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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 31 MARCH 2020**

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 31 March 2020 together with audited comparative figures for the year ended 31 March 2019 as follows:

* *For identification purpose only*

CONSOLIDATED STATEMENT OF COMPREHENSIVE INCOME
FOR THE YEAR ENDED 31 MARCH 2020

	<i>Notes</i>	2020 <i>HK\$'000</i>	2019 <i>HK\$'000</i>
Revenue	3	232,235	283,113
Cost of sales		<u>(191,872)</u>	<u>(237,493)</u>
Gross profit		40,363	45,620
Other income, gains and losses	4	159	2,956
Fair value (loss) gain on investment properties		(11,117)	7,620
Fair value gain (loss) on financial assets at fair value through profit and loss		5	(121)
Selling and distribution expenses		(8,158)	(10,206)
Administrative and other operating expenses		(41,617)	(42,163)
Finance costs	5	<u>(2,428)</u>	<u>(2,578)</u>
(Loss) profit before taxation	6	(22,793)	1,128
Tax expenses	7	<u>(241)</u>	<u>(87)</u>
(Loss) profit for the year attributable to equity holders of the Company		<u>(23,034)</u>	<u>1,041</u>
Other comprehensive income (expense)			
<i>Item that may be reclassified subsequently to profit or loss</i>			
Exchange differences on translation of overseas operations		(767)	(214)
<i>Item that will not be reclassified subsequently to profit or loss</i>			
Change in fair value of financial assets at FVTOCI		<u>4,891</u>	<u>–</u>
Other comprehensive income (expense) for the year		<u>4,124</u>	<u>(214)</u>
Total comprehensive (expense) income attributable to equity holders of the Company		<u>(18,910)</u>	<u>827</u>
(LOSS) EARNINGS PER SHARE – (HK CENTS)			
– basic and diluted	8	<u>(1.85)</u>	<u>0.08</u>

CONSOLIDATED STATEMENT OF FINANCIAL POSITION

AS AT 31 MARCH 2020

	<i>Notes</i>	2020 <i>HK\$'000</i>	2019 <i>HK\$'000</i>
NON-CURRENT ASSETS			
Property, plant and equipment		54,405	55,560
Investment properties		205,950	217,540
Financial assets at fair value through profit and loss (“FVTPL”)		1,947	1,947
Financial assets at fair value through other comprehensive income (“FVTOCI”)		5,191	300
		<u>267,493</u>	<u>275,347</u>
CURRENT ASSETS			
Inventories		17,455	22,180
Contract assets		22,950	12,136
Financial assets at fair value through profit and loss		418	413
Trade receivables	9	16,580	26,659
Prepayments, deposits and other receivables		13,390	22,778
Tax recoverable		52	–
Pledged bank deposits		2,000	2,560
Cash and bank balances		17,350	26,310
		<u>90,195</u>	<u>113,036</u>
CURRENT LIABILITIES			
Trade payables	10	6,435	7,222
Accruals and other payables	10	7,299	8,523
Contract liabilities		2,812	5,231
Lease liabilities		347	–
Obligations under finance leases		–	80
Bank borrowings		65,320	70,662
Tax payable		381	262
		<u>82,594</u>	<u>91,980</u>
NET CURRENT ASSETS		<u>7,601</u>	<u>21,056</u>

	2020 <i>HK\$'000</i>	2019 <i>HK\$'000</i>
TOTAL ASSETS LESS CURRENT LIABILITIES	275,094	296,403
NON-CURRENT LIABILITIES		
Lease liabilities	236	–
Obligations under finance leases	–	258
Deferred tax liabilities	282	168
	518	426
NET ASSETS	274,576	295,977
CAPITAL AND RESERVES		
Share capital	12,453	12,453
Reserves	262,123	283,524
TOTAL EQUITY	274,576	295,977

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 (“Int(s)”) 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. APPLICATION OF NEW AND AMENDMENTS TO HONG KONG FINANCIAL REPORTING STANDARDS

In the current year, the Group has applied, for its first time, the following new and amendments to HKFRSs, which include HKFRSs, HKASs, amendments and Int(s), issued by the HKICPA.

