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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 ANNUAL RESULTS FOR THE YEAR ENDED 31ST MARCH, 2019

The board of directors (the “board”) of HKC International Holdings Limited (the “company”) is pleased to announce the audited consolidated results of the company and its subsidiaries (collectively, the “group”) for the year ended 31st March, 2019 together with audited comparative figures for the year ended 31st March, 2018 as follows:

CONSOLIDATED STATEMENT OF COMPREHENSIVE INCOME

For the year ended 31st March, 2019

	<i>Note</i>	2019 <i>HK\$'000</i>	2018 <i>HK\$'000</i> (restated)
Revenue	4	283,113	253,899
Cost of sales		<u>(238,962)</u>	<u>(206,715)</u>
Gross profit		44,151	47,184
Other income and gains	5	5,178	4,133
Other losses	6	–	(3,600)
Fair value gain on investment properties		7,620	10,190
Fair value loss on financial asset through profit or loss		(121)	–
Selling and distribution expenses		(13,184)	(10,888)
Administrative and other operating expenses		(40,188)	(48,327)
Finance costs	7	<u>(2,328)</u>	<u>(2,116)</u>
Profit/(loss) before taxation	8	1,128	(3,424)
Tax expense	9	<u>(87)</u>	<u>(124)</u>
Profit/(loss) for the year attributable to equity holders of the company		<u>1,041</u>	<u>(3,548)</u>

* For identification purpose only

	<i>Note</i>	2019 HK\$'000	2018 HK\$'000 (restated)
Other comprehensive income/(expense)			
<i>Item that will not be reclassified subsequently to profit or loss</i>			
Surplus on revaluation of leasehold land and buildings upon transfer to investment properties		–	36,594
<i>Item that may be reclassified subsequently to profit or loss</i>			
Exchange differences on translation of overseas operations		<u>(214)</u>	<u>1,331</u>
Other comprehensive (expense)/income for the year		<u>(214)</u>	<u>37,925</u>
Total comprehensive income attributable to equity holders of the company		<u>827</u>	<u>34,377</u>
PROFIT/(LOSS) PER SHARE – (HK CENTS)			
– basic and diluted	10	<u>0.08 cents</u>	<u>(0.28)cents</u>

CONSOLIDATED STATEMENT OF FINANCIAL POSITION

As at 31st March, 2019

	<i>Note</i>	2019 <i>HK\$'000</i>	2018 <i>HK\$'000</i> (restated)
NON-CURRENT ASSETS			
Property, plant and equipment		55,560	56,456
Investment properties		217,540	209,920
Available-for-sale financial assets		–	2,247
Financial assets designated at fair value through other comprehensive income		2,247	–
		<u>275,347</u>	<u>268,623</u>
CURRENT ASSETS			
Inventories		22,180	35,427
Contract assets		12,136	–
Financial assets at fair value through profit or loss		413	534
Gross amounts due from customers for contract work		–	15,042
Debtors, deposits and prepayments	11	49,437	59,223
Tax recoverable		–	21
Cash and bank balances		28,870	30,350
		<u>113,036</u>	<u>140,597</u>
CURRENT LIABILITIES			
Creditors and accrued charges	12	15,745	18,584
Contract liability		5,231	–
Obligations under finance leases		80	80
Bank borrowings		70,662	89,281
Tax payable		262	154
Receipt in advance		–	2,593
		<u>91,980</u>	<u>110,692</u>
NET CURRENT ASSETS		<u>21,056</u>	<u>29,905</u>
TOTAL ASSETS LESS CURRENT LIABILITIES		<u>296,403</u>	<u>298,528</u>
NON-CURRENT LIABILITIES			
Obligations under finance leases		258	348
Deferred tax liabilities		168	168
		<u>426</u>	<u>516</u>
NET ASSETS		<u>295,977</u>	<u>298,012</u>

CONSOLIDATED STATEMENT OF FINANCIAL POSITION

As at 31st March, 2019

	2019 <i>HK\$'000</i>	2018 <i>HK\$'000</i> (restated)
CAPITAL AND RESERVES		
Share capital	12,453	12,453
Reserves	283,524	285,559
TOTAL EQUITY	295,977	298,012

NOTES ON THE CONSOLIDATED FINANCIAL STATEMENTS

1. BASIS OF PREPARATION

These consolidated 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. These consolidated financial statements also comply with the applicable disclosure provisions of the Rules Governing the Listing of Securities on The Stock Exchange of Hong Kong Limited (“the Listing Rules”). They have been prepared under the historical cost convention, except for certain financial instruments and investment properties, which have been measured at fair values. These consolidated financial statements are presented in Hong Kong Dollars (“HK\$”) and all values are rounded to the nearest thousand except where otherwise indicated.

