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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, 2010

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, 2010 as follows:

CONDENSED CONSOLIDATED STATEMENT OF COMPREHENSIVE INCOME
For the six months ended 30th September, 2010

		Six months ended	
		30.9.2010	30.9.2009
	Note	***HK$'000***	*HK$'000*
		(unaudited)	(unaudited)
Turnover	3	**423,770**	484,904
Cost of sales		**(378,898)**	(440,613)
Gross profit		**44,872**	44,291
Other income and gains	4	**3,747**	19,966
Other losses	5	**(204)**	(6,314)
Selling and distribution expenses		**(6,710)**	(5,279)
Administrative and other operating expenses		**(44,237)**	(43,021)
Finance costs	6	**(396)**	(480)
(Loss)/profit before taxation	7	**(2,928)**	9,163
Tax expense	8	**(564)**	(3,506)
(Loss)/profit for the period		**(3,492)**	5,657

* *For identification purpose only*

CONDENSED CONSOLIDATED STATEMENT OF COMPREHENSIVE INCOME

(Continued)

For the six months ended 30th September, 2010

	Note	**Six months ended** **30.9.2010** ***HK$'000*** **(unaudited)**	30.9.2009 *HK$'000* (unaudited)
Other comprehensive (expense)/income			
Exchange differences on translation of overseas operations		**(1,025)**	1,534
Fair value gain/(loss) on available-for-sale financial assets		**668**	(562)
Other comprehensive (expense)/income for the period		**(357)**	972
Total comprehensive (expense)/income for the period		**(3,849)**	6,629
(Loss)/profit attributable to:			
Equity holders of the Company		**(3,341)**	5,657
Minority interests		**(151)**	–
(Loss)/profit for the period		**(3,492)**	5,657
Total comprehensive (expense)/income attributable to:			
Equity holders of the Company		**(3,698)**	6,629
Minority interests		**(151)**	–
Total comprehensive (expense)/income for the period		**(3,849)**	6,629
(Loss)/earnings per share – (HK cents)			
– basic	9	**(0.68) cents**	1.16 cents
– diluted	9	**(0.67) cents**	1.15 cents
Dividend	10	**4,901**	4,901

CONDENSED CONSOLIDATED BALANCE SHEETS
As at 30th September, 2010

	Note	**30.9.2010** *HK$'000* **(unaudited)**	31.3.2010 *HK$'000* (audited)
Non-current assets			
Property, plant and equipment		**18,381**	15,825
Investment properties		**11,831**	12,016
Leasehold land		**72,855**	74,181
Available-for-sale financial assets		**4,430**	4,908
Deferred tax assets		**78**	57
		107,575	106,987
Current assets			
Inventories		**26,963**	37,817
Gross amount due from customers for contract work	11	**4,149**	1,841
Debtors, deposits and prepayments	12	**43,235**	35,560
Financial assets at fair value through profit or loss		**32,266**	41,432
Tax recoverable		**110**	84
Cash and bank balances		**58,506**	62,116
		165,229	178,850
Current liabilities			
Creditors and accrued charges	13	**18,048**	23,679
Gross amount due to customers for contract work	11	**439**	266
Derivative financial instruments		**–**	48
Amount due to a director		**684**	684
Tax payable		**1,803**	1,263
Obligations under finance leases		**71**	69
Bank borrowings		**1,933**	1,988
		22,978	27,997
Net current assets		**142,251**	150,853
Total assets less current liabilities		**249,826**	257,840

CONDENSED CONSOLIDATED BALANCE SHEETS *(Continued)*
As at 30th September, 2010

	30.9.2010	31.3.2010
	HK$'000	*HK$'000*
	(unaudited)	(audited)
Non-current liabilities		
Obligations under finance leases	**139**	168
Bank borrowings	**32,679**	33,636
Deferred tax liabilities	**159**	117
	32,977	33,921
	216,849	223,919
Capital and reserves		
Share capital	**4,951**	4,901
Reserves	**211,649**	219,018
Equity attributable to equity holders of the Company	**216,600**	223,919
Minority interests	**249**	–
Total equity	**216,849**	223,919

NOTES TO THE CONDENSED FINANCIAL STATEMENTS
For the six months ended 30th September, 2010

1. BASIS OF PREPARATION AND PRINCIPAL ACCOUNTING POLICIES

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 ("HKICPA"). 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, 2010.

2. PRINCIPAL ACCOUNTING POLICIES

The accounting policies used in the condensed consolidated financial statements are consistent with those followed in the preparation of the Group's annual financial statements for the year ended 31st March, 2010.

In the current interim period, the Group has applied, for the first time, a number of new and revised standards, amendments and interpretations ("new and revised HKFRSs") issued by the HKICPA, which are effective for the Group's financial year beginning on 1st April, 2010.

