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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, 2014

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, 2014 as follows:

CONDENSED CONSOLIDATED STATEMENT OF COMPREHENSIVE INCOME

For the six months ended 30th September, 2014

		Six months ended	
		30th September,	
		2014	2013
	<i>Note</i>	HK\$'000	HK\$'000
		(unaudited)	(unaudited)
Turnover	3	125,925	121,816
Cost of sales		(101,188)	(92,771)
Gross profit		24,737	29,045
Other income and gains	4	664	2,003
Other losses	5	(614)	(96)
Loss on disposal of a subsidiary		–	(862)
Selling and distribution expenses		(3,487)	(3,767)
Administrative and other operating expenses		(25,179)	(32,950)
Finance costs	6	(867)	(497)
Loss before taxation	7	(4,746)	(7,124)
Tax expense	8	(119)	(2)
Loss for the period		(4,865)	(7,126)

* *For identification purpose only*

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

For the six months ended 30th September, 2014

		Six months ended	
		30th September,	
		2014	2013
	<i>Note</i>	HK\$'000	HK\$'000
		(unaudited)	(unaudited)
Other comprehensive (expense)/income			
Item that may be reclassified subsequently			
to profit or loss:			
Exchange differences on translation of			
overseas operations		(42)	592
Fair value gain/(loss) on available-for-sale			
financial assets		<u>1,378</u>	<u>(122)</u>
Other comprehensive income for the period		<u>1,336</u>	<u>470</u>
Total comprehensive expense for the period		<u>(3,529)</u>	<u>(6,656)</u>
(Loss)/profit attributable to:			
Equity holders of the Company		(4,865)	(7,414)
Non-controlling interests		<u>–</u>	<u>288</u>
Loss for the period		<u>(4,865)</u>	<u>(7,126)</u>
Total comprehensive (expense)/income			
attributable to:			
Equity holders of the Company		(3,529)	(6,944)
Non-controlling interests		<u>–</u>	<u>288</u>
Total comprehensive expense for the period		<u>(3,529)</u>	<u>(6,656)</u>
Loss per share – (HK cents)			
– basic	9	<u>(0.86) cents</u>	<u>(1.44) cents</u>
– diluted	9	<u>(0.85) cents</u>	<u>(1.43) cents</u>

CONDENSED CONSOLIDATED BALANCE SHEETS

As at 30th September, 2014

	<i>Note</i>	As at 30th September, 2014 HK\$'000 (unaudited)	As at 31st March, 2014 HK\$'000 (audited)
Non-current assets			
Property, plant and equipment		63,812	65,603
Investment properties		197,192	197,440
Available-for-sale financial assets		5,067	3,689
		<u>266,071</u>	<u>266,732</u>
Current assets			
Inventories		21,252	25,727
Gross amounts due from customers for contract work	11	14,967	11,660
Debtors, deposits and prepayments	12	49,199	51,720
Financial assets at fair value through profit or loss		769	–
Tax recoverable		40	159
Cash and bank balances		26,688	12,166
		<u>112,915</u>	<u>101,432</u>
Current liabilities			
Creditors and accrued charges	13	17,613	17,597
Gross amounts due to customers for contract work	11	1,359	4,759
Tax payable		530	639
Obligations under finance leases		19	19
Bank borrowings		68,038	50,184
		<u>87,559</u>	<u>73,198</u>
Net current assets		<u>25,356</u>	<u>28,234</u>
Total assets less current liabilities		<u>291,427</u>	<u>294,966</u>

CONDENSED CONSOLIDATED BALANCE SHEETS *(Continued)**As at 30th September, 2014*

	As at 30th September, 2014 <i>HK\$'000</i> (unaudited)	As at 31st March, 2014 <i>HK\$'000</i> (audited)
Non-current liabilities		
Obligations under finance leases	33	43
Deferred tax liabilities	168	168
	201	211
	291,226	294,755
Capital and reserves		
Share capital	6,376	5,667
Reserves	284,850	289,088
Total equity	291,226	294,755

NOTES TO THE CONDENSED FINANCIAL STATEMENTS

For the six months ended 30th September, 2014

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, 2014.