2. ADOPTION OF NEW AND REVISED HONG KONG FINANCIAL REPORTING STANDARDS (“HKFRSs”)

The group has adopted the following HKFRSs issued by the HKICPA for the first time in the current year.

- HKFRS 9, Financial instruments
- HKFRS 15, Revenue from contracts with customers

a) **HKFRS 9, Financial instruments**

HKFRS 9 replaced HKAS 39 “Financial instruments: recognition and measurement”. It sets out the requirements for recognising and measuring financial assets, financial liabilities and some contracts to buy or sell non-financial items.

HKFRS 9 categories financial assets into three principal classification categories: measured at amortised cost, at fair value through other comprehensive income (FVOCI) and at fair value through profit or loss (FVPL). These supersede HKAS 39’s categories of held-to-maturity investments, loans and receivables, available-for-sale (“AFS”) financial assets and financial assets measured at FVPL. The classification of financial assets under HKFRS 9 is based on the business model under which the financial asset is managed and its contractual cash flow characteristics.

As at 1st April, 2018, HK\$2,247,000 were reclassified from AFS investments to financial assets designated at FVOCI. These financial assets are not held for trading and not expected to be sold in the foreseeable future.

HKFRS 9 replaced HKAS 39 “Financial instruments: recognition and measurement”. It replaces the “incurred loss” model in HKAS 39 within the “expected credit loss” (ECL) model. The ECL model requires an ongoing measurement of credit risk associated with a financial asset and therefore recognises ECLs earlier than under the “incurred loss” accounting model in HKAS 39.

The group applies the new ECL model financial assets measured at amortised cost (including accounts receivables and bank balances).

The group has applied HKFRS 9 retrospectively to items that existed at 1st April, 2018 in accordance with the transition requirements. The group has recognised the cumulative effect of initial application as an adjustment to the opening equity at 1st April, 2018. Therefore, comparative information continues to be reported under HKAS 39. The adoption of HKFRS 9 does not have material effect on the group's financial performance and position.

b) HKFRS 15, Revenue from contracts with customers

HKFRS 15 replaces HKAS 18 "Revenue" ("HKAS 18"), which cover revenue arising from sale of goods and rendering of services, and HKAS 11 "Construction contracts" ("HKAS 11") which specified the accounting for construction contracts. Previously, revenue arising from construction contracts and provision of services was recognised over time, whereas revenue from sale of goods was generally recognised at a point in time when the risks and rewards of ownership of goods had passed to the customers. Under HKFRS 15 revenue is recognised when the customer obtains control of the promised good or service in the contract. This may be at a single point in time or over time.

HKFRS 15 identifies the following three situations in which control of the promised good or service is regarded as being transferred over time:

- i) When the customer simultaneously receives and consumes the benefit provided by the entity's performance, as the entity performs;
- ii) When the entity's performance creates or enhances an asset (for example work in progress) that the customer controls as the asset is created or enhanced; and
- iii) When the entity's performance does not create an asset with an alternative use to the entity and the entity has an enforceable right to payment for performance completed to date.

If the contract terms and the entity's activities do not fall into any of these three situations, then under HKFRS 15 the entity recognise revenue for the sale of that good or service at a single point in time, being when control has passed. Transfer of risks and rewards of ownership is only one of the indicators that is considered in determining when the transfer of control occurs.

The group adopted HKFRS 15 using the modified retrospective approach which means that the cumulative impact of the adoption (if any) will be recognised in retained profit as of 1st April, 2018 and that comparatives will not be restated. The adoption of HKFRS 15 does not have a significant impact the group’s results and financial position for the current or prior periods except for the followings.

