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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, 2011

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, 2011 as follows:

CONDENSED CONSOLIDATED STATEMENT OF COMPREHENSIVE INCOME

For the six months ended 30th September, 2011

		Six months ended 30th September,	
		2011	2010
	<i>Note</i>	HK\$'000	HK\$'000
		(unaudited)	(unaudited)
Turnover	3	263,707	423,770
Cost of sales		(223,468)	(378,898)
Gross profit		40,239	44,872
Other income and gains	4	4,053	3,747
Other losses	5	(1,361)	(204)
Selling and distribution expenses		(5,902)	(6,710)
Administrative and other operating expenses		(46,391)	(44,237)
Finance costs	6	(400)	(396)
Loss before taxation	7	(9,762)	(2,928)
Tax income/(expense)	8	122	(564)
Loss for the period		(9,640)	(3,492)

* For identification purpose only

**CONDENSED CONSOLIDATED STATEMENT OF COMPREHENSIVE
INCOME** *(Continued)*

For the six months ended 30th September, 2011

		Six months ended 30th September, 2011	2010
	<i>Note</i>	HK\$'000	HK\$'000
		(unaudited)	(unaudited)
Other comprehensive expense			
Exchange differences on translation of overseas operations		(2,595)	(1,025)
Fair value (loss)/gain on available-for-sale financial assets		(203)	668
Other comprehensive expense for the period		(2,798)	(357)
Total comprehensive expense for the period		<u>(12,438)</u>	<u>(3,849)</u>
Loss attributable to:			
Equity holders of the Company		(9,485)	(3,341)
Non-controlling interests		(155)	(151)
Loss for the period		<u>(9,640)</u>	<u>(3,492)</u>
Total comprehensive expense attributable to:			
Equity holders of the Company		(12,283)	(3,698)
Non-controlling interests		(155)	(151)
Total comprehensive expense for the period		<u>(12,438)</u>	<u>(3,849)</u>
Loss per share – (HK cents)			
– basic	9	<u>(1.89) cents</u>	<u>(0.68) cents</u>
– diluted	9	<u>(1.88) cents</u>	<u>(0.67) cents</u>
Dividend	10	<u>4,951</u>	<u>4,901</u>

CONDENSED CONSOLIDATED BALANCE SHEETS
As at 30th September, 2011

		As at 30th September, 2011	As at 31st March, 2011
	<i>Note</i>	HK\$'000 (unaudited)	HK\$'000 (audited)
Non-current assets			
Property, plant and equipment		20,994	20,110
Investment properties		72,815	60,108
Leasehold land		24,265	25,857
Available-for-sale financial assets		6,223	5,828
Deposit paid for acquisition of investment properties		—	2,688
		124,297	114,591
Current assets			
Inventories		27,888	72,223
Gross amount due from customers for contract work	11	6,320	5,706
Debtors, deposits and prepayments	12	48,243	45,818
Financial assets at fair value through profit or loss		4,494	15,410
Tax recoverable		120	120
Cash and bank balances		60,810	39,376
		147,875	178,653
Current liabilities			
Creditors and accrued charges	13	23,623	33,913
Gross amount due to customers for contract work	11	503	489
Tax payable		793	838
Obligations under finance leases		68	81
Bank borrowings		39,281	34,394
		64,268	69,715
Net current assets		83,607	108,938
Total assets less current liabilities		207,904	223,529

CONDENSED CONSOLIDATED BALANCE SHEETS *(Continued)*
As at 30th September, 2011

	As at 30th September, 2011 <i>HK\$'000</i> (unaudited)	As at 31st March, 2011 <i>HK\$'000</i> (audited)
Non-current liabilities		
Obligations under finance leases	51	101
Deferred tax liabilities	46	168
	97	269
	207,807	223,260
Capital and reserves		
Share capital	5,058	4,951
Reserves	202,900	218,305
Equity attributable to equity holders of the Company	207,958	223,256
Non-controlling interests	(151)	4
Total equity	207,807	223,260

NOTES TO THE CONDENSED FINANCIAL STATEMENTS

For the six months ended 30th September, 2011

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. PRINCIPAL ACCOUNTING POLICIES

The unaudited condensed interim financial statements have been prepared in accordance with Hong Kong Accounting Standard 34 “Interim Financial Reporting” issued by HKICPA and with the applicable disclosure requirements of the Rules Governing the Listing of Securities of The Stock Exchange of Hong Kong Limited (“Listing Rules”). Except as described below, the accounting policies adopted are consistent with those set out in the annual financial statements for the year ended 31st March, 2011.