In the current interim period, the Group has applied for the first time the following amendments to HKFRSs and an interpretation issued by the HKICPA:

HKAS 32 (Amendments)	Financial Instruments: Presentation – Offsetting Financial Assets and Financial Liabilities
HKAS 36 (Amendments)	Recoverable Amount Disclosures for Non Financial Assets
HKAS 39 (Amendments)	Novation of Derivatives and Continuation of Hedge Accounting
Amendments to HKFRS 10, HKFRS 12 and HKAS 27	Investment Entities
HK(IFRIC) – Int 21	Levies

The application of the new or 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 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, 2014 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	81,147	24,125	17,606	3,047	125,925
Inter-segment sales	-	245	-	-	245
Reportable segment revenue	<u>81,147</u>	<u>24,370</u>	<u>17,606</u>	<u>3,047</u>	<u>126,170</u>
Reportable segment (loss)/profit	<u>(5,985)</u>	<u>3,512</u>	<u>(2,448)</u>	<u>789</u>	<u>(4,132)</u>
Interest income from bank deposits	32	-	-	-	32
Finance costs	(229)	-	-	(638)	(867)
Depreciation for the period	(1,030)	(266)	(277)	(11)	(1,584)
Additions to non-current assets during the period	91	79	-	-	170
	At 30th September, 2014				
	<i>HK\$'000</i>	<i>HK\$'000</i>	<i>HK\$'000</i>	<i>HK\$'000</i>	<i>HK\$'000</i>
Reportable segment assets	106,930	43,486	64,388	158,346	373,150
Reportable segment liabilities	22,163	3,183	9,141	53,105	87,592

3. TURNOVER/SEGMENT INFORMATION (Continued)

a) Segment results, assets and liabilities (Continued)

The reportable segments for the period ended 30th September, 2013 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	83,531	21,392	14,417	2,476	121,816
Inter-segment sales	14	209	240	–	463
Reportable segment revenue	<u>83,545</u>	<u>21,601</u>	<u>14,657</u>	<u>2,476</u>	<u>122,279</u>
Reportable segment (loss)/profit	<u>(6,133)</u>	<u>2,861</u>	<u>(4,617)</u>	<u>557</u>	<u>(7,332)</u>
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 31st March, 2014				
	<i>HK\$'000</i>	<i>HK\$'000</i>	<i>HK\$'000</i>	<i>HK\$'000</i>	<i>HK\$'000</i>
Reportable segment assets	105,845	41,158	62,915	154,557	364,475
Reportable segment liabilities	5,198	7,053	9,853	51,137	73,241

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 net exchange gain/(loss), other losses, gain on disposal of investment properties, loss on disposal of a subsidiary and tax expense. 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		Non-current assets*	
	Revenues from			
	external customers			
	30.9.2014	30.9.2013	30.9.2014	31.3.2014
	HK\$'000	HK\$'000	HK\$'000	HK\$'000
	(unaudited)	(unaudited)	(unaudited)	(audited)
Hong Kong (place of domicile)	108,319	107,399	215,938	217,429
Mainland China	9,087	4,740	32,431	32,805
Singapore	8,194	7,952	12,635	12,809
Other countries in South East Asia	325	1,725	–	–
	17,606	14,417	45,066	45,614
	125,925	121,816	261,004	263,043

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

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

	Six months ended	
	30.9.2014	30.9.2013
	HK\$'000	HK\$'000
	(unaudited)	(unaudited)
REVENUES		
Reportable segment revenue	126,170	122,279
Elimination of inter-segment revenue	(245)	(463)
Consolidated turnover	125,925	121,816
PROFIT OR LOSS		
Reportable segment loss	(4,132)	(7,332)
Net exchange (loss)/gain	(122)	120
Other losses	(492)	(96)
Gain on disposal of investment properties	–	1,046
Loss on disposal of a subsidiary	–	(862)
Consolidated loss before taxation	(4,746)	(7,124)

3. TURNOVER/SEGMENT INFORMATION (Continued)

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

	30.9.2014 <i>HK\$'000</i> (unaudited)	31.3.2014 <i>HK\$'000</i> (audited)
ASSETS		
Reportable segment assets	373,150	364,475
Non-current financial assets	5,067	3,689
Unallocated corporate assets	769	–
	<hr/>	<hr/>
Consolidated total assets	378,986	368,164
	<hr/> <hr/>	<hr/> <hr/>
LIABILITIES		
Reportable segment liabilities	87,592	73,241
Deferred tax liabilities	168	168
	<hr/>	<hr/>
Consolidated total liabilities	87,760	73,409
	<hr/> <hr/>	<hr/> <hr/>