- i) To reflect these changes in presentation, at 1st April, 2018, the group has reclassified “Gross amount due from customers for contract work” amounting to HK\$15,042,000 to contract assets.
- ii) For the sale and installation of equipment, some contracts with customers provide maintenance services. Such provisions give rise to separate performance obligation. Prior to the adoption of HKFRS 15, the group recognised the revenue on completion of sale and installation. Upon adoption of HKFRS 15, the group accounts for a service-type maintenance as a separate performance obligation to which the group identifies the transaction price and recognises as revenue over the period the maintenance services are provided.

As a result of this change in accounting policy, the group has made adjustments to opening balances at 1st April, 2018, which decreased retained earnings by HK\$371,000 and decreased trade debtors by HK\$371,000.

3. NEW OR AMENDED HKFRSs THAT HAVE BEEN ISSUED BUT NOT YET EFFECTIVE

Up to the date of issue of these financial statements, the HKICPA has issued a number of amendments, new standards and interpretations which are not yet effective for the year ended 31st March, 2019 and which have not been adopted in these financial statements. These include the following which may be relevant to the group.

	Effective for accounting periods beginning on or after
HKFRS 16, <i>Leases</i>	1st January, 2019
HK(IFRIC) 23, <i>Uncertainty over income tax treatments</i>	1st January, 2019
Annual Improvements to HKFRSs 2015-2017 Cycle	1st January, 2019
Amendments to HKAS 28, <i>Long-term interest in associates and joint venture</i>	1st January, 2019

The group is in the process of making an assessment of what the impact of these amendments, new standards and interpretations is expected to be in the period of initial application. So far the group has identified some aspects of HKFRS 16 which may not have a significant impact on the consolidated financial statements. While the assessment has been substantially completed for HKFRS 16, the actual impact upon the initial adoption of this standard may differ as the assessment completed to date is based on the information currently available to the group, and further impacts may be identified before the standard is initially applied in the group’s interim financial report for the six months ended 30th September, 2019. The group may also change its accounting policy elections, including the transition options, until the standard is initially applied in that financial report.

4. SEGMENTAL INFORMATION

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

a) Segment results, assets and liabilities

The reportable segments for the year ended 31st March, 2019 are as follows:

	Sales of mobile phones in Hong Kong HK\$'000	Sales of IOT solutions in Hong Kong HK\$'000	Sales of IOT solutions in Mainland China and other countries in South East Asia HK\$'000	Property investment HK\$'000	Total HK\$'000
REVENUES					
Reportable segment revenue	227,106	40,117	11,440	4,450	283,113
Reportable segment profit/(loss)	1,563	(2,313)	(7,227)	1,485	(6,492)
Interest income from bank deposits	52	–	18	–	70
Finance costs	(1,330)	–	(24)	(974)	(2,328)
Depreciation for the year	(1,007)	(569)	(189)	(64)	(1,829)
Reportable segment assets	149,629	4,512	13,189	218,393	385,723
Additions to non-current assets during the year	15	866	37	40	958
Reportable segment liabilities	55,817	3,423	4,304	28,694	92,238

The reportable segments for the year ended 31st March, 2018 are as follows:

	Sales of mobile phones in Hong Kong HK\$'000	Sales of IOT solutions in Hong Kong HK\$'000 (restated)	Sales of IOT solutions in Mainland China and other countries in South East Asia HK\$'000	Property investment HK\$'000	Total HK\$'000
REVENUES					
Revenue from external customers	189,655	39,351	20,470	4,423	253,899
Inter-segment sales	–	9	–	–	9
Reportable segment revenue	189,655	39,360	20,470	4,423	253,908
Reportable segment profit/(loss)	2,537	(12,336)	(2,322)	2,107	(10,014)
Interest income from bank deposits	18	–	3	–	21
Finance costs	(1,084)	–	–	(1,032)	(2,116)
Depreciation for the year	(1,141)	(643)	(376)	(15)	(2,175)
Reportable segment assets	131,259	44,428	20,245	210,507	406,439
Additions to non-current assets during the year	35	567	542	5	1,149
Reportable segment liabilities	61,054	10,366	5,079	34,541	111,040