HKFRS 16	Leases
HK(IFRIC) – Int 23	Uncertainty over Income Tax Treatments
Amendments to HKFRS 9	Prepayment Features with Negative Compensation
Amendments to HKAS 19	Plan Amendment, Curtailment or Settlement
Amendments to HKAS 28	Long-term Interests in Associates and Joint Venture
Amendments to HKFRSs	Annual Improvements to HKFRSs 2015-2017 Cycle

The adoption of HKFRS 16 resulted in the changes in the Group’s accounting policies and adjustments to the amounts recognised in the consolidated financial statements as summarised below.

The application of other new and amendments to HKFRSs in the current year has had no material impact on the Group’s financial performance and position for the current and prior years and/or on the disclosures set out in these consolidated financial statements.

Impacts on adoption of *HKFRS 16 Leases*

HKFRS 16 introduces new or amended requirements with respect to lease accounting. It introduces significant changes to the lessee accounting by removing the distinction between operating lease and finance lease and requiring the recognition of right-of-use asset and a lease liability for all leases, except for short-term leases and leases of low value assets. In contrast to lessee accounting, the requirements for lessor accounting have remained largely unchanged. The Group has applied HKFRS 16 Leases retrospectively with the cumulative effect of initial application as an adjustment to the opening balance of equity, where appropriate, at 1 April 2019. Comparative information has not been restated and continues to be reported under HKAS 17 Leases.

On transition to HKFRS 16, the Group elected to apply the practical expedient to grandfather the assessment of which arrangements are, or contain, leases. It applied HKFRS 16 only to contracts that were previously identified as leases. Contracts that were not identified as leases under HKAS 17 and HK(IFRIC) – Int 4 were not reassessed. Therefore, the definition of a lease under HKFRS 16 has been applied only to contracts entered into or changed on or after 1 April 2019.

The Group as lessor

The Group leases some of the properties. The accounting policies applicable to the Group as lessor remain substantially unchanged from those under HKAS 17.

The Group as lessee

On adoption of HKFRS 16, the Group's lease arrangements which had previously been classified as 'operating leases' under the principles of HKAS 17 Leases were leases with remaining lease term of twelve months or less.

The Group leases a motor vehicle and the lease was classified as finance leases under HKAS 17. For this finance leases, the carrying amount of the right-of-use asset and the lease liability at 1 April 2019 was determined at the carrying amount of the lease asset and lease liability under HKAS 17 immediately before that date. Accordingly, the obligations under finance leases are now included within lease liabilities, and the carrying amount of the corresponding lease asset is identified as a right-of-use asset and continue to be included in property, plant and equipment. There is no impact on the opening balance of equity.

The following table summarises the impact of transition to HKFRS 16 at 1 April 2019. Line items that were not affected by the adjustments have not been included.

	Carrying amount previously reported at 31 March 2019 HK\$'000	Impact on adoption of HKFRS 16 HK\$'000	Carrying amount as restated at 1 April 2019 HK\$'000
Obligation under finance leases – non-current	258	(258)	–
Obligation under finance leases – current	80	(80)	–
Lease liabilities – non-current	–	258	258
Lease liabilities – current	–	80	80

Note:

The obligations under finance leases of HK\$338,000 as at 31 March 2019 are now included within lease liabilities under HKFRS 16. The carrying amount of the related asset under finance leases as at 31 March 2019 amounting to HK\$354,000 is presented as a right-of-use asset included in property, plant and equipment.

In the consolidated statement of cash flows, the Group as a lessee is required to split rentals paid under capitalised leases into their capital element and interest element. These elements are classified as financing cash outflows, similar to how leases previously classified as finance leases under HKAS 17 were treated, rather than as operating cash outflows, as was the case for operating leases under HKAS 17. The total cash flows are unaffected. The adoption of HKFRS 16 has resulted in a change in presentation of cash flows within the consolidated statement of cash flows.

Differences between operating lease commitments as at 31 March 2019, the date immediately preceding the date of initial application, discounted using the incremental borrowing rate, and the lease liabilities recognised as at 1 April 2019 are as follow:

	<i>HK\$'000</i>
Operating lease commitment disclosed as at 31 March 2019	647
Less: Short-term leases and other leases with remaining lease term ended on or before 31 March 2020	<u>(647)</u>
	–
Obligations under finance leases as at 1 April 2019	<u>338</u>
Lease liabilities recognised as at 1 April 2019	<u><u>338</u></u>
Analysed as	
Current portion	80
Non-current portion	<u>258</u>
	<u><u>338</u></u>

Practical expedients applied

On the date of initial application of HKFRS 16, the Group has also used the following practical expedients permitted by the standard:

- reliance on assessments on whether leases are onerous by