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

4. OTHER INCOME AND GAINS

	Six months ended	
	30.9.2014 <i>HK\$'000</i> (unaudited)	30.9.2013 <i>HK\$'000</i> (unaudited)
Gain on disposal of investment properties	–	1,046
Net exchange gain	–	120
Bank interest income	32	197
Dividend income from listed equity securities	156	–
Others	476	640
	<hr/>	<hr/>
	664	2,003
	<hr/> <hr/>	<hr/> <hr/>

5. OTHER LOSSES

	Six months ended	
	30.9.2014 HK\$'000 (unaudited)	30.9.2013 HK\$'000 (unaudited)
Loss on disposal of property, plant and equipment	294	96
Net exchange loss	122	–
Unrealized losses on financial assets at fair value through profit or loss		
– listed equity securities	198	–
	<u>614</u>	<u>96</u>

6. FINANCE COSTS

	Six months ended	
	30.9.2014 HK\$'000 (unaudited)	30.9.2013 HK\$'000 (unaudited)
Interest on bank borrowings not wholly repayable within five years	<u>867</u>	<u>497</u>

7. LOSS BEFORE TAXATION

	Six months ended	
	30.9.2014 HK\$'000 (unaudited)	30.9.2013 HK\$'000 (unaudited)
Loss before taxation has been arrived at after charging:		
Operating lease rentals in respect of rented premises		
– minimum lease payments	1,570	2,335
– contingent rent	235	348
	<u>1,805</u>	<u>2,683</u>
Depreciation		
– owned assets	1,574	2,148
– leased assets	10	8
	<u>1,584</u>	<u>2,156</u>
Employee benefits expenses (including directors' remuneration)		
– salaries, allowances and benefits in kind	17,268	20,809
– retirement benefit scheme contributions	1,490	1,752
Total staff costs	<u>18,758</u>	<u>22,561</u>

8. TAX EXPENSE

Six months ended	
30.9.2014	30.9.2013
HK\$'000	HK\$'000
(unaudited)	(unaudited)

The charge comprises:

Hong Kong Profits Tax	<u>(119)</u>	<u>(2)</u>
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Hong Kong Profits Tax is provided at the rate of 16.5% (2013: 16.5%) of 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	
30.9.2014	30.9.2013
HK\$'000	HK\$'000
(unaudited)	(unaudited)

Loss attributable to equity holders of the Company	<u>(4,865)</u>	<u>(7,414)</u>
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Number of shares	Number of shares
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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

<u>566,481,308</u>	<u>515,324,271</u>
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Diluted

Weighted average number of ordinary shares in issue
less shares held for Share Award Plan

566,481,308	515,324,271
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Effect of dilutive potential ordinary shares:

Awarded shares

<u>2,806,089</u>	<u>2,494,302</u>
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Weighted average number of ordinary shares for
the purpose of calculating diluted loss per share

<u>569,287,397</u>	<u>517,818,573</u>
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10. DIVIDEND

The directors do not recommend the payment of any interim dividend for the six months ended 30th September, 2014 (2013: HK\$ Nil).

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

	30.9.2014	31.3.2014
	HK\$'000	HK\$'000
	(unaudited)	(audited)
Contract costs incurred	55,871	47,071
Recognised profits	16,933	11,827
	<hr/>	<hr/>
	72,804	58,898
Progress billings	(59,196)	(51,997)
	<hr/>	<hr/>
Due from customers	13,608	6,901
	<hr/> <hr/>	<hr/> <hr/>
Classified as:		
Gross amounts due from customers	14,967	11,660
	<hr/> <hr/>	<hr/> <hr/>
Gross amounts due to customers	(1,359)	(4,759)
	<hr/> <hr/>	<hr/> <hr/>

The directors consider that the carrying amounts of gross amounts 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 ageing analysis of trade debtors of HK\$37,166,000 (31st March, 2014: HK\$43,883,000) which are included in the Group's debtors, deposits and prepayments is as follows:

	30.9.2014	31.3.2014
	HK\$'000	HK\$'000
	(unaudited)	(audited)
Neither overdue nor impaired	25,525	20,244
Less than 1 month overdue	4,256	12,885
1 to 3 months overdue	1,862	2,993
More than 3 months overdue	5,523	7,761
	<hr/>	<hr/>
	37,166	43,883
	<hr/> <hr/>	<hr/> <hr/>

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

13. CREDITORS AND ACCRUED CHARGES

The ageing analysis of trade creditors of HK\$6,140,000 (31st March, 2014: HK\$7,777,000) which is included in the Group's creditors and accrued charges is as follows:

	30.9.2014 <i>HK\$'000</i> (unaudited)	31.3.2014 <i>HK\$'000</i> (audited)
0-30 days	2,799	4,608
31-60 days	553	546
61-90 days	993	459
Over 90 days	1,795	2,164
	<hr/> 6,140 <hr/>	<hr/> 7,777 <hr/>

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.

15. SUBSEQUENT EVENT

On 3rd June, 2014, the Group entered into a provisional sale and purchase agreement with a third party to dispose of one of its investment properties located at PRC with carrying value of HK\$11,930,000 at a cash consideration of HK\$11,970,000. Total deposits of HK\$5,027,000 were paid by the purchaser. This transaction is expected to be completed in December 2014.

MANAGEMENT DISCUSSION AND ANALYSIS

For the six months ended 30th September, 2014, the Group's turnover was HK\$126 million which represented an increase of approximately 3% as compared with the HK\$122 million recorded for the corresponding period last year. The net loss attributable to equity holders was HK\$4.9 million (2013: HK\$7.4 million).

Sales of mobile phones

During the period under review, the turnover was HK\$81 million, representing a 3% decrease compared to the same period last year (2013: HK\$84 million). The decrease in turnover was due to the closure of three underperforming retail shops. The division recorded loss of HK\$6 million (2013: HK\$6 million).

Sales of business solutions

The turnover increased by 17% to HK\$41.7 million (2013: HK\$35.8 million) and the division recorded profit of HK\$1 million (2013: loss of HK\$1.8 million).

Property investment

The rental income increased from HK\$2.5 million to HK\$3 million and the profit of this division was HK\$0.8 million (2013: HK\$0.6 million).

PROSPECTS

Regarding the mobile phone business, we have closed three underperforming retail shops during the period under review. This helps to improve the results for the second half of the year. We expect that the distribution business will be stable.

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. As at the date of this announcement, all of the Group's investment properties have been fully let.

LIQUIDITY AND FINANCIAL RESOURCES

The Group continues to maintain a strong financial position. As at 30th September, 2014, the Group's cash and bank balances amounted to approximately HK\$27 million (31st March, 2014: HK\$12 million) while the bank borrowings were HK\$68 million (31st March, 2014: HK\$50 million). The gearing ratio was 23% (31st March, 2014: 17%) which is expressed as a percentage of total borrowings to total equity.

EMPLOYEES

As at 30th September, 2014, the total number of employees of the Group was approximately 130 (31st March, 2014: 150) and the aggregate remuneration of employees (excluding directors' emoluments) amounted to HK\$16 million (2013: HK\$20 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, 2014, the Group's general banking facilities were secured by (1) first legal charge on certain leasehold land and buildings with aggregate net book value of HK\$43,610,000 (31st March, 2014: HK\$ Nil) (2) investment properties with total of fair value of HK\$141,700,000 (31st March, 2014: HK\$141,700,000) and (3) bank deposits of HK\$7,099,000 (31st March, 2014: HK\$7,099,000).

CONTINGENT LIABILITIES

As at 30th September, 2014, the Company had provided corporate guarantees of HK\$58 million (31st March, 2014: HK\$58 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, 2014, 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, 2014, except for the deviation in respect of the attendance of the independent non-executive directors at the general meetings of the Company set out in Code Provision A.6.7 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 was unable to attend the annual general meeting of the Company held on 25th August, 2014 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, 2014.

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, 2014.

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, 2014 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
HKC International Holdings Limited
Chan Chung Yee, Hubert
Chairman

Hong Kong, 28th November, 2014

As at the date of this announcement, the Board of Directors 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. Choi Chun Yik as executive directors and Dr. Chu Chor Lup, Mr. Chiu Ngar Wing and Dr. Law Ka Hung as independent non-executive directors.