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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 30 SEPTEMBER, 2021**

The board of directors (the “Board”) of HKC International Holdings Limited (the “Company”) is pleased to announce the unaudited condensed consolidated results of the Company and its subsidiaries (collectively, the “Group”) for the six months ended 30 September, 2021 as follows:

**CONDENSED CONSOLIDATED STATEMENT OF COMPREHENSIVE INCOME
FOR THE SIX MONTHS ENDED 30 SEPTEMBER, 2021**

		Six months ended	
		30 September,	
		2021	2020
	<i>Notes</i>	<i>HK\$’000</i>	<i>HK\$’000</i>
		(unaudited)	(unaudited)
Revenue	3	112,786	89,202
Cost of sales		<u>(91,980)</u>	<u>(70,097)</u>
Gross profit		20,806	19,105
Other income and gains and losses	4	(287)	4,648
Selling and distribution expenses		(2,081)	(3,045)
Administrative and other operating expenses		(19,977)	(18,406)
Finance costs	5	<u>(1,280)</u>	<u>(1,008)</u>

* For identification purpose only

		Six months ended	
		30 September,	
		2021	2020
	<i>Notes</i>	HK\$'000	HK\$'000
		(unaudited)	(unaudited)
(Loss) profit before taxation	6	(2,819)	1,294
Tax expenses	7	<u>(37)</u>	<u>(120)</u>
(Loss) profit for the period attributable to equity holders of the Company		(2,856)	1,174
Other comprehensive expense			
<i>Item that may be reclassified subsequently to profit or loss</i>			
Exchange differences on translation of overseas operations		<u>(298)</u>	<u>(327)</u>
Total comprehensive (expense) income attributable to equity holders of the Company		<u>(3,154)</u>	<u>847</u>
(Loss) earnings per share – (HK cents)			
– basic and diluted	8	<u>(0.22) cents</u>	<u>0.09 cents</u>

CONDENSED CONSOLIDATED STATEMENT OF FINANCIAL POSITION

AS AT 30 SEPTEMBER, 2021

		As at 30 September, 2021	As at 31 March, 2021
Notes		<i>HK\$'000</i> (unaudited)	<i>HK\$'000</i> (audited)
NON-CURRENT ASSETS			
		53,221	53,029
		212,720	212,720
		1,947	1,947
		6,800	6,800
		274,688	274,496
CURRENT ASSETS			
		30,424	27,000
	10	33,385	32,128
		471	796
	11	16,115	17,429
		9,420	15,560
		59	98
		3,142	3,142
		17,732	21,080
		110,748	117,233
CURRENT LIABILITIES			
	12	6,260	11,217
	12	2,627	8,795
		1,915	1,521
		316	155
		1,230	–
		94,549	88,372
		390	381
		107,287	110,441
NET CURRENT ASSETS		3,461	6,792

	As at 30 September, 2021 HK\$'000 (unaudited)	As at 31 March, 2021 HK\$'000 (audited)
TOTAL ASSETS LESS CURRENT LIABILITIES	278,149	281,288
NON-CURRENT LIABILITIES		
Lease liabilities	107	92
Deferred tax liabilities	50	50
	157	142
NET ASSETS	277,992	281,146
CAPITAL AND RESERVES		
Share capital	12,453	12,453
Reserves	265,539	268,693
TOTAL EQUITY	277,992	281,146

NOTES ON THE CONDENSED CONSOLIDATED FINANCIAL STATEMENTS

FOR THE SIX MONTHS ENDED 30 SEPTEMBER, 2021

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

In the current interim period, the Group has applied, for the first time, the following amendments to References to the Conceptual Framework in HKFRSs and the following amendments to HKAS and HKFRSs issued by the HKICPA which are effective for the Group’s financial year beginning 1 April, 2021:

Amendments to HKAS 39, HKFRS 4, HKFRS 7, HKFRS 9 and HKFRS 16	Interest Rate Benchmark Reform – Phase 2
Amendments to HKFRS 16	Covid-19-Related Rent Concessions
Amendments to HKFRS 16	Covid-19-Related Rent Concessions beyond 2021

The application of the amendments to HKAS and HKFRSs in the current interim period has had no material effect on the Group’s financial performance and positions for the current and prior periods and/or on the disclosures set out in these condensed consolidated financial statements.

