	1,019	1,586	196,225	268,270	–	268,270

CONDENSED CONSOLIDATED CASH FLOW STATEMENT

FOR THE SIX MONTHS ENDED 30TH SEPTEMBER, 2008

	Six months ended	
	30.9.2008	30.9.2007
	HK$'000	*HK$'000*
	(unaudited)	(unaudited)
Net cash (used in)/generated from operating activities	**(22,670)**	8,127
Net cash (used in)/from investing activities	**(26,308)**	22,441
Net cash used in financing activities	**(7,006)**	(26,598)
Net (decrease)/increase in cash and cash equivalents	**(55,984)**	3,970
Cash and cash equivalents at beginning of the period	**140,408**	91,469
Effect of foreign exchange rates changes	**(27)**	866
Cash and cash equivalents at end of the period	**84,397**	96,305
Analysis of the balances of cash and cash equivalents:		
Cash and bank balances	**84,397**	96,305

NOTES TO THE CONDENSED FINANCIAL STATEMENTS

FOR THE SIX MONTHS ENDED 30TH SEPTEMBER, 2008

1. BASIS OF PREPARATION

The condensed financial statements have been prepared in accordance with the applicable disclosure requirements of Appendix 16 to the Rules ("the Listing Rules") Governing the Listing of Securities on the Stock Exchange of Hong Kong Limited (the "Stock Exchange") and with Hong Kong Accounting Standard ("HKAS") 34 "Interim Financial Reporting" issued by the Hong Kong Institute of Certified Public Accountants. The condensed financial statements have been prepared under the historical cost convention, except for certain financial instruments, which are measured at fair values. This unaudited condensed consolidated interim financial information should be read in conjunction with the annual financial statements for the year ended 31st March, 2008.

2. PRINCIPAL ACCOUNTING POLICIES

The accounting policies and methods of computation used in the preparation of this unaudited condensed consolidated interim financial information are consistent with those used in the annual financial statements for the year ended 31st March, 2008 except for the following new and revised standards, amendments and interpretations which are not yet effective :

HKAS 1 (Revised)	Presentation of financial statements [1]
HKAS 23 (Revised)	Borrowing costs [1]
HKAS 27 (Revised)	Consolidated and separate financial statements [2]
HKAS 32 & 1 (Amendments)	Puttable financial instruments and obligations arising on liquidation [1]
HKFRS 2 (Amendment)	Vesting conditions and cancellations [1]
HKFRS 3 (Revised)	Business combinations [2]
HKFRS 8	Operating segments [1]
HK(IFRIC) – INT 13	Customer loyalty programmes [3]
HK(IFRIC) – INT 15	Agreements for the construction of real estate [1]
HK(IFRIC) – INT 16	Hedges of a net investment in a foreign operation [4]

[1] Effective for annual periods beginning on or after 1st January, 2009.
[2] Effective for annual periods beginning on or after 1st July, 2009.
[3] Effective for annual periods beginning on or after 1st July, 2008.
[4] Effective for annual periods beginning on or after 1st October, 2008.

The Group has already commenced an assessment of the impact of the above new and revised standards, amendments and interpretations but is not yet in a position to state whether they would have a significant impact on its results of operations and financial position.

3. TURNOVER/SEGMENT INFORMATION

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

For management purposes, the Group is currently organised into three divisions – sales of mobile phones, sales of business solutions and property investment. Segment information about the Group's business is presented below:

Primary reporting format – business segments:
For the six months ended 30th September, 2008:

	Sales of mobile phones *HK$'000*	Sales of business solutions *HK$'000*	Property investment *HK$'000*	Elimination *HK$'000*	Consolidated *HK$'000*
TURNOVER					
External sales	**557,560**	**68,127**	**473**	**–**	**626,160**
Inter-segment sales	**62**	**–**	**–**	**(62)**	**–**
Total turnover	**557,622**	**68,127**	**473**	**(62)**	**626,160**
RESULTS					
Segment results	**4,394**	**1,844**	**293**		**6,531**
Other income and gains					**3,820**
Other losses					**(6,793)**
Finance costs					**(134)**
Profit before taxation					**3,424**
Tax expense					**(909)**
Profit for the period					**2,515**

