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, 2013

The board of directors (the "Board") 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, 2013 as follows:

CONDENSED CONSOLIDATED STATEMENT OF COMPREHENSIVE INCOME

For the six months ended 30th September, 2013

	Note	**Six months ended 30th September, 2013 *HK$'000* (unaudited)**	2012 *HK$'000* (unaudited)
Turnover	3	**121,816**	133,108
Cost of sales		**(92,771)**	(96,201)
Gross profit		**29,045**	36,907
Other income and gains	4	**2,003**	478
Other losses	5	**(96)**	(477)
Loss on disposal of a subsidiary	6	**(862)**	–
Selling and distribution expenses		**(3,767)**	(3,762)
Administrative and other operating expenses		**(32,950)**	(40,497)
Finance costs	7	**(497)**	(402)
Loss before taxation	8	**(7,124)**	(7,753)
Tax expense	9	**(2)**	(52)
Loss for the period		**(7,126)**	(7,805)

* *For identification purpose only*

CONDENSED CONSOLIDATED STATEMENT OF COMPREHENSIVE INCOME *(Continued)*

For the six months ended 30th September, 2013

	Note	Six months ended 30th September, 2013 HK$'000 (unaudited)	2012 HK$'000 (unaudited)
Other comprehensive income/(expense)			
Item that may be reclassified subsequently to profit or loss:			
Exchange differences on translation of overseas operations		**592**	(520)
Fair value (loss)/gain on available-for-sale financial assets		**(122)**	81
Other comprehensive income/(expense) for the period		**470**	(439)
Total comprehensive expense for the period		**(6,656)**	(8,244)
(Loss)/profit attributable to:			
Equity holders of the Company		**(7,414)**	(7,798)
Non-controlling interests		**288**	(7)
Loss for the period		**(7,126)**	(7,805)
Total comprehensive (expense)/income attributable to:			
Equity holders of the Company		**(6,944)**	(8,237)
Non-controlling interests		**288**	(7)
Total comprehensive expense for the period		**(6,656)**	(8,244)
Loss per share – (HK cents)			
– basic	10	**(1.44) cents**	(1.56) cents
– diluted	10	**(1.43) cents**	(1.54) cents
Dividend	11	**–**	5,058

CONDENSED CONSOLIDATED BALANCE SHEET

As at 30th September, 2013

	Note	**As at 30th September, 2013** *HK$'000* **(unaudited)**	As at 31st March, 2013 *HK$'000* (audited)
Non-current assets			
Property, plant and equipment		**51,958**	53,822
Investment properties		**189,535**	183,680
Available-for-sale financial assets		**4,677**	4,798
Deposits paid for acquisition of investment properties	12	**2,938**	4,618
		249,108	246,918
Current assets			
Inventories		**23,093**	17,588
Gross amounts due from customers for contract work	13	**18,663**	21,484
Debtors, deposits and prepayments	14	**37,366**	42,200
Cash and bank balances		**31,020**	42,832
		110,142	124,104
Current liabilities			
Creditors and accrued charges	15	**14,207**	22,355
Gross amounts due to customers for contract work	13	**178**	641
Tax payable		**735**	720
Obligations under finance leases		**19**	31
Bank borrowings		**44,452**	40,535
		59,591	64,282
Net current assets		**50,551**	59,822
Total assets less current liabilities		**299,659**	306,740

CONDENSED CONSOLIDATED BALANCE SHEET *(Continued)*
As at 30th September, 2013

	As at 30th September, 2013 *HK$'000* (unaudited)	As at 31st March, 2013 *HK$'000* (audited)
Non-current liabilities		
Obligations under finance leases	**51**	60
Deferred tax liabilities	**168**	168
	219	228
	299,440	306,512
Capital and reserves		
Share capital	**5,667**	5,152
Reserves	**293,773**	301,232
Equity attributable to equity holders of the Company	**299,440**	306,384
Non-controlling interests	**–**	128
Total equity	**299,440**	306,512

NOTES TO THE CONDENSED FINANCIAL STATEMENTS

For the six months ended 30th September, 2013

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 investment properties and 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, 2013.