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 impairment loss on available-for-sale financial assets, fair value gain on investment properties and exchange loss. 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		Non-current assets*	
	external customers			
	2019	2018	2019	2018
	HK\$'000	HK\$'000	HK\$'000	HK\$'000
Hong Kong (place of domicile)	<u>271,486</u>	232,967	<u>262,384</u>	264,263
Mainland China	5,051	8,762	456	175
Singapore	6,126	11,629	10,260	1,938
Other countries in South East Asia	<u>450</u>	541	—	—
	<u>11,627</u>	20,932	<u>10,716</u>	2,113
	<u>283,113</u>	253,899	<u>273,100</u>	266,376

* Non-current assets excluding financial assets designated at fair value through other comprehensive income (2018: available-for-sale financial assets)

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

	2019	2018
	HK\$'000	HK\$'000
		(restated)
REVENUES		
Reportable segment revenue	283,113	253,908
Elimination of inter-segment revenue	—	(9)
Consolidated revenue	<u>283,113</u>	<u>253,899</u>
PROFIT OR LOSS		
Reportable segment loss as previously reported	(6,492)	(908)
Maintenance service income overstated	—	(2,593)
Gross amount due from customers for contract work written off	—	(6,513)
Reportable segment loss (restated)	(6,492)	(10,014)
Fair value gain on investment properties	7,620	10,190
Other losses	—	(3,600)
Consolidated profit/(loss) before taxation	<u>1,128</u>	<u>(3,424)</u>

	2019	2018
	<i>HK\$'000</i>	<i>HK\$'000</i>
ASSETS		
Reportable segment assets	385,723	406,439
Non-current financial assets	2,247	2,247
Unallocated corporate assets	413	534
	<hr/>	<hr/>
Consolidated total assets	388,383	409,220
	<hr/> <hr/>	<hr/> <hr/>
LIABILITIES		
Reportable segment liabilities	92,238	111,040
Deferred tax liabilities	168	168
	<hr/>	<hr/>
Consolidated total liabilities	92,406	111,208
	<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 financial assets designated at fair value through other comprehensive income (2018: 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.

d) Information about major customers

For the year ended 31st March, 2019, revenue from a major customer contributed to the group's revenue of approximately HK\$42,898,000 was included in reportable segment "Sales of mobile phone in Hong Kong" (2018: HK\$41,816,000 was included in reportable segment "Sales of mobile phone in Hong Kong") which individually accounted for 17% (2018: 16%) of the group's total revenue during the year.

5. OTHER INCOME AND GAINS

	2019 <i>HK\$'000</i>	2018 <i>HK\$'000</i>
Bank interest income	70	21
Dividend income	1	–
Provision for contract assets written back	843	–
Impairment on trade debtors written back	1,902	–
Impairment on trade inventory written back	2,075	–
Gain on disposal of investment property	–	481
Gain on disposal of property, plant and equipment	–	10
Exchange (loss)/gain	(134)	1,423
Others	421	2,198
	<u>5,178</u>	<u>4,133</u>

6. OTHER LOSSES

	2019 <i>HK\$'000</i>	2018 <i>HK\$'000</i>
Impairment loss on available-for-sale financial assets	–	3,600
	<u>–</u>	<u>3,600</u>

7. FINANCE COSTS

	2019 <i>HK\$'000</i>	2018 <i>HK\$'000</i>
Interest on bank borrowings	2,308	2,116
Interest on obligations under financial leases	20	–
	<u>2,328</u>	<u>2,116</u>

8. PROFIT/(LOSS) BEFORE TAXATION

Profit/(loss) before taxation has been arrived at after charging/(crediting):

	2019 <i>HK\$'000</i>	2018 <i>HK\$'000</i> (restated)
Auditor's remuneration	660	648
Depreciation		
– Owned assets	1,823	2,138
– Leased assets	6	37
	1,829	2,175
Operating lease rentals in respect of rented premises		
– Minimum lease payments	1,430	1,049
– Contingent rent	1,693	1,547
	3,123	2,596
Employee benefits expenses (including directors' emoluments)		
– Salaries, allowances and benefits in kind	33,903	32,491
– Retirement benefit scheme contributions	2,138	1,838
Total staff costs	36,041	34,329
Write-down of inventories	246	2,177
Impairment loss on trade debtors	147	889
Impairment loss on gross amount due from customers for contract work	–	7,263
Bad debts written off	183	–
Donations	200	240
Net gross rental income from investment properties under operating leases less outgoings of HK\$606,000 (2018: HK\$425,000)	(3,844)	(3,998)