3. REVENUE/SEGMENT INFORMATION

Revenue represents sales of mobile phones, sales of internet of things (“IOT”) solutions and gross rental income.

a) Segment results, assets and liabilities

The reportable segments for the six months ended 30 September, 2021 are as follows:

	Sales of mobile phones in Hong Kong <i>HK\$'000</i>	Sales of IOT solutions in Hong Kong <i>HK\$'000</i>	Sales of IOT 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	<u>85,101</u>	<u>21,949</u>	<u>4,615</u>	<u>1,121</u>	<u>112,786</u>
Reportable segment profit (loss)	<u>1,501</u>	<u>(1,378)</u>	<u>(1,778)</u>	<u>(840)</u>	<u>(2,495)</u>
Interest income from bank deposits	1	–	–	–	1
Finance costs	834	–	142	304	1,280
Depreciation for the period	165	94	232	33	524
Reversal of impairment on trade receivables	–	12	–	–	12
Reportable segment assets	76,214	54,781	14,138	231,085	376,218
Additions to non-current assets during the period	234	111	371	–	716
Reportable segment liabilities	70,732	9,078	4,584	23,000	107,394

The reportable segments for the six months ended 30 September, 2020 are as follows:

	Sales of mobile phones in Hong Kong <i>HK\$'000</i>	Sales of IOT solutions in Hong Kong <i>HK\$'000</i>	Sales of IOT 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	56,455	23,873	7,545	1,329	89,202
Reportable segment (loss) profit	(1,416)	3,443	(679)	(285)	1,063
Interest income from bank deposits	10	–	–	–	10
Finance costs	577	–	91	340	1,008
Depreciation for the period	43	188	220	34	485
Impairment loss on trade receivables	–	315	–	–	315
Reportable segment assets	59,900	45,254	9,799	224,045	338,998
Additions to non-current assets during the period	10	293	9	–	312
Reportable segment liabilities	33,197	5,554	8,000	24,274	71,025

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 fair value (loss) gain of financial assets at FVTPL, net exchange gain 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.

b) Geographic information

	Revenues from external customers		Non-current assets*	
	30.9.2021 <i>HK\$'000</i> (unaudited)	30.9.2020 <i>HK\$'000</i> (unaudited)	30.9.2021 <i>HK\$'000</i> (unaudited)	31.3.2021 <i>HK\$'000</i> (audited)
Hong Kong (place of domicile)	107,997	81,491	254,051	254,180
Mainland China	2,159	4,565	350	387
Singapore	2,419	2,731	11,540	11,182
Other countries in South East Asia	211	415	–	–
	4,789	7,711	11,890	11,569
	112,786	89,202	265,941	265,749

* Non-current assets excluding financial assets at FVTPL and financial assets at FVTOCI

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

	Six months ended	
	30.9.2021	30.9.2020
	<i>HK\$'000</i>	<i>HK\$'000</i>
	(unaudited)	(unaudited)
REVENUE		
Reportable segment and consolidated revenue from external customers	112,786	89,202
PROFIT OR LOSS		
Reportable segment (loss) profit	(2,495)	1,063
Fair value (loss) gain of financial assets at FVTPL	(325)	176
Net exchange gain	1	55
Consolidated (loss) profit before taxation	(2,819)	1,294
	30.9.2021	31.3.2021
	<i>HK\$'000</i>	<i>HK\$'000</i>
	(unaudited)	(audited)
ASSETS		
Total reportable segment assets	376,218	382,186
Unallocated corporate assets	9,218	9,543
Consolidated total assets	385,436	391,729
LIABILITIES		
Total reportable segment liabilities	107,394	110,533
Deferred tax liabilities	50	50
Consolidated total liabilities	107,444	110,583

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

- all assets are allocated to reportable segments other than financial assets at FVTPL and financial assets at FVTOCI.
- all liabilities are allocated to reportable segments other than deferred tax liabilities.

4. OTHER INCOME AND GAINS AND LOSSES

	Six months ended	
	30.9.2021	30.9.2020
	HK\$'000	HK\$'000
	(unaudited)	(unaudited)
Government subsidies (<i>Note</i>)	22	4,622
Bank interest income	1	10
Dividend income from listed equity securities	2	2
Fair value (loss) gain on financial assets at FVTPL	(325)	176
Net exchange gain	1	55
Reversal of impairment (impairment loss) on trade receivables	12	(315)
Others	–	98
	<u> </u>	<u> </u>
	(287)	4,648
	<u> </u>	<u> </u>

Note:

During the six months ended 30 September, 2021, the Group recognised government grants of HK\$22,000 in respect of COVID-19-related subsidies from Singapore government.

