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, 2009

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, 2009 together with audited comparative figures for the year ended 31st March, 2008 as follows:

CONSOLIDATED INCOME STATEMENT

FOR THE YEAR ENDED 31ST MARCH, 2009

	Note	**2009** *HK$'000*	2008 *HK$'000*
TURNOVER	3	**1,109,970**	1,156,355
Cost of sales		**(1,011,491)**	(1,047,554)
GROSS PROFIT		**98,479**	108,801
Other income and gains	4	**3,936**	13,438
Gain on disposal of investment property and leasehold land		**–**	852
Loss on disposal of property, plant and equipment		**(694)**	(1,375)
Other losses	4	**(32,371)**	(12,654)
Selling and distribution expenses		**(15,673)**	(16,261)
Administrative and other operating expenses		**(96,221)**	(83,794)
Finance costs	5	**(321)**	(241)
(LOSS)/PROFIT BEFORE TAXATION	6	**(42,865)**	8,766
TAX INCOME/(EXPENSE)	7	**2,299**	(2,178)
(LOSS)/PROFIT FOR THE YEAR		**(40,566)**	6,588
Attributable to			
Equity holders of the Company		**(40,403)**	6,509
Minority interests		**(163)**	79
		(40,566)	6,588
DIVIDEND	8	**4,901**	4,761
(LOSS)/EARNINGS PER SHARE – (HK CENTS)			
– basic	9	**(8.27) cents**	1.35 cents
– diluted	9	**(8.24) cents**	1.35 cents

CONSOLIDATED BALANCE SHEETS

AS AT 31ST MARCH, 2009

	Note	2009 *HK$'000*	2008 *HK$'000*
NON-CURRENT ASSETS			
Property, plant and equipment		**15,053**	10,907
Investment properties		**12,341**	6,496
Leasehold land		**76,873**	6,253
Goodwill		**6,314**	8,689
Interest in an associate		**–**	1,047
Available-for-sale financial assets		**3,150**	8,409
Financial assets at fair value through profit or loss		**–**	23,241
Long-term bank deposits		**–**	15,950
Deferred tax assets		**2,514**	279
		116,245	81,271
CURRENT ASSETS			
Inventories		**23,362**	38,738
Gross amount due from customers for contract work		**1,993**	7,021
Debtors, deposits and prepayments	10	**40,972**	49,174
Deposits paid for acquisition of properties		**–**	1,526
Financial assets at fair value through profit or loss		**29,648**	19,719
Derivative financial instruments		**–**	122
Tax recoverable		**1,593**	1,003
Cash and bank balances		**84,415**	140,408
		181,983	257,711
CURRENT LIABILITIES			
Creditors and accrued charges	11	**18,895**	52,688
Gross amount due to customers for contract work		**712**	–
Derivative financial instruments		**10,881**	9,986
Amount due to a director		**684**	667
Tax payable		**688**	992
Obligations under finance leases		**68**	34
Bank borrowings		**1,857**	27
		33,785	64,394

	Note	**2009**	2008
		HK$'000	*HK$'000*
NET CURRENT ASSETS		**148,198**	193,317
TOTAL ASSETS LESS CURRENT LIABILITIES		**264,443**	274,588
NON-CURRENT LIABILITIES			
Obligations under finance leases		**216**	31
Bank borrowings		**35,593**	–
Deferred tax liabilities		**106**	409
		35,915	440
		228,528	274,148
CAPITAL AND RESERVES			
Share capital		**4,901**	4,901
Reserves		**221,519**	266,939
Equity attributable to equity holders of the Company		**226,420**	271,840
Minority interests		**2,108**	2,308
Total equity		**228,528**	274,148

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 ("HK-Int")) 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. APPLICATION OF NEW AND REVISED HONG KONG FINANCIAL REPORTING STANDARDS ("HKFRSs")

In the current year, the Group has applied the following amendments and interpretations ("new HKFRSs") issued by HKICPA which are or have become effective:

- Amendments to HKAS 39 and HKFRS 7, Reclassification of Financial Assets
- HK(IFRIC)-Int 11, HKFRS 2 – Group and Treasury Share Transactions
- HK(IFRIC)-Int 12, Service Concession Arrangements;
- HK(IFRIC)-Int 14, HKAS 19 The Limit on a Defined Benefit Asset, Minimum Funding Requirements and their Interaction

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

The Group has not applied any amendment, new standard or new interpretation that is not yet effective for the current year.