9. TAX EXPENSE

Provision for Hong Kong profits tax of the group is calculated under the two-tiered tax rate at 8.25% on the first HK\$2 million of estimated assessable profits and 16.5% of any estimated assessable profits above HK\$2 million. (2018: 16.5% on all assessable profits) For other companies with the group, provision for Hong Kong profits tax has been made at 16.5% (2018: 16.5%) on the estimated assessable profit for the year.

Taxes on profits assessable in elsewhere have been calculated at the rates of tax prevailing in those places in which the group operates, based on existing legislation, interpretations and practices in respect thereof.

	2019 <i>HK\$'000</i>	2018 <i>HK\$'000</i>
Hong Kong Profits Tax		
Charge for the year	87	83
Underprovision in respect of prior years	—	41
	<u>87</u>	<u>41</u>
Tax expense for the year	<u><u>87</u></u>	<u><u>124</u></u>

10. PROFIT/(LOSS) PER SHARE ATTRIBUTABLE TO ORDINARY EQUITY HOLDERS OF THE COMPANY

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

	2019 <i>HK\$'000</i>	2018 <i>HK\$'000</i>
Profit/(loss) attributable to equity holders of the company	<u>1,041</u>	<u>(3,548)</u>
	Number of shares	Number of shares
Basic and diluted		
Weighted average number of ordinary shares in issue	<u><u>1,245,331,256</u></u>	<u><u>1,245,331,256</u></u>

11. DEBTORS, DEPOSITS AND PREPAYMENTS

	2019 <i>HK\$'000</i>	2018 <i>HK\$'000</i>
Trade debtors	29,714	42,319
Less: allowance for doubtful debts	<u>(3,055)</u>	<u>(4,811)</u>
	26,659	37,508
Deposits, other debtors and prepayments	<u>22,778</u>	<u>21,715</u>
	<u><u>49,437</u></u>	<u><u>59,223</u></u>

a) Ageing analysis

The group has a policy of allowing average credit period ranging from seven days to one month to its customers. In addition, for certain customers with long-established relationship and have good credit worthiness, a longer credit period may be granted.

The company measures loss allowances for trade receivable at an amount equal to lifetime ECLs, which is calculated using a provision matrix. The following table provides information about the company's exposure to credit risk and ECLs for trade receivable as at 31st March 2019:

	Expected default rate	Gross carrying amount <i>HK\$'000</i>	Special allowance <i>HK\$'000</i>	Gross carrying amount before loss allowance <i>HK\$'000</i>	Loss allowance <i>HK\$'000</i>	Net carrying amount <i>HK\$'000</i>
Neither past due nor impaired	0%	1,862	–	1,862	–	1,862
0-120 days past due	0%	17,889	–	17,889	–	17,889
121-365 days past due	2%	2,705	–	2,705	54	2,651
1-2 years past due	5%	2,602	–	2,602	130	2,472
2-3 years past due	10%	1,085	–	1,085	109	976
More than 3 years past due	20%	<u>3,571</u>	<u>2,560</u>	<u>1,011</u>	<u>202</u>	<u>809</u>
Trade debtors		<u>29,714</u>	<u>2,560</u>	<u>27,154</u>	<u>495</u>	<u>26,659</u>

Expected default rates are based on actual loss experienced by the company and forward-looking information. These rates are adjusted to reflect difference between economic conditions during the period over which historic data has been collected, current conditions and the company's view of economic conditions over the expected lives of the receivables.

Prior to 1st April 2018, an impairment loss was recognised only when there was objective evidence of impairment. During the year ended 31st March, 2018, receivables of HK\$889,000 was determined to be impaired. The aging analysis of trade receivables were as follows:

	2018 <i>HK\$'000</i>
0-30 days past due	15,128
31-60 days past due	4,301
61-90 days past due	706
91-120 past due	738
121-360 days past due	4,140
Over 360 days past due	<u>12,495</u>
Trade debtors	<u><u>37,508</u></u>

Receivables that were neither overdue nor impaired relate to a wide range of customers for whom there was no recent history of default.