In the current interim period, the Group has applied, for the first time the following HKFRSs issued by the HKICPA:

HKFRS 7 Amendments	Disclosures – Offsetting Financial Assets and Financial Liabilities
HKFRS 10	Consolidated Financial Statements
HKFRS 11	Joint Arrangements
HKFRS 12	Disclosure of Interests in Other Entities
HKFRS 10, HKFRS 11 and HKFRS 12 Amendments	Amendments to HKFRS 10, HKFRS 11 and HKFRS 12 – Transition Guidance
HKFRS 13	Fair Value Measurement
HKAS 1 Amendments	Presentation of Items of Other Comprehensive Income
HKAS 19 (as revised in 2011)	Employee Benefits
HKAS 27 (as revised in 2011)	Separate Financial Statements
HKAS 28 (as revised in 2011)	Investments in Associates and Joint Ventures
Amendments to HKFRSs	Annual Improvements to HKFRSs 2009-2011 Cycles except for the amendments to HKAS 1

The application of the above amendments to 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 organized 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, 2013 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$'000*
Revenue from external customers	**83,531**	**21,392**	**14,417**	**2,476**	**121,816**
Inter-segment sales	**14**	**209**	**240**	**–**	**463**
Reportable segment revenue	**83,545**	**21,601**	**14,657**	**2,476**	**122,279**
Reportable segment (loss)/profit	**(6,133)**	**2,861**	**(4,617)**	**557**	**(7,332)**
Interest income from bank deposits	**167**	**–**	**30**	**–**	**197**
Finance costs	**–**	**–**	**–**	**(497)**	**(497)**
Depreciation for the period	**(1,560)**	**(269)**	**(312)**	**(15)**	**(2,156)**
Additions to non-current assets during the period	**12**	**509**	**66**	**25**	**612**
			At 30th September, 2013		
	HK$'000	*HK$'000*	*HK$'000*	*HK$'000*	*HK$'000*
Reportable segment assets	**108,247**	**40,602**	**58,387**	**147,337**	**354,573**
Reportable segment liabilities	**4,319**	**1,244**	**8,764**	**45,315**	**59,642**

3. **TURNOVER/SEGMENT INFORMATION** (Continued)

a) **Segment results, assets and liabilities** (Continued)

The reportable segments for the period ended 30th September, 2012 are as follows:

	Sales of mobile phones in Hong Kong *HK$'000*	Sales of business solutions in Hong Kong *HK$'000*	Sales of business solutions in Mainland China and other countries in South East Asia *HK$'000*	Property investment *HK$'000*	Total *HK$'000*
Revenue from external customers	73,214	28,845	28,615	2,434	133,108
Inter-segment sales	2	819	118	–	939
Reportable segment revenue	73,216	29,664	28,733	2,434	134,047
Reportable segment (loss)/profit	(10,120)	2,867	(1,829)	1,806	(7,276)
Interest income from bank deposits	156	–	73	–	229
Finance costs	–	–	(2)	(400)	(402)
Depreciation and amortisation for the period	(1,985)	(240)	(571)	(11)	(2,807)
Additions to non-current assets during the period	262	166	180	67	675

			At 31st March, 2013		
	HK$'000	*HK$'000*	*HK$'000*	*HK$'000*	*HK$'000*
Reportable segment assets	120,585	44,279	62,230	139,130	366,224
Reportable segment liabilities	4,473	10,142	8,482	41,245	64,342

The accounting policies of the reportable segments are the same as the Group's accounting policies. Segment profit/(loss) represents the profit/(loss) earned by each segment without allocation of gain on disposal of investment properties, net exchange gain, other losses and loss on disposal of a subsidiary. This is the measure reported to the chief operating decision maker for the purposes of resource allocation and assessment of segment performance.

3. TURNOVER/SEGMENT INFORMATION (Continued)

b) Geographic information

	Six months ended Revenues from external customers		Non-current assets*	
	30.9.2013	30.9.2012	**30.9.2013**	31.3.2013
	HK$'000	*HK$'000*	***HK$'000***	*HK$'000*
	(unaudited)	(unaudited)	**(unaudited)**	(audited)
Hong Kong (place of domicile)	**107,399**	104,493	**208,458**	206,678
Mainland China	**4,740**	8,584	**34,093**	33,406
Singapore	**7,952**	17,612	**1,880**	2,036
Other countries in South East Asia	**1,725**	2,419	**–**	–
	14,417	28,615	**35,973**	35,442
	121,816	133,108	**244,431**	242,120

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

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

	Six months ended	
	30.9.2013	30.9.2012
	HK$'000	*HK$'000*
	(unaudited)	(unaudited)
REVENUES		
Reportable segment revenue	**122,279**	134,047
Elimination of inter-segment revenue	**(463)**	(939)
Consolidated turnover	**121,816**	133,108
PROFIT OR LOSS		
Reportable segment loss	**(7,332)**	(7,276)
Gain on disposal of investment properties	**1,046**	–
Net exchange gain	**120**	–
Other losses	**(96)**	(477)
Loss on disposal of a subsidiary	**(862)**	–
Consolidated loss before taxation	**(7,124)**	(7,753)

3. **TURNOVER/SEGMENT INFORMATION** (Continued)

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

	30.9.2013	31.3.2013
	HK$'000	*HK$'000*
	(unaudited)	(audited)
ASSETS		
Reportable segment assets	**354,573**	366,224
Non-current financial assets	**4,677**	4,798
Consolidated total assets	**359,250**	371,022
LIABILITIES		
Reportable segment liabilities	**59,642**	64,342
Deferred tax liabilities	**168**	168
Consolidated total liabilities	**59,810**	64,510

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.