In the current interim period, the Group has applied, for the first time, the following new or revised standards and interpretations (“new or revised HKFRSs”) issued by the HKICPA:

HKFRSs (Amendments)	Improvements to HKFRSs 2010
HKFRS 1 (Amendment)	Limited Exemption from Comparative HKFRS 7 Disclosures for First-time Adopters
HKAS 24 (Revised)	Related Party Disclosures
HKAS 32 (Amendment)	Classification of Rights Issues
HK(IFRIC) – Int 14 (Amendment)	Prepayments of a Minimum Funding Requirement
HK(IFRIC) – Int 19	Extinguishing Financial Liabilities with Equity Instruments

The application of the above new and revised HKFRSs in the current interim period has had no material effect on the amounts reported in these condensed consolidated financial statements and/or disclosures set out in these condensed consolidated financial statements.

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, 2011 are as follows:

	Sales of mobile phones in Hong Kong <i>HK\$'000</i>	Sales of business solutions in Hong Kong <i>HK\$'000</i>	Sales of business solutions in mainland China and other countries in South East Asia <i>HK\$'000</i>	Property investment <i>HK\$'000</i>	Total <i>HK\$'000</i>
Revenue from external customers	209,362	28,449	23,890	2,006	263,707
Inter-segment sales	311	79	103	–	493
Reportable segment revenue	<u>209,673</u>	<u>28,528</u>	<u>23,993</u>	<u>2,006</u>	<u>264,200</u>
Reportable segment (loss)/profit	<u>(7,148)</u>	<u>(430)</u>	<u>(4,363)</u>	<u>59</u>	<u>(11,882)</u>
Interest income from bank deposits	77	–	1	–	78
Finance costs	–	–	(4)	(396)	(400)
Depreciation and amortisation for the period	(1,842)	(253)	(1,009)	(1,237)	(4,341)
Additions to non-current assets during the period	2,229	165	932	13,993	17,319
	At 30th September, 2011				
	<i>HK\$'000</i>	<i>HK\$'000</i>	<i>HK\$'000</i>	<i>HK\$'000</i>	<i>HK\$'000</i>
Reportable segment assets	100,352	29,140	60,808	71,155	261,455
Reportable segment liabilities	7,346	3,608	13,427	39,938	64,319

3. TURNOVER/SEGMENT INFORMATION (Continued)

a) Segment results, assets and liabilities (Continued)

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

	Sales of mobile phones in Hong Kong <i>HK\$'000</i>	Sales of business solutions in Hong Kong <i>HK\$'000</i>	Sales of business solutions in mainland China and other countries in South East Asia <i>HK\$'000</i>	Property investment <i>HK\$'000</i>	Total <i>HK\$'000</i>
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	<u>363,578</u>	<u>33,159</u>	<u>26,440</u>	<u>1,628</u>	<u>424,805</u>
Reportable segment profit/(loss)	<u>661</u>	<u>(799)</u>	<u>(4,987)</u>	<u>(124)</u>	<u>(5,249)</u>
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 31st March, 2011				
	<i>HK\$'000</i>	<i>HK\$'000</i>	<i>HK\$'000</i>	<i>HK\$'000</i>	<i>HK\$'000</i>
Reportable segment assets	141,474	7,083	63,827	59,622	272,006
Reportable segment liabilities	18,839	5,792	11,259	33,926	69,816

3. TURNOVER/SEGMENT INFORMATION (Continued)

b) Geographic information

	Six Months ended		Non-current assets*	
	Revenues from			
	external customers			
	30.9.2011	30.9.2010	30.9.2011	31.3.2011
	HK\$'000	HK\$'000	HK\$'000	HK\$'000
	(unaudited)	(unaudited)	(unaudited)	(audited)
Hong Kong (place of domicile)	239,715	397,329	86,386	75,932
Mainland China	8,441	8,122	29,157	30,132
Singapore	11,974	16,018	2,524	2,689
Other countries in South East Asia	3,577	2,301	7	10
	23,992	26,441	31,688	32,831
	263,707	423,770	118,074	108,763

* Non-current assets excluding available-for-sales financial assets.