Receivables that were overdue but not impaired relate to independent customers that have a good track record with the group. Based on past experience, management believes that no impairment allowance is necessary in respect of these balances as there has not been a significant change in credit quality and the balances are still considered fully recoverable. The group does not hold any collateral over these balances.

b) Impairment of trade debtors

Impairment losses in respect of trade debtors are recorded fully on allowance account unless the group is satisfied that recovery of the amount is remote, in which case the impairment loss is written off against trade debtors directly.

The movement in the allowance for doubtful debts during the year is as follows:

	2019 <i>HK\$'000</i>	2018 <i>HK\$'000</i>
At 1st April	4,811	3,693
Impairment losses written back	(1,902)	–
Impairment loss recognised	147	889
Currency realignment	<u>(1)</u>	<u>229</u>
At 31st March	<u><u>3,055</u></u>	<u><u>4,811</u></u>

At 31st March, 2019, the group's trade debtors amounted to HK\$3,055,000 (2018: HK\$4,811,000) were individually determined to be impaired. The individually impaired receivables related to customers that were in financial difficulties and management assessed that such trade receivables cannot be fully recovered. Consequently, specific allowances for doubtful debts of HK\$3,055,000 (2018: HK\$4,811,000) were recognised. The group does not hold any collateral over these balances.

The amount of the group's deposits, other debtors and prepayments expected to be recovered or recognised as expense after more than one year is HK\$1,064,000 (2018: HK\$974,000). All of the remaining deposits, other debtors and prepayments are expected to be recovered or recognised as expense within one year.

12. CREDITORS AND ACCRUED CHARGES

	2019 <i>HK\$'000</i>	2018 <i>HK\$'000</i>
Trade creditors	7,222	9,434
Deposits received	1,399	1,255
Accrued expenses	7,124	7,895
	<u>15,745</u>	<u>18,584</u>

The ageing analysis of trade creditors is as follows:

	2019 <i>HK\$'000</i>	2018 <i>HK\$'000</i>
0 – 30 days	5,373	5,887
31 – 60 days	56	174
61 – 90 days	313	188
Over 90 days	1,480	3,185
	<u>7,222</u>	<u>9,434</u>

13. FAIR VALUE MEASUREMENT OF FINANCIAL INSTRUMENTS

a) Financial assets measured at fair value

Fair value hierarchy

The following table presents the fair value of the group's financial instruments measured at the end of each reporting period on a recurring basis, categorised into the three-level fair value hierarchy as defined in HKFRS 13, Fair value measurement. The level into which a fair value measurement is classified is determined with reference to the observability and significance of the inputs used in the valuation technique as follows:

- Level 1 valuations: Fair value measured using only Level 1 inputs i.e. unadjusted quoted prices in active markets for identical assets or liabilities at the measurement date.

- Level 2 valuations: Fair value measured using Level 2 inputs i.e. observable inputs which fail to meet Level 1, and not using significant unobservable inputs. Unobservable inputs are inputs for which market data are not available.
- Level 3 valuations: Fair value measured using significant unobservable inputs.

	Fair value at 31st March, 2019	Fair value measurement as at 31st March, 2019 categorised into		
	<i>HK\$'000</i>	Level 1 <i>HK\$'000</i>	Level 2 <i>HK\$'000</i>	Level 3 <i>HK\$'000</i>
Recurring fair value measurement				
Assets:				
Financial assets at FVOCI:				
Investment in life insurance policy	1,947	-	1,947	-
Unlisted equity securities	300	-	-	300
Financial assets at FVPL:				
Listed equity securities	413	413	-	-
	<u>2,660</u>	<u>413</u>	<u>1,947</u>	<u>300</u>

	Fair value at 31st March, 2018	Fair value measurement as at 31st March, 2018 categorised into		
	<i>HK\$'000</i>	Level 1 <i>HK\$'000</i>	Level 2 <i>HK\$'000</i>	Level 3 <i>HK\$'000</i>
Recurring fair value measurement				
Assets:				
Available-for-sale financial assets:				
Investment in life insurance policy	1,947	-	1,947	-
Financial assets at FVPL:				
Listed equity securities	534	534	-	-
	<u>2,481</u>	<u>534</u>	<u>1,947</u>	<u>-</u>

During the years ended 31st March, 2019 and 31st March, 2018, there were no transfers between Level 1 and Level 2.

b) Fair values of financial instruments carried at other than fair value

The carrying amounts of the group's other financial instruments carried at cost or amortised cost are not materially different from their fair value as at 31st March, 2019 and 2018.

c) Estimation of fair values

The following summaries the major methods and assumptions used in estimating the fair value of financial instruments.