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, 2009:

	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	**1,011,652**	**96,440**	**1,878**	**–**	**1,109,970**
Inter-segment sales	**132**	**–**	**–**	**(132)**	**–**
Total turnover	**1,011,784**	**96,440**	**1,878**	**(132)**	**1,109,970**

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	**8,921**	**(21,865)**	**778**	**–**	**(12,166)**
Interest income from bank deposits	**–**	**–**	**–**	**–**	**1,450**
Unallocated other income and gains	**–**	**–**	**–**	**–**	**1,237**
Loss on disposal of property, plant and equipment	**–**	**(694)**	**–**	**–**	**(694)**
Other losses					**(32,371)**
Finance costs					**(321)**
Loss before taxation					**(42,865)**
Tax income					**2,299**
Loss for the year					**(40,566)**

At 31st March, 2009:

Balance sheet

	Sales of mobile phones *HK$'000*	Sales of business solutions *HK$'000*	Property investment *HK$'000*	Consolidated *HK$'000*
ASSETS				
Segment assets	101,988	132,737	60,888	295,613
Unallocated corporate assets				2,615
Consolidated total assets				298,228
LIABILITIES				
Segment liabilities	21,292	9,719	37,742	68,753
Unallocated corporate liabilities				947
Consolidated total liabilities				69,700
OTHER INFORMATION				
Capital expenditures	556	84,357	6,174	91,087
Depreciation and amortisation	1,217	3,903	329	5,449

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	1,042,113	112,881	1,361	–	1,156,355
Inter-segment sales	84	–	–	(84)	–
Total turnover	1,042,197	112,881	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
OTHER INFORMATION				
Capital expenditures	303	4,799	–	5,102
Depreciation and amortisation	638	4,120	195	4,953

ii) Secondary reporting format – geographical segments

During the years ended 31st March, 2009 and 31st March, 2008, more than 90% of the group's turnover, profit before taxation, 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

	2009	2008
	HK$'000	*HK$'000*
Bank interest income	**1,450**	4,351
Computer service fee income	**–**	115
Commission income	**80**	128
Rental income for application software provider	**355**	383
Bad debts recovered	**199**	26
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	**47**	5,341
Net realized and unrealised gains and interest income on financial assets at fair value through profit or loss – listed equity and debt securities	**745**	317
Dividend income from listed equity securities	**445**	124
Net exchange gains	**–**	1,555
Others	**615**	1,047
	3,936	13,438

OTHER LOSSES

	2009	2008
Net realized and unrealized losses on financial assets at fair value through profit or loss – equity-linked deposits and equity-linked notes	**22,630**	2,868
Net losses on derivative financial instruments	**4,323**	9,786
Net exchange losses	**2,046**	–
Loss on dissolution of a subsidiary	**1,613**	–
Impairment loss recognised in respect of the amount due from an associate	**1,759**	–
	32,371	12,654

5. FINANCE COSTS

	2009	2008
	HK$'000	*HK$'000*
Interest on		
– Bank borrowings wholly repayable within five years	**1**	236
– Bank borrowings with instalments repayable after five years	**307**	–
– Interest on obligations under finance leases	**13**	5
	321	241

6. (LOSS)/PROFIT BEFORE TAXATION

(Loss)/profit before taxation has been arrived at after charging:

	2009	2008
	HK$'000	*HK$'000*
Auditors' remuneration	**541**	529
Depreciation		
– Owned assets	**4,774**	4,795
– Leased assets	**74**	35
	4,848	4,830
Amortisation of prepaid operating lease payments	**601**	123
Operating lease rentals in respect of rented premises		
– Minimum lease payments	**11,740**	8,944
– Contingent rent	**763**	1,507
	12,503	10,451
Employee benefits expenses (including directors' remuneration)		
– Salaries, allowances and benefits in kind	**61,009**	53,774
– Retirement benefit scheme contributions	**3,675**	3,053
– Equity-settled share-based payment expenses	**1,631**	373
Total staff costs	**66,315**	57,200
Write-down of inventories	**5,489**	2,793
Impairment loss on trade debtors	**374**	1,419
Bad debts written off	**3,440**	1,876
Deposits paid written off	**193**	–
Donations	**1,121**	500

and after crediting:

Gross rental income from investment properties under operating leases less outgoings	**1,878**	1,361

7. TAX INCOME/(EXPENSE)

Hong Kong profits tax has been provided at the rate of 16.5% (2008: 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.

	2009	2008
	HK$'000	*HK$'000*
Hong Kong		
Charge for the year	**(201)**	(1,929)
Overprovision in respect of prior years	**68**	66
Elsewhere		
Charge for the year	**(96)**	(652)
Overprovision in respect of prior years	**9**	–
Deferred tax		
Credit for the year	**2,505**	320
Attributable to change in tax rate	**14**	17
Tax income/(expense) for the year	**2,299**	(2,178)

8. DIVIDEND

	2009	2008
	HK$'000	*HK$'000*
Final dividend for the year 2008 of HK$0.01 per ordinary share (2008: final dividend for the year 2007 of HK$0.01 per ordinary share)	**4,901**	4,761

Final dividend of HK$0.01 (2008: HK$0.01) per ordinary share for the year ended 31st March, 2009 has been proposed by the directors and is subject to the approval by the shareholders in general meeting.

9. (LOSS)/EARNINGS PER SHARE ATTRIBUTABLE TO ORDINARY EQUITY HOLDERS OF THE COMPANY

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

	2009	2008
	HK$'000	*HK$'000*
(Loss)/profit attributable to equity holders of the Company	**(40,403)**	6,509

	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 (loss)/earnings per share	**488,672,312**	480,603,120
Diluted		
Weighted average number of ordinary shares in issue less shares held for Share Award Plan	**488,672,312**	480,603,120
Effect of dilutive potential ordinary shares:		
Awarded shares	**1,440,745**	146,301
Weighted average number of ordinary shares for the purpose of calculating diluted (loss)/earnings per share	**490,113,057**	480,749,421

10. DEBTORS, DEPOSITS AND PREPAYMENTS

	2009	2008
	HK$'000	*HK$'000*
Trade debtors	**31,811**	37,295
Less: allowance for doubtful debts	**(2,670)**	(2,575)
	29,141	34,720
Deposits, other debtors and prepayments	**11,831**	14,454
	40,972	49,174

The ageing analysis of trade debtors that are neither individually nor collectively considered to be impaired is as follows:

	2009	2008
	HK$'000	*HK$'000*
Neither overdue nor impaired	**11,587**	17,403
Less than 1 month overdue	**5,377**	3,367
1 to 3 months overdue	**6,986**	5,207
More than 3 months but less than 12 months overdue	**5,191**	8,743
	17,554	17,317
	29,141	34,720

11. CREDITORS AND ACCRUED CHARGES

The ageing analysis of trade creditors of HK$11,578,000 (2008: HK$43,800,000) which is included in the Group's creditors and accrued charges is as follows:

	2009	2008
	HK$'000	*HK$'000*
0 – 30 days	**7,651**	41,611
31 – 60 days	**1,060**	427
61 – 90 days	**102**	244
Over 90 days	**2,765**	1,518
	11,578	43,800

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

MANAGEMENT DISCUSSION AND ANALYSIS

During the year under review, the Group's turnover decreased by 4% to HK$1,110 million (2008: HK$1,156 million) and net loss attributable to equity holders of the Company amounted to HK$40.4 million (2008: profit of HK$6.5 million). The loss was mainly due to net loss on disposal and decrease in the fair value of investments amounting to HK$27 million and a one-off stock written off and impairment loss recognised due to close of business of subsidiaries amounting to HK$11.4 million.