The adoption of these new and revised HKFRSs had no material effect on the reported results and financial position of the Group for the current or prior accounting periods. Accordingly, no prior period adjustment has been recognised.

The Group has not early applied the following new or revised standards, amendments or interpretations that have been issued but are not yet effective.

HKFRSs (Amendments)	Improvements to HKFRSs 2010[1]
HKFRS 1 (Amendments)	Limited exemption from comparative HKFRS 7 disclosure for first-time adopters[2]
HKAS 24 (Revised)	Related party disclosures[3]
HKFRS 9	Financial instruments[4]
HK(IFRIC) – INT 14 (Amendment)	Prepayments of minimum funding requirement[3]
HK(IFRIC) – INT 19	Extinguishing financial liabilities with equity instruments[2]

[1] Effective for annual periods beginning on or after 1st July, 2010 and 1st January, 2011, as appropriate
[2] Effective for annual periods beginning on or after 1st July, 2010
[3] Effective for annual periods beginning on or after 1st January, 2011
[4] Effective for annual periods beginning on or after 1st January, 2013

3. TURNOVER/SEGMENT INFORMATION

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:

a) Segment results, assets and liabilities

The reportable segments for the period ended 30th September, 2010 are as follows:

	Sales of mobile phones in Hong Kong	Sales of business solutions in Hong Kong	Sales of business solutions in mainland China and other countries in South East Asia	Property investment	Total
	HK$'000	*HK$'000*	*HK$'000*	*HK$'000*	*HK$'000*
Revenue from external customers	**363,565**	**32,632**	**26,425**	**1,148**	**423,770**
Inter-segment sales	**13**	**527**	**15**	**480**	**1,035**
Reportable segment revenue	**363,578**	**33,159**	**26,440**	**1,628**	**424,805**
Reportable segment profit/(loss)	**661**	**(799)**	**(4,987)**	**(124)**	**(5,249)**
Interest income from bank deposits	**7**	**–**	**12**	**–**	**19**
Finance costs	**–**	**–**	**–**	**(396)**	**(396)**
Depreciation and amortisation for the period	**(780)**	**(581)**	**(1,317)**	**(1,118)**	**(3,796)**
Additions to non-current assets during the period	**1,631**	**2,732**	**171**	**–**	**4,534**

	At 30th September, 2010				
	HK$'000	*HK$'000*	*HK$'000*	*HK$'000*	*HK$'000*
Reportable segment assets	**96,366**	**17,024**	**63,288**	**59,351**	**236,029**
Reportable segment liabilities	**7,400**	**3,565**	**9,981**	**34,850**	**55,796**

The reportable segments for the period ended 30th September, 2009 are as follows:

	Sales of mobile phones in Hong Kong	Sales of business solutions in Hong Kong	Sales of business solutions in mainland China and other countries in South East Asia	Property investment	Total
	HK$'000	*HK$'000*	*HK$'000*	*HK$'000*	*HK$'000*
Revenue from external customers	443,575	24,146	16,382	801	484,904
Inter-segment sales	58	–	–	320	378
Reportable segment revenue	443,633	24,146	16,382	1,121	485,282
Reportable segment profit/(loss)	1,580	(2,192)	(3,325)	(552)	(4,489)
Interest income from bank deposits	18	–	–	–	18
Finance costs	–	–	–	(480)	(480)
Depreciation and amortisation for the period	(937)	(238)	(1,282)	(1,114)	(3,571)
Additions to non-current assets during the period	207	455	607	58	1,327

	At 31st March, 2010				
	HK$'000	*HK$'000*	*HK$'000*	*HK$'000*	*HK$'000*
Reportable segment assets	80,489	38,927	60,946	59,078	239,440
Reportable segment liabilities	15,619	2,018	8,291	35,825	61,753

b) **Geographic information**

	Six Months ended Revenues from external customers		Non-current assets*	
	30.9.2010	30.9.2009	**30.9.2010**	31.3.2010
	HK$'000	*HK$'000*	***HK$'000***	*HK$'000*
	(unaudited)	(unaudited)	**(unaudited)**	(audited)
Hong Kong (place of domicile)	**397,329**	468,522	**63,095**	68,214
Mainland China	**8,122**	6,959	**37,095**	30,702
Singapore	**16,018**	9,245	**2,861**	3,088
Other countries in South East Asia	**2,301**	178	**16**	18
	26,441	16,382	**39,972**	33,808
	423,770	484,904	**103,067**	102,022

* Non-current assets excluding available-for-sales financial assets and deferred tax assets.

c) **Reconciliations of reportable segment revenues, profit or loss, assets and liabilities**