- i) Listed equity securities: Fair value is based on quoted market prices at the end of the reporting period without any deduction for transaction costs.
- ii) Investment in life insurance policy: Fair value is determined based on cash surrender value issued by insurer.
- iii) Unlisted equity securities: The group valued its investment in the unlisted private company's equity share based on its net asset value as the group has determined that the reported net asset value represented the fair value at the end of the reporting period.

MANAGEMENT DISCUSSION AND ANALYSIS

For the year ended 31st March, 2019, the group's turnover increased by 10% to HK\$283 million (2018: HK\$254 million) and net profit attributable to equity holders of the company was HK\$1 million as compared with the loss of HK\$4 million for the year ended 31st March, 2018.

SALES OF MOBILE PHONES

The turnover increased from HK\$190 million to HK\$227 million during the year under review. The division recorded profit of HK\$2 million (2018: HK\$3 million). The increase in turnover was due to new models launched by Nokia and vivo which were well received by the customers. However, the gross profit decreased due to keen competition.

SALES OF IOT SOLUTIONS

During the year under review, the turnover decreased by 16% to HK\$52 million (2018: HK\$60 million) due to fewer projects have been completed. However, the loss decreased from HK\$15 million to HK\$10 million due to effective cost control measures.

PROPERTY INVESTMENT

During the year under review, the rental income was stable and the profit of this division was HK\$1.5 million (2018: HK\$2.1 million).

PROSPECTS

Regarding the mobile phone business, we are the authorised distributors of both Nokia and vivo brands. The economic uncertainty may adversely affect the willingness of spending of the consumers and may thus have impact on our sales.

In IOT solutions segment, we will develop new and innovative products to meet market demand. In addition, we will continue to implement cost control measures.

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

As at 31st March, 2019, the group's cash and bank balances amounted to approximately HK\$29 million (2018: HK\$30 million) while the bank borrowings were HK\$71 million (2018: HK\$89 million). The board believes that the group has sufficient resources to satisfy its commitments and working capital requirements.

GEARING RATIO

The gearing ratio was 24% (2018: 30%) which is expressed as a percentage of total borrowings to shareholders' funds.

CAPITAL STRUCTURE

There was no change to the group's capital structure for the year ended 31st March, 2019.

CAPITAL EXPENDITURE

During the year, the group spent HK\$1 million on property, plant and equipment.

EMPLOYEES

As at 31st March, 2019, the total number of employees of the group was approximately 120 (2018: 120) and the aggregate remuneration of employees (excluding directors' emoluments) amounted to HK\$31 million (2018: HK\$30 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 31st March, 2019, 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\$53,145,000 (2018: HK\$54,100,000), (2) first legal charge on certain investment properties with total fair value of HK\$207,280,000 (2018: HK\$199,450,000), (3) bank deposits of HK\$2,579,000 (2018: HK\$2,626,000), (4) financial assets at fair value through profit or loss with total fair value of HK\$413,000 (2018: HK\$534,000) and (5) financial assets designated at fair value through other comprehensive income of HK\$1,947,000 (2018: HK\$1,947,000).

FOREIGN EXCHANGE FLUCTUATIONS

The group's assets and liabilities are mainly denominated in Hong Kong Dollars, Chinese Renminbi and Singapore Dollars. Income and expenses derived from operations in PRC and Singapore are mainly denominated in Chinese Renminbi and Singapore Dollars respectively. There is no significant exposure to the fluctuations of foreign exchange rates, but the group is closely monitoring the financial market and would consider appropriate measures if required. The group has no hedging arrangement for foreign currencies and has not involved in the financial derivatives.