During the six months ended 30 September, 2020, the Group recognised government grants of HK\$4,622,000 in respect of COVID-19-related subsidies, of which an amount of HK\$4,252,000 is related to Employment Support Scheme provided by the Government of the Hong Kong Special Administrative Region under the Anti-Epidemic Fund. The remaining HK\$370,000 is related to subsidy from Singapore government.

There are no unfulfilled conditions and other contingencies attached to the receipts of those subsidiaries.

5. FINANCE COSTS

	Six months ended	
	30.9.2021	30.9.2020
	HK\$'000	HK\$'000
	(unaudited)	(unaudited)
Interest on bank borrowings	1,148	907
Interest on lease liabilities	8	6
	<u> </u>	<u> </u>
Total interest expenses	1,156	913
Bank charges	124	95
	<u> </u>	<u> </u>
	1,280	1,008
	<u> </u>	<u> </u>

6. (LOSS) PROFIT BEFORE TAXATION

	Six months ended	
	30.9.2021	30.9.2020
	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 payments	441	597
– contingent rent	255	189
	<u>696</u>	<u>786</u>
Depreciation on		
– property, plant and equipment	406	356
– right-of-use assets	118	129
	<u>524</u>	<u>485</u>
Employee benefits expenses (including directors' remuneration)		
– salaries, allowances and benefits in kind	12,508	11,894
– retirement benefit scheme contributions	1,072	926
	<u>13,580</u>	<u>12,820</u>
Total staff costs	<u>13,580</u>	<u>12,820</u>

7. TAX EXPENSES

	Six months ended	
	30.9.2021	30.9.2020
	HK\$'000	HK\$'000
	(unaudited)	(unaudited)
Hong Kong Profits Tax	37	120

Hong Kong Profits Tax is provided under the two-tiered tax rate at 8.25% on the first HK\$2 million and 16.5% of estimated assessable profits above HK\$2 million for the period.

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

The calculation of basic and diluted loss per share is based on the loss attributable to equity holders of the Company of HK\$2,856,000 (2020: profit of HK\$1,174,000) and on the number of shares of 1,245,331,256 (2020: 1,245,331,256) in issue during the period.

The number of shares for the purpose of basic and diluted (loss) earnings per share are the same as the Company has no potential ordinary shares in both periods.

9. DIVIDEND

The directors do not recommend the payment of any interim dividend for the six months ended 30 September, 2021 (2020: HK\$ Nil).

10. CONTRACT ASSETS

	30.9.2021 <i>HK\$'000</i> (unaudited)	31.3.2021 <i>HK\$'000</i> (audited)
Smart system construction service	33,669	32,412
Less: Loss allowance	(284)	(284)
	33,385	32,128

11. TRADE RECEIVABLES

The Group allows an average credit periods ranging from seven days to one month to its customers. For certain customers with long-established relationship and have good credit worthiness, a longer period may be granted.

	30.9.2021 <i>HK\$'000</i> (unaudited)	31.3.2021 <i>HK\$'000</i> (audited)
Trade debtors	18,243	19,569
Less: Loss allowance	(2,128)	(2,140)
	16,115	17,429

The following is an aged analysis of trade receivables presented based on the invoice date:

	30.9.2021 <i>HK\$'000</i> (unaudited)	31.3.2021 <i>HK\$'000</i> (audited)
Within 30 days	8,949	11,764
31 - 60 days	1,573	969
61 - 90 days	674	1,036
91 - 180 days	2,256	1,675
181 - 365 days	1,328	530
Over 365 days	3,463	3,595
	18,243	19,569

12. TRADE PAYABLES, ACCRUALS AND OTHE PAYABLES

	30.9.2021 <i>HK\$'000</i> (unaudited)	31.3.2021 <i>HK\$'000</i> (audited)
Trade payable	6,260	11,217
Accruals and other payables	<u>2,627</u>	<u>8,795</u>
	<u>8,887</u>	<u>20,012</u>

The following is an aged analysis of trade payable presented based on the invoice date:

	30.9.2021 <i>HK\$'000</i> (unaudited)	31.3.2021 <i>HK\$'000</i> (audited)
0 - 30 days	4,977	10,074
31 - 60 days	250	93
61 - 90 days	105	62
Over 90 days	<u>928</u>	<u>988</u>
	<u>6,260</u>	<u>11,217</u>

The trade payables were due according to the terms stated in the relevant contracts. The average credit period ranged from 30 days to 60 days.