- all liabilities are allocated to reportable segments other than deferred tax liabilities.

4. **OTHER INCOME AND GAINS**

	Six months ended	
	30.9.2013	30.9.2012
	HK$'000	*HK$'000*
	(unaudited)	(unaudited)
Gain on disposal of investment properties	**1,046**	–
Net exchange gain	**120**	–
Interest income from bank deposits	**197**	229
Sundry income	**640**	249
	2,003	478

5. OTHER LOSSES

	Six months ended	
	30.9.2013	30.9.2012
	HK$'000	*HK$'000*
	(unaudited)	(unaudited)
Net exchange loss	**–**	43
Loss on disposal of property, plant and equipment	**96**	434
	96	477

6. LOSS ON DISPOSAL OF A SUBSIDIARY

On 12th July, 2013, the Group entered into a sale and purchase agreement to dispose of its subsidiary, HKC Systems Limited, to an independent third party, for a cash consideration of HK$800,000.

7. FINANCE COSTS

	Six months ended	
	30.9.2013	30.9.2012
	HK$'000	*HK$'000*
	(unaudited)	(unaudited)
Interest on obligations under finance leases	**–**	2
Interest on bank borrowings not wholly repayable within five years	**497**	400
	497	402

8. LOSS BEFORE TAXATION

	Six months ended	
	30.9.2013	30.9.2012
	HK$'000	*HK$'000*
	(unaudited)	(unaudited)
Loss before taxation has been arrived at after charging:		
Operating lease rentals in respect of rented premises		
– minimum lease payment	**2,335**	5,697
– contingent rent	**348**	380
	2,683	6,077
Amortisation of prepaid operating lease payments	**–**	4
Depreciation		
– owned assets	**2,148**	2,757
– leased assets	**8**	46
	2,156	2,803
Employee benefits expenses (including directors' remuneration)		
– salaries, allowances and benefits in kind	**20,809**	23,678
– retirement benefit scheme contributions	**1,752**	1,711
Total staff costs	**22,561**	25,389
Donations	**–**	55

9. TAX EXPENSE

	Six months ended	
	30.9.2013	30.9.2012
	HK$'000	*HK$'000*
	(unaudited)	(unaudited)
The charge comprises:		
Hong Kong Profits Tax	**(2)**	(52)

Hong Kong Profits Tax is provided at the rate of 16.5% (2012: 16.5%) of the estimated assessable profits for the period.

10. 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	
	30.9.2013	30.9.2012
	HK$'000	*HK$'000*
	(unaudited)	(unaudited)
Loss attributable to equity holders of the Company	**(7,414)**	(7,798)
	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 per share	**515,324,271**	501,008,524
Diluted		
Weighted average number of ordinary shares in issue less shares held for Share Award Plan	**515,324,271**	501,008,524
Effect of dilutive potential ordinary shares: Awarded shares	**2,494,302**	4,776,000
Weighted average number of ordinary shares for the purpose of calculating diluted loss per share	**517,818,573**	505,784,524

11. DIVIDEND

	Six months ended	
	30.9.2013	30.9.2012
	HK$'000	*HK$'000*
	(unaudited)	(unaudited)
2013 Final dividend paid: HK$Nil (2012: HK$0.01) per ordinary share	**–**	5,058

The directors do not recommend the payment of any interim dividend for the six months ended 30th September, 2013 (2012: HK$Nil).

12. DEPOSITS PAID FOR ACQUISITION OF INVESTMENT PROPERTIES

On 6th February, 2013, the group entered into an agreement with a third party for acquisition of a property for a cash consideration of HK$14,688,000. Deposits of HK$2,937,600 were paid. The acquisition had been completed on 7th November, 2013.

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

	30.9.2013	31.3.2013
	HK$'000	*HK$'000*
	(unaudited)	(audited)
Contract costs incurred	**44,703**	43,684
Recognised profits	**12,836**	13,090
	57,539	56,774
Progress billings	**(39,054)**	(35,931)
Due from customers	**18,485**	20,843
Classified as:		
Gross amount due from customers	**18,663**	21,484
Gross amount due to customers	**(178)**	(641)

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

14. 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 ageing analysis of trade debtors of HK$30,206,000 (31st March, 2013: HK$31,359,000) which are included in the Group's debtors, deposits and prepayments is as follows:

	30.9.2013	31.3.2013
	HK$'000	*HK$'000*
	(unaudited)	(audited)
Neither overdue nor impaired	**18,355**	19,715
Less than 1 month overdue	**2,297**	2,341
1 to 3 months overdue	**984**	2,188
More than 3 months	**8,570**	7,115
	30,206	31,359

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

15. **CREDITORS AND ACCRUED CHARGES**

The ageing analysis of trade creditors of HK$7,342,000 (31st March, 2013: HK$11,000,000) which are included in the Group's creditors and accrued charges is as follows:

	30.9.2013	31.3.2013
	HK$'000	*HK$'000*
	(unaudited)	(audited)
0-30 days	**4,305**	6,601
31-60 days	**935**	503
61-90 days	**385**	630
Over 90 days	**1,717**	3,266
	7,342	11,000

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

16. **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, 2013, the Group's turnover was HK$122 million which represented a decrease of approximately 8.5% as compared with the HK$133 million recorded for the corresponding period last year. The net loss attributable to equity holders was HK$7.4 million (2012: HK$7.8 million).

Sales of mobile phones

The turnover was HK$84 million, representing a 14% increase compared to the same period last year. The division recorded loss of HK$6 million compared with the loss of HK$10 million for the same period last year.

Sales of business solutions

The turnover decreased by 38% to HK$35.8 million (2012: HK$57.5 million) and the division recorded loss of HK$1.8 million (2012: profit of HK$1 million).

Property investment

The rental income increased from HK$2.4 million to HK$2.5 million and the profit of this division was HK$0.6 million (2012: HK$1.8 million). The decrease in profit was due to increase in property tax expenses and administration expenses.

PROSPECTS

Regarding the mobile phone business, since more high-end smartphones will be launched, we expect that the growth in turnover can be maintained during the second half of the year.

In business solutions segment, we continue to strengthen our cost control and develop more products to meet market demand.

Regarding the property investment segment, we expect that the rental income will be stable.

LIQUIDITY AND FINANCIAL RESOURCES

The Group continues to maintain a strong financial position. As at 30th September, 2013, the Group's cash and bank balances amounted to approximately HK$31 million (31st March, 2013: HK$43 million) while the bank borrowings were HK$44 million (31st March, 2013: HK$41 million). The gearing ratio was 14.8% (31st March, 2013: 13.2%) which is expressed as a percentage of total borrowings to total equity.

EMPLOYEES

As at 30th September, 2013, the total number of employees of the Group was approximately 190 (31st March, 2013: 200) and the aggregate remuneration of employees (excluding directors' emoluments) amounted to HK$20 million (2012: HK$23 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 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, 2013, the Group's general banking facilities were secured by (1) first legal charge on certain investment properties with total of fair value of HK$132,149,000 (31st March, 2013: HK$122,240,000) and (2) bank deposits of HK$1,891,000 (31st March, 2013: HK$11,129,000).

CONTINGENT LIABILITIES

As at 30th September, 2013, the Company had provided corporate guarantees of HK$90 million (31st March, 2013: HK$97 million) to secure the banking facilities granted to subsidiaries.

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

During the six months ended 30th September, 2013 neither the Company nor any of its subsidiaries had purchased, sold or redeemed any of the Company's listed shares.

COMPLIANCE WITH CORPORATE GOVERNANCE CODE OF THE LISTING RULES

In the opinion of the directors, the Company has complied with the code provisions in the Corporate Governance Code (the "Code") as set out in Appendix 14 to the Listing Rules throughout the six months ended 30th September, 2013, except for the deviation in respect of the attendance of the chairman of the board and independent non-executive Directors at the general meetings of the Company set out in Code Provisions A.6.7 and E.1.2 of the Code.

Code Provision A.6.7 of the Code stipulates, among other things, that the independent non-executive directors and other non-executive directors should attend general meetings. Dr. Chu Chor Lup, Mr. Chiu Ngar Wing and Mr. Law Ka Hung were unable to attend the annual general meeting of the Company held on 12th August, 2013 due to their other commitments.

Code Provision E.1.2 of the Code stipulates that the chairman of the board should attend the annual general meeting. Mr. Chan Chung Yee, Hubert, the chairman of the board was unable to attend the annual general meeting of the Company held on 12th August, 2013 due to his other commitments.

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, 2013.

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, 2013.

APPRECIATION

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, 2013 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, 22nd November, 2013

As at the date of this announcement, the Board comprises Mr. Chan Chung Yee, Hubert, Mr. Chan Chung Yin, Roy, Mr. Chan Ming Him, Denny, Mr. Wu Kwok Lam, Mr. Ip Man Hon and Mr. Ng Chi Hoi as executive directors and Dr. Chu Chor Lup, Mr. Chiu Ngar Wing and Mr. Law Ka Hung as independent non-executive directors.