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

	Six months ended	
	30.9.2011	30.9.2010
	HK\$'000	HK\$'000
	(unaudited)	(unaudited)
REVENUES		
Reportable segment revenue	264,200	424,805
Elimination of inter-segment revenue	(493)	(1,035)
Consolidated turnover	263,707	423,770
PROFIT OR LOSS		
Reportable segment loss	(11,882)	(5,249)
Unallocated other income and gains	3,481	2,525
Other losses	(1,361)	(204)
Consolidated loss before taxation	(9,762)	(2,928)

3. TURNOVER/SEGMENT INFORMATION (Continued)

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

	30.9.2011 HK\$'000 (unaudited)	31.3.2011 HK\$'000 (audited)
ASSETS		
Reportable segment assets	261,455	272,006
Non-current financial assets	6,223	5,828
Unallocated corporate assets	4,494	15,410
Consolidated total assets	272,172	293,244
LIABILITIES		
Reportable segment liabilities	64,319	69,816
Deferred tax liabilities	46	168
Consolidated total liabilities	64,365	69,984

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 and financial assets at fair value through profit or loss; and
- all liabilities are allocated to reportable segments other than deferred tax liabilities.

4. OTHER INCOME AND GAINS

	Six months ended	
	30.9.2011 HK\$'000 (unaudited)	30.9.2010 HK\$'000 (unaudited)
Interest income from bank deposits	77	19
Investment income	73	680
Sundry income	3,903	3,048
	4,053	3,747

5. OTHER LOSSES

	Six months ended	
	30.9.2011 HK\$'000 (unaudited)	30.9.2010 HK\$'000 (unaudited)
Net realized and unrealized losses on financial assets at fair value through profit or loss	1,361	—
Loss on disposal of available-for-sale listed equity securities	—	204
	<u>1,361</u>	<u>204</u>

6. FINANCE COSTS

	Six months ended	
	30.9.2011 HK\$'000 (unaudited)	30.9.2010 HK\$'000 (unaudited)
Interest on obligations under finance leases	4	6
Interest on bank borrowings not wholly repayable within five years	396	390
	<u>400</u>	<u>396</u>

7. LOSS BEFORE TAXATION

	Six months ended	
	30.9.2011	30.9.2010
	HK\$'000	HK\$'000
	(unaudited)	(unaudited)
		(restated)
Loss before taxation has been arrived at after charging:		
Operating lease rentals in respect of rented premises		
– minimum lease payment	5,824	6,088
– contingent rent	528	641
	6,352	6,729
Amortisation of prepaid operating lease payments	367	355
Depreciation		
– owned assets	3,922	3,402
– leased assets	52	39
	3,974	3,441
Employee benefits expenses (including directors' remuneration)		
– Salaries, allowances and benefits in kind	27,537	25,498
– Retirement benefit scheme contributions	2,080	2,000
Total staff costs	29,617	27,498
Donations	–	369
	<u> </u>	<u> </u>

8. TAX INCOME/(EXPENSE)

	Six months ended	
	30.9.2011	30.9.2010
	HK\$'000	HK\$'000
	(unaudited)	(unaudited)
The charge comprises:		
Hong Kong Profits Tax	–	(497)
PRC Income Tax	–	(42)
Deferred tax	122	(25)
	<u> </u>	<u> </u>
	122	(564)
	<u> </u>	<u> </u>

Hong Kong Profits Tax is provided at the rate of 16.5% (2010: 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 PER SHARE ATTRIBUTABLE TO ORDINARY EQUITY HOLDERS OF THE COMPANY

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

	Six months ended	
	30.9.2011	30.9.2010
	HK\$'000	HK\$'000
	(unaudited)	(unaudited)
Loss attributable to equity holders of the Company	(9,485)	(3,341)
	Number	Number
	of shares	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 per share	503,176,524	493,378,831
Diluted		
Weighted average number of ordinary shares in issue less shares held for Share Award Plan	503,176,524	493,378,831
Effect of dilutive potential ordinary shares:		
Award shares	2,608,000	1,736,000
Weighted average number of ordinary shares for the purpose of calculating diluted loss per share	505,784,524	495,114,831

10. DIVIDEND

	Six months ended	
	30.9.2011	30.9.2010
	HK\$'000	HK\$'000
	(unaudited)	(unaudited)
Final dividend for the year 2011 of HK\$0.01 per ordinary share (2010: final dividend for the year 2010 of HK\$0.01 per ordinary share)	4,951	4,901

The directors do not recommend the payment of any interim dividend for the six months ended 30th September, 2011 (2010: HK\$ Nil).