Sales of mobile phones

The turnover decreased from HK$1,042 million to HK$1,012 million and the profit decreased from HK$10.4 million to HK$8.9 million when compared with last year respectively. The profit margin was slightly decreased.

Sale of business solutions

During the year under review, the turnover decreased by 15% to HK$96.4 million (2008: HK$113 million). The division recorded loss of HK$21.9 million compared with the profit of HK$1.5 million last year. As explained above, the substantial loss was mainly due to a one-off stock written off and impairment loss recognised due to close of business of subsidiaries.

Property investment

The profit of this division was HK$0.8 million (2008: HK$0.4 million). The Group has purchased several properties during the year to enhance the property portfolio. We expect that there will be stable growth in rental income next year.

PROSPECTS

The sale of mobile phones continues to be the Group's major core business. We have enhanced our property portfolio for stable rental income and will enhance the business for more home automation and RFID projects.

LIQUIDITY AND FINANCIAL RESOURCES

The Group continues to maintain a strong financial position. As at 31st March, 2009, the Group's bank balances and cash amounted to approximately HK$84 million (2008: HK$140 million) while the bank borrowing was HK$37 million (2008: HK$0.03 million). The gearing ratio was 16.39% (2008: 0.01%) which is expressed as a percentage of total borrowings to shareholders' funds. During the year under review, cash resources of HK$48 million were spent and mortgage loans of HK$38 million were obtained to finance the purchase of properties. Hence there was substantial decrease in the cash and bank balances and increase in the gearing ratio.

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$91 million in investment properties, leasehold land and property, plant and equipment during the year. This was financed from internal resources and mortgage loans.

EMPLOYEES

As at 31st March, 2009, the total number of employees of the Group was approximately 330 (2008: 330) and the aggregate remuneration of employees (excluding directors' emoluments) amounted to HK$62 million (2008: HK$52 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, 2009, 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$64,042,000 (2008: HK$9,044,000), (2) bank deposits of HK$12,670,000 (2008: HK$11,840,000), (3) available-for-sale financial assets of HK$Nil (2008: HK$3,806,000) and (4) financial assets at fair value through profit or loss of HK$Nil (2008: HK$988,000).

CONTINGENT LIABILITIES

As at 31st March, 2009, the Company had provided corporate guarantees of HK$79 million (2008: HK$49 million) to secure banking facilities granted to the subsidiaries.

DIVIDEND

The Directors recommend the payment of a final dividend of HK$0.01 (2008: HK$0.01) per ordinary share payable to shareholders of the Company whose names appear on the register of members of the Company on Tuesday, 8th September, 2009. 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, 2009.

CLOSURE OF REGISTER OF MEMBERS

The register of members of the Company will be closed from Friday, 4th September, 2009 to Tuesday, 8th September, 2009, 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 Thursday, 3rd September, 2009.

CODE ON CORPORATE GOVERNANCE PRACTICES

The Board considers that good corporate governance is central to safeguarding the interests of the shareholders and enhancing the performance of the Group. The Company had complied throughout the year ended 31st March, 2009 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 ("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 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, 2009.

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, 2008 and the audited financial statements for the year ended 31st March, 2009 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.

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 Tuesday, 8th September, 2009. The annual report of the company for the year ended 31st March, 2009 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.hkexnews.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, 20th July, 2009

* *For identification purpose only*