For the six months ended 30th September, 2007:

	Sales of mobile phones *HK$'000*	Sales of business solutions *HK$'000*	Property investment *HK$'000*	Elimination *HK$'000*	Consolidated *HK$'000*
TURNOVER					
External sales	443,383	37,855	466	–	481,704
Inter-segment sales	–	–	–	–	–
Total turnover	443,383	37,855	466	–	481,704
RESULTS					
Segment results	4,870	(4,647)	405		628
Other income and gains					7,931
Gain on disposal of leasehold land and buildings and investment properties					1,001
Finance costs					(235)
Profit before taxation					9,325
Tax expense					(1,524)
Profit for the period					7,801

Secondary reporting format – geographical segments:

During the period ended 30th September, 2008, 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 periods are presented in the financial statements.

4. OTHER INCOME AND GAINS

	Six months ended	
	30.9.2008	30.9.2007
	HK$'000	*HK$'000*
	(unaudited)	(unaudited)
Interest income from banks	**1,183**	3,094
Investment income	**1,671**	4,538
Sundry income	**966**	299
	3,820	7,931

5. OTHER LOSSES

	Six months ended	
	30.9.2008	30.9.2007
	HK$'000	*HK$'000*
	(unaudited)	(unaudited)
Net realized and unrealized losses on financial assets at fair value through profit or loss		
– equity-linked deposits and equity-linked notes	**6,793**	–
	6,793	–

6. FINANCE COSTS

	Six months ended	
	30.9.2008	30.9.2007
	HK$'000	*HK$'000*
	(unaudited)	(unaudited)
Interest on obligations under hire purchase contracts	**10**	1
Interest on bank borrowings wholly repayable within five years	**–**	2
Interest on bank borrowings wholly repayable after five years	**124**	232
	134	235

7. PROFIT BEFORE TAXATION

	Six months ended	
	30.9.2008	30.9.2007
	HK$'000	*HK$'000*
	(unaudited)	(unaudited)
Profit before taxation has been arrived at after charging:		
Operating lease rentals in respect of rented premises		
– minimum lease payment	**4,867**	4,602
– contingent rent	**741**	772
Amortisation of prepaid operating lease payments	**62**	58
Depreciation		
– owned assets	**1,625**	1,164
– leased assets	**18**	22
	1,643	1,186

8. TAX EXPENSE

	Six months ended	
	30.9.2008	30.9.2007
	HK$'000	*HK$'000*
	(unaudited)	(unaudited)
The charge comprises:		
Hong Kong Profits Tax	**994**	1,460
PRC Income Tax	**87**	64
Deferred tax	**(172)**	–
	909	1,524

Hong Kong Profits Tax is provided at the rate of 16.5% (2007: 17.5%) of the estimated assessable profit for the period.

PRC Income Tax is calculated at the applicable PRC tax rates on the estimated assessable profit for the period.

9. DIVIDEND

	Six months ended	
	30.9.2008	30.9.2007
	HK$'000	*HK$'000*
	(unaudited)	(unaudited)
Final dividend for the year 2008 of HK$0.01 per ordinary share (2007: final dividend for the year 2007 of HK$0.01 per ordinary share)	**4,901**	4,761

The directors do not recommend the payment of any interim dividend for the six months ended 30th September, 2008 (2007: HK$ Nil).

10. 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:

	Six months ended	
	30.9.2008	30.9.2007
	HK$'000	*HK$'000*
	(unaudited)	(unaudited)
Profit attributable to equity holders of the company	**2,163**	7,801

	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	**486,976,756**	466,830,555
Diluted		
Weighted average number of ordinary shares in issue less shares held for Share Award Plan	**486,976,756**	466,830,555
Effect of dilutive potential ordinary shares:		
Award shares	**3,136,301**	–
Weighted average number of ordinary shares for the purpose of calculating diluted earnings per share	**490,113,057**	466,830,555

11. GROSS AMOUNT DUE FROM CUSTOMERS FOR CONTRACT WORK

	30.9.2008	31.3.2008
	HK$'000	*HK$'000*
	(unaudited)	(audited)
Contract costs incurred	**13,043**	5,944
Recognised profits	**1,592**	1,465
	14,635	7,409
Progress billings	**(1,236)**	(388)
Due from customers	**13,399**	7,021

The gross amount due from customers for contract work at 30th September, 2008 that is expected to be recovered after more than one year is HK$1,300,000 (2007: HK$Nil).