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

	30.9.2011 HK\$'000 (unaudited)	31.3.2011 HK\$'000 (audited)
Contract costs incurred	24,149	15,633
Recognised profits	6,488	3,450
	<u>30,637</u>	<u>19,083</u>
Progress billings	(24,820)	(13,866)
	<u>5,817</u>	<u>5,217</u>
Due from customers		
Classified as:		
Gross amount due from customers	6,320	5,706
	<u>6,320</u>	<u>5,706</u>
Gross amount due to customers	(503)	(489)
	<u>(503)</u>	<u>(489)</u>

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 seven days 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\$31,958,000 (31st March, 2011: HK\$31,945,000) which are included in the Group's debtors, deposits and prepayments is as follows:

	30.9.2011 HK\$'000 (unaudited)	31.3.2011 HK\$'000 (audited)
Neither overdue nor impaired	20,957	22,193
Less than 1 month overdue	3,955	3,950
1 to 3 months overdue	2,823	1,560
More than 3 months but less than 12 months overdue	4,223	4,242
	<u>31,958</u>	<u>31,945</u>

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\$10,366,000 (31st March, 2011: HK\$25,551,000) which are included in the Group's creditors and accrued charges is as follows:

	30.9.2011 <i>HK\$'000</i> (unaudited)	31.3.2011 <i>HK\$'000</i> (audited)
0-30 days	4,635	19,515
31-60 days	4,399	2,946
61-90 days	1,199	461
Over 90 days	133	2,629
	10,366	25,551

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

14. RELATED PARTY TRANSACTIONS

The Group had no transactions with its related parties during the period under review.

MANAGEMENT DISCUSSION AND ANALYSIS

For the six months ended 30th September, 2011, the Group's turnover was HK\$264 million which represented a decrease of approximately 38% when compared with the HK\$424 million recorded for the corresponding period last year. The net loss attributable to equity holders was HK\$9.5 million (2010: HK\$3.3 million).

Sales of mobile phones

During the period under review, the turnover decreased from HK\$364 million to HK\$209 million. As disclosed in our announcement dated 20th July, 2011, we entered into a termination agreement with Nokia (H.K.) Limited for distributing the mobile phones. Since then, we have gradually reduced our orders and focused on clearing the stock. In addition, the fixed costs for logistic facilities could not be cut within short period of time. This led to the loss of HK\$7.1 million compared with the profit of HK\$0.7 million recorded for the corresponding period last year.

As at 30th September, 2011, our stocks kept for distribution purpose were about HK\$1.5 million. All these stocks have been sold out as at date of this announcement.

Sales of business solutions

The turnover decreased from HK\$59 million to HK\$52 million. The division recorded loss of HK\$4.8 million (2010: HK\$5.8 million).

Property investment

The profit of this division was HK\$0.06 million (2010: loss of HK\$0.1 million) and the rental income increased from HK\$1.1 million to HK\$2 million.

PROSPECTS

Regarding the mobile phone business,, we operate 5 franchised shops under the trading name of “Nokia”, 3 counters at AEON Stores and 3 shops under our own brand name of “Circle Digital” as at the date of this announcement. We will place more resources to promote our retail chain stores to grasp the opportunities brought by the mainland tourists.

In business solutions segment, we will reduce our costs and strengthen our research and development to enhance the features of self-developed home automation system and radio frequency identification application.

Regarding the property investment segment, we expect that the rental income will be stable during the second half of the year.

LIQUIDITY AND FINANCIAL RESOURCES

The Group continues to maintain a strong financial position. As at 30th September, 2011, the Group’s cash and bank balances amounted to approximately HK\$61 million (31st March, 2011: HK\$39 million) while the bank borrowings were HK\$39 million (31st March, 2011: HK\$34 million). The gearing ratio was 18.9% (31st March, 2011: 15.4%) 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, 2011, the total number of employees of the Group was approximately 190 (31st March, 2011: 290) and the aggregate remuneration of employees (excluding directors’ emoluments) amounted to HK\$26 million (2010: HK\$25 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, 2011, 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\$51,170,000 (31st March, 2011: HK\$52,229,000), (2) bank deposits of HK\$3,122,000 (31st March, 2011: HK\$3,122,000) and (3) financial assets at fair value through profit or loss of HK\$4,494,000 (31st March, 2011: HK\$8,174,000).

CONTINGENT LIABILITIES

As at 30th September, 2011, the Company has provided corporate guarantees of HK\$102 million (31st March, 2011: HK\$102 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, 2011, 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, 2011.

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, 2011.

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, 2011 containing all the information required by the Listing Rules 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, 29th November, 2011

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.