13. EVENT AFTER THE REPORTING PERIOD

On 7 September, 2021, a subsidiary of the Group has entered into a provisional agreement with a third party to dispose of its investment property at Flat E, 22nd Floor with balcony and utility platform, Splendid Place, 39 Taikoo Shing Road, Quarry Bay, Hong Kong at a consideration of HK\$12,300,000. Deposit amounted to HK\$1,230,000 has been received by the subsidiary and recognised as current liability. The sale of property has been completed on 5 November, 2021. Taking into account the fair value of HK\$12,600,000 at 31 March, 2021 of the property, a loss in the estimated sum of approximately HK\$440,000 after expenses will be recognised as a result of the Disposal.

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 30 September, 2021, the Group's revenue was HK\$113 million which represented an increase of approximately 27% as compared with the HK\$89 million recorded for the corresponding period last year. The loss attributable to equity holders of the Company was HK\$2.9 million as compared to the profit of HK\$1.2 million for the six months ended 30 September, 2020. The Group received HK\$4.6 million government COVID-19 subsidies in the corresponding period last year while only HK\$0.02 million was received during the period under review.

Sales of mobile phones

During the period under review, the revenue was HK\$85 million, representing an increase of 52% compared to the same period last year (2020: HK\$56 million) due to the launch of government consumption vouchers and recovery of retail environment. The division recorded profit of HK\$1.5 million (2020: loss of HK\$1.4 million).

Sales of IOT solutions

Due to the decrease in sales of disinfection products including book sterilizers and UV-C disinfection machines, the revenue decreased by 13% to HK\$27 million (2020: HK\$31 million). The division recorded loss of HK\$3.2 million compared with profit of HK\$2.8 million for the corresponding period last year.

Property investment

During the period under review, the rental income decreased by HK\$0.2 million to HK\$1.1 million (2020: HK\$1.3 million) due to granting of rental relief to our tenants and vacancy of investment properties. The division recorded loss of HK\$0.8 million (2020: HK\$0.3 million).

PROSPECTS

Amid the uncertain economy and the retail environment, we will continue to strengthen our cost control and develop more products to meet market demand and to mitigate the negative impact upon our business.

LIQUIDITY AND FINANCIAL RESOURCES

As at 30 September, 2021, the Group's cash and bank balances amounted to approximately HK\$18 million (31 March, 2021: HK\$21 million) while the bank borrowings were HK\$95 million (31 March, 2021: HK\$88 million).

In order to avoid shortage of goods due to worldwide shortage of electronic components and possible delay in shipment, we kept higher mobile phone stocks of HK\$20 million as at 30 September, 2021. The mobile phone stocks have been reduced to HK\$3 million as at date of this announcement. We have also disposed an investment property for a consideration of HK\$12.3 million to increase our working capital. The transaction has been completed on 5 November, 2021.

The Board believes that the Group has sufficient resources to satisfy its commitment and working capital requirements. The gearing ratio was 34% (31 March, 2021: 31%) which is expressed as a percentage of total borrowings to total equity.

EMPLOYEES

As at 30 September, 2021, the total number of employees of the Group was approximately 95 (31 March, 2021: 90) and the aggregate remuneration of employees (excluding directors' emoluments) amounted to HK\$11 million (2020: HK\$10 million). The remuneration and bonus packages of the employees are based on the individual merits and performance and are reviewed at least annually. The Group maintains a good relationship with its employees.

PLEDGE OF ASSETS

As at 30 September, 2021, the Group's general banking facilities were secured by (1) first legal charge on certain leasehold land and buildings with total carrying value of HK\$50,972,000 (31 March, 2021: HK\$50,972,000); (2) first legal charge on certain investment properties with total fair value of HK\$190,300,000 (31 March, 2021: HK\$190,300,000); (3) bank deposits of HK\$3,142,000 (31 March, 2021: HK\$3,142,000) and (4) financial assets at FVTPL with total fair value of HK\$2,418,000 (31 March, 2021: HK\$2,743,000).

CONTINGENT LIABILITIES

As at 30 September, 2021, the Company had provided corporate guarantees of HK\$71 million (31 March, 2021: HK\$71 million) to secure the banking facilities granted to subsidiaries.

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

During the six months ended 30 September, 2021, 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 30 September, 2021, except the following provisions:

Code provision A.2.1 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.

Code provision A.6.7 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 27 August, 2021 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 for Securities Transactions by Directors of Listed Issuers as set out in Appendix 10 to the Listing Rules (the “Model Code”) 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 30 September, 2021.

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 30 September, 2021.

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 30 September, 2021 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, 26 November, 2021

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. Lam Man Hau as executive directors and Mr. Chiu Ngar Wing, Dr. Chu Chor Lup and Dr. Law Ka Hung as independent non-executive directors.