CONTINGENT LIABILITIES

As at 31st March, 2019 the company had provided corporate guarantees of HK\$71 million (2018: HK\$89 million) to secure general banking facilities granted to the subsidiaries.

DIVIDEND

Final dividend of HK0.2 cents (2018: HK0.2 cents) per ordinary shares for the year ended 31st March, 2019 has been proposed by the directors and is subject to the approval by the shareholders in general meeting.

CLOSURE OF REGISTER OF MEMBERS

To be eligible to attend and vote in the coming annual general meeting

The register of members of the company will be closed from Wednesday, 28th August, 2019 to Friday, 30th August, 2019 (both days inclusive) during which period no transfers of shares will be registered. In order to qualify for attending and voting at the forthcoming AGM, all transfers accompanied by the relevant share certificates must be lodged with the company's Hong Kong branch registrar ("Branch Registrar"), Pilare Limited, at Room 1021, 10th Floor, Sun Hung Kai Centre, 30 Harbour Road, Wanchai, Hong Kong for registration not later than 4:30 p.m. on Tuesday, 27th August, 2019.

To qualify for the proposed dividend

The register of members of the company will be closed from Wednesday, 11st September, 2019 to Friday, 13th September, 2019 (both days inclusive) during which period no transfers of shares will be registered. In order to qualify for the proposed dividend, all transfers accompanied by the relevant share certificates must be lodged with the Branch Registrar, Pilare Limited, at Room 1021, 10th Floor, Sun Hung Kai Centre, 30 Harbour Road, Wanchai, Hong Kong for registration not later than 4:30 p.m. on Tuesday, 10th September, 2019.

CORPORATE GOVERNANCE

The board considers that good corporate governance is central to safeguarding the interests of the shareholders, customers, employees and other stakeholders of the group. The company had complied throughout the year ended 31st March, 2019 with the code provisions of the Corporate Governance Code (the "Code") contained in Appendix 14 to the Listing Rules, 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 did not attend the annual general meeting of the company held on 31st August, 2018 due to his other commitments.

REVIEW OF PRELIMINARY ANNOUNCEMENT OF RESULTS BY THE INDEPENDENT AUDITOR

The figures in respect of the group's consolidated statement of financial position, consolidated statement of comprehensive income and the related notes thereto for the year ended 31st March 2019 as set out in the preliminary announcement have been agreed by the group's auditors, Li, Tang, Chen & Co., to the amounts set out in the group's audited consolidated financial statements for the year. The work performed by Li, Tang, Chen & Co. in this respect did not constitute an assurance engagement in accordance with Hong Kong Standards on Auditing, Hong Kong Standards on Review Engagements or Hong Kong Standards on Assurance Engagements issued by the HKICPA and consequently no assurance has been expressed by Li, Tang, Chen & Co. on the preliminary announcement.

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 ("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, each of the directors confirmed that he had complied with the required standard set out in the Model Code during the year ended 31st March, 2019.

AUDIT COMMITTEE

During the year, the audit committee reviewed the unaudited condensed interim financial statements for the six months ended 30th September, 2018 and the audited financial statements for the year ended 31st March, 2019 with recommendations to the board for approval, reviewed reports on internal control system of the group, and discussed with the management and the external auditors the audit plans, the accounting policies and practices which may affect the group and financial reporting matters.

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

There was no purchase, sale or redemption of the company's listed shares by the company or any of its subsidiaries during the year.

APPRECIATION

The board would like to extend its sincere gratitude to the company's shareholders, business counterparts and all management and staff members of the group for their contribution and continued support during the year.

ANNUAL GENERAL MEETING AND DESPATCH OF ANNUAL REPORT

The annual general meeting ("AGM") of the company will be held on Friday, 30th August, 2019. The annual report of the company for the year ended 31st March, 2019 together with the notice of the AGM 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.

BOARD OF DIRECTORS

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 Miss. Chow So Fan, Candy as executive directors and Mr. Chiu Ngar Wing, Dr. Chu Chor Lup and Dr. Law Ka Hung as independent non-executive directors.

On behalf of the board
Chan Chung Yee, Hubert
Chairman

Hong Kong, 28th June, 2019