	Six months ended	
	30.9.2010	30.9.2009
	HK$'000	*HK$'000*
	(unaudited)	(unaudited)
REVENUES		
Reportable segment revenue	**424,805**	485,282
Elimination of inter-segment revenue	**(1,035)**	(378)
Consolidated turnover	**423,770**	484,904
PROFIT OR LOSS		
Reportable segment loss	**(5,249)**	(4,489)
Unallocated other income and gains	**2,525**	19,966
Other losses	**(204)**	(6,314)
Consolidated (loss)/profit before taxation	**(2,928)**	9,163

	30.9.2010	31.3.2010
	HK$'000	*HK$'000*
	(unaudited)	(audited)
ASSETS		
Reportable segment assets	**236,029**	239,440
Non-current financial assets	**4,430**	4,908
Deferred tax assets	**78**	57
Unallocated corporate assets	**32,267**	41,432
Consolidated total assets	**272,804**	285,837
LIABILITIES		
Reportable segment liabilities	**55,796**	61,753
Deferred tax liabilities	**159**	117
Unallocated corporate liabilities	**–**	48
Consolidated total liabilities	**55,955**	61,918

For the purposes of monitoring segment performance and allocating resources between segments:

- all assets are allocated to reportable segments other than available-for-sale financial assets, financial assets at fair value through profit or loss and deferred tax assets. Goodwill is allocated to reportable segments "Sales of business solutions in mainland China and other countries in South East Asia"; and

- all liabilities are allocated to reportable segments other than deferred tax liabilities, and derivative financial instruments.

4. OTHER INCOME AND GAINS

	Six months ended	
	30.9.2010	30.9.2009
	HK$'000	*HK$'000*
	(unaudited)	(unaudited)
Interest income from bank deposits	**19**	18
Investment income	**680**	18,938
Sundry income	**3,048**	1,010
	3,747	19,966

5. OTHER LOSSES

	Six months ended	
	30.9.2010	30.9.2009
	HK$'000	*HK$'000*
	(unaudited)	(unaudited)
Impairment loss recognised in respect of goodwill	**–**	6,314
Loss on disposal of available-for-sale listed equity securities	**204**	–
	204	6,314

6. FINANCE COSTS

	Six months ended	
	30.9.2010	30.9.2009
	HK$'000	*HK$'000*
	(unaudited)	(unaudited)
Interest on obligations under finance leases	**6**	4
Interest on bank borrowings not wholly repayable within five years	**390**	476
	396	480

7. (LOSS)/PROFIT BEFORE TAXATION

	Six months ended	
	30.9.2010	30.9.2009
	HK$'000	*HK$'000*
	(unaudited)	(unaudited)
(Loss)/profit before taxation has been arrived at after charging:		
Operating lease rentals in respect of rented premises		
– minimum lease payment	**6,088**	4,655
– contingent rent	**641**	547
	6,729	5,202
Amortisation of prepaid operating lease payments	**1,353**	1,015
Depreciation		
– owned assets	**2,404**	2,520
– leased assets	**39**	36
	2,443	2,556
Employee benefits expenses (including directors' remuneration)		
– Salaries, allowances and benefits in kind	**25,498**	24,470
– Retirement benefit scheme contributions	**2,000**	1,740
Total staff costs	**27,498**	26,210
Donations	**369**	244

8. TAX EXPENSE

	Six months ended	
	30.9.2010	30.9.2009
	HK$'000	*HK$'000*
	(unaudited)	(unaudited)
The charge comprises:		
Hong Kong Profits Tax	**497**	3,553
PRC Income Tax	**42**	79
Deferred tax	**25**	(126)
	564	3,506

Hong Kong Profits Tax is provided at the rate of 16.5% (2009: 16.5%) of the estimated assessable profits for the period.

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

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:

	Six months ended	
	30.9.2010	30.9.2009
	HK$'000	*HK$'000*
	(unaudited)	(unaudited)
(Loss)/profit attributable to equity holders of the Company	**(3,341)**	5,657

	Number of shares	Number of shares
Basic		
Weighted average number of ordinary shares in issue less shares held for Share Award Plan for the purpose of calculating basic (loss)/earning per share	**493,378,831**	488,322,997
Diluted		
Weighted average number of ordinary shares in issue less shares held for Share Award Plan	**493,378,831**	488,322,997
Effect of dilutive potential ordinary shares: Award shares	**1,736,000**	1,790,060
Weighted average number of ordinary shares for the purpose of calculating diluted (loss)/earning per share	**495,114,831**	490,113,057

10. DIVIDEND

	Six months ended	
	30.9.2010	30.9.2009
	HK$'000	*HK$'000*
	(unaudited)	(unaudited)
Final dividend for the year 2010 of HK$0.01 per ordinary share (2009: final dividend for the year 2009 of HK$0.01 per ordinary share)	**4,901**	4,901

The directors do not recommend the payment of any interim dividend for the six months ended 30th September, 2010 (2009: HK$ Nil).