The directors consider that the carrying amounts of gross amount due from customers for contract work approximate to their fair values.

12. DEBTORS, DEPOSITS AND PREPAYMENTS

The Group has a policy of allowing average credit period ranging from 2 weeks to one month to its trade customers. In addition, for certain customers with long-established relationship and good past repayment histories, a longer credit period may be granted.

The aged analysis of trade debtors of HK$35,102,000 (31st March, 2008: HK$34,720,000) which are included in the Group's debtors, deposits and prepayments is as follows:

	30.9.2008	31.3.2008
	HK$'000	*HK$'000*
	(unaudited)	(audited)
Neither overdue nor impaired	**15,853**	17,403
Less than 1 month overdue	**5,438**	3,367
1 to 3 months overdue	**5,275**	5,207
More than 3 months but less than 12 months overdue	**8,536**	8,743
	35,102	34,720

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

13. DEPOSITS PAID FOR ACQUISITION OF PROPERTIES

A subsidiary of the Company entered into agreements to acquire two properties located at Shanghai, PRC at total cash consideration of approximately HK$27,400,000. Deposits of HK$23,168,000 have been paid by the subsidiary and the balance of HK$4,232,000 has been paid after the balance sheet date.

14. DERIVATIVE FINANCIAL INSTRUMENTS

	30.9.2008 (unaudited)		31.3.2008 (audited)	
	Assets	**Liabilities**	Assets	Liabilities
	HK$'000	***HK$'000***	*HK$'000*	*HK$'000*
Equity contracts	**414**	**1,031**	122	3,428
Equity-linked contracts	**–**	**6,522**	–	6,558
	414	**7,553**	122	9,986

The carrying amounts of equity contracts and equity-linked contracts are the same as their fair values. The above transactions involving derivative financial instruments are with creditworthy financial institutions.

15. CREDITORS AND ACCRUED CHARGES

The aged analysis of trade creditors of HK$36,057,000 (31st March, 2008: HK$43,800,000) which are included in the Group's creditors and accrued charges is as follows:

	30.9.2008	31.3.2008
	HK$'000	*HK$'000*
	(unaudited)	(audited)
0-30 days	**33,404**	41,611
31-60 days	**791**	427
61-90 days	**132**	244
Over 90 days	**1,730**	1,518
	36,057	43,800

The directors consider that the carrying amounts of creditors and accrued charges approximate to their fair value.

16. RELATED PARTY TRANSACTIONS

During the period, the Group had the following transactions, which were conducted in the ordinary course of the Group's business, with its related company:

		Six months ended	
		30.9.2008	30.9.2007
Name of related company	**Nature of transactions**	***HK$'000***	*HK$'000*
HKC Intown Limited	Internet access fee paid *(Note)*	**–**	99

Mr. Chan Chung Yin, Roy, director of the Company, has beneficial interest in the above-named company.

Note: These transactions were based on cost plus a percentage of profit mark-up.

MANAGEMENT DISCUSSION AND ANALYSIS

For the six months ended 30th September, 2008, the Group's turnover was HK$626 million which represented an increase of approximately 30% when compared with the HK$482 million recorded for the corresponding period last year. The net profit attributable to equity holders decreased by 72% to HK$2 million when compared with profit of HK$8 million during the same period last year. The decrease in profit was due to mark to market losses of approximately HK$ 7 million on the Group's investment due to financial tsunami.

Sales of mobile phones

The division posted an 26% increase in sales to HK$558 million (2007: HK$443 million) while the profit was HK$4 million (2007: HK$5 million), representing a decrease of approximately 9% when compared to the corresponding period of last year. The profit margin was reduced in order to maintain the market share.

Sales of business solutions

The sales of business solutions relate to the sales of business solutions, security systems and integrated services. During the period under review, the gain from this business segment was HK$2 million. (2007: loss of HK$5 million). The improvement in the performance was due to better cost control and completion of some projects with higher profit margin when compared with corresponding period of last year.

Property investment

Gross rental income generated from the investment properties was HK$0.5 million (2007: HK$0.5 million). The profit for this segment was HK$0.3 million (2007: HK$0.4 million).

PROSPECTS

In expectation of the continued economic downturn in the second half of the financial year, we will adopt prudent measures for financial management and resources allocation to maintain the market share and solidify our market position.

LIQUIDITY AND FINANCIAL RESOURCES

The Group continues to maintain a strong financial position. As at 30th September, 2008, the Group's cash and bank balances amounted to approximately HK$84 million (31st March, 2008 : HK$140 million). During the period under review, huge cash resources were utilised to strengthen our property portfolio and expand our business. HK$23 million was paid as deposits for purchase of properties at Shanghai, PRC and HK$8 million was paid for purchases of properties in Hong Kong. In addition, HK$7 million was incurred for contract work. The gearing ratio was 6% (31st March, 2008 : 0.01%) which is expressed as a percentage of total borrowings to shareholders' funds. The increase in gearing ratio was due to increase in mortgage loans of approximately HK$17 million (31st March, 2008 : nil) to finance the purchases of properties in Hong Kong for rental income.

As substantial portions of the Group's transactions are dominated in Hong Kong dollar, the Group's exposure to exchange fluctuation is low.

EMPLOYEES

As at 30th September, 2008, the total number of employees of the Group was approximately 330 (31st March, 2008: 330) and the aggregate remuneration of employees (excluding directors' emoluments) amounted to HK$26 million (2007: HK$24 million). The remuneration and bonus packages of the employees are based on the individual merits and performance and are reviewed at least annually. There are share option scheme and share award plan in place designed to award employees for their performance at the discretion of the directors. The Group maintains a good relationship with its employees.

PLEDGE OF ASSETS

As at 30th September, 2008, the Group's banking facilities were secured by bank deposits of HK$11,891,000 (31st March, 2008: HK$11,840,000) and first legal charge on certain leasehold land and buildings and investment properties with aggregate carrying values of HK$33,644,000 (31st March, 2008: HK$ 9,044,000).

CONTINGENT LIABILITIES

As at 30th September, 2008, the Company has provided corporate guarantees of HK$49,000,000 (31st March, 2008: HK$49,000,000) to secure the banking facilities granted to subsidiary companies.

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

During the six months ended 30th September, 2008, neither the Company nor any of its subsidiaries had purchased, sold or redeemed any of the Company's listed shares.

COMPLIANCE WITH THE CODE ON CORPORATE GOVERNANCE PRACTICES

The Company had complied throughout the six months ended 30th September, 2008 with the code provisions ("Code Provisions") set out in the Code on Corporate Governance Practices ("Code") contained in Appendix 14 to 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. 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 set out in Appendix 10 to the Listing Rules as its own code of conduct regarding directors' securities transactions. Having made specific enquiry of all directors, all directors confirmed that they had complied with the required standards set out in the Model Code during the six months ended 30th September, 2008.

AUDIT COMMITTEE

The audit committee has reviewed with management the accounting policies adopted by the Group and discussed internal control and financial reporting matters, including the review of the interim financial statements which have not been audited.

APPRECIATION

The board of directors (the "Board") of the Company would like to extend its sincere gratitude to the Company's shareholders, business counterparts and all management and the staff members of the Group for their contribution and continued support during the period.

On behalf of the Board
Chan Chung Yee, Hubert
Chairman

Hong Kong, 15th December, 2008

As at the date of this announcement, the Board of the Company 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. Chu Chor Lup, Mr. Chiu Ngar Wing and Mr. Leung Tai Wai, David as independent non-executive directors.