11. GROSS AMOUNT DUE FROM/(TO) CUSTOMERS FOR CONTRACT WORK

	30.9.2010	31.3.2010
	HK$'000	*HK$'000*
	(unaudited)	(audited)
Contract costs incurred	**24,511**	19,331
Recognised profits	**3,659**	2,653
	28,170	21,984
Progress billings	**(24,460)**	(20,409)
Due from customers	**3,710**	1,575
Classified as:		
Gross amount due from customers	**4,149**	1,841
Gross amount due (to) customers	**(439)**	(266)

The directors consider that the carrying amounts of gross amount due from/(to) 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$31,410,000 (31st March, 2010: HK$20,868,000) which are included in the Group's debtors, deposits and prepayments is as follows:

	30.9.2010	31.3.2010
	HK$'000	*HK$'000*
	(unaudited)	(audited)
Neither overdue nor impaired	**19,011**	8,183
Less than 1 month overdue	**4,479**	2,590
1 to 3 months overdue	**1,117**	2,863
More than 3 months but less than 12 months overdue	**6,803**	7,232
	31,410	20,868

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

13. CREDITORS AND ACCRUED CHARGES

The aged analysis of trade creditors of HK$12,120,000 (31st March, 2010: HK$15,319,000) which are included in the Group's creditors and accrued charges is as follows:

	30.9.2010	31.3.2010
	HK$'000	*HK$'000*
	(unaudited)	(audited)
0-30 days	**9,553**	13,819
31-60 days	**150**	185
61-90 days	**51**	262
Over 90 days	**2,366**	1,053
	12,120	15,319

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

MANAGEMENT DISCUSSION AND ANALYSIS

For the six months ended 30th September, 2010, the Group's turnover was HK$424 million which represented a decrease of approximately 13% when compared with the HK$485 million recorded for the corresponding period last year. The net loss attributable to equity holders was HK$3.3 million (2009: profit of HK$5.7 million).

Sales of mobile phones

Due to the decrease in average selling price, the turnover decreased from HK$444 million to HK$364 million and the profit decreased from HK$1.6 million to HK$0.7 million when compared to the corresponding period of last year.

Sales of business solutions

During the period under review, the turnover increased from HK$41 million to HK$59 million. The division recorded loss of HK$6 million (2009: loss of HK$6 million).

Property investment

The loss of this division was HK$0.1 million (2009: loss of HK$0.6 million). The loss was due to the depreciation and amortisation of investment properties of approximately HK$1.1 million. This segment made a cash inflow to the Group.

PROSPECTS

It is expected that more smartphones with rich features and higher selling prices will be launched at the second half of the year. In addition, we will open two franchised shops in December 2010. This will help to increase the turnover and profit margin of the mobile phones segment.

Regarding the business solutions segment, we will strengthen our research and development capability to increase our competitiveness and to increase the market share.

LIQUIDITY AND FINANCIAL RESOURCES

The Group continues to maintain a strong financial position. As at 30th September, 2010, the Group's cash and bank balances amounted to approximately HK$59 million (31st March, 2010: HK$62 million) while the bank borrowings were HK$35 million. (31st March, 2010: HK$36 million) The gearing ratio was 15.96% (31st March, 2010: 15.91%), which is expressed as a percentage of total borrowings to total equity.

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, 2010, the total number of employees of the Group was approximately 330 (31st March, 2010: 320) and the aggregate remuneration of employees (excluding directors' emoluments) amounted to HK$25 million (2009: 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, 2010, 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$60,668,000 (31st March, 2010: HK$61,829,000), (2) bank deposits of HK$3,121,775 (31st March, 2010: HK$8,581,000) and (3) financial assets at fair value through profit or loss of HK$21,060,000 (31st March, 2010: HK$22,819,000).

CONTINGENT LIABILITIES

As at 30th September, 2010, the Company has provided corporate guarantees of HK$79 million (31st March, 2010: HK$79 million) to secure the banking facilities granted to subsidiaries.

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

During the six months ended 30th September, 2010, neither the Company nor any of its subsidiaries had purchased, sold or redeemed any of the Company's listed shares.

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, 2010.

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 unaudited interim results for the six months ended 30th September, 2010.

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.

PUBLICATION AND DESPATCH OF INTERIM REPORT

The interim report of the Company for the six months ended 30th September, 2010 containing all the information required by the Rules Governing the Listing of Listing Securities 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.

On behalf of the Board
Chan Chung Yee, Hubert
Chairman

Hong Kong, 26th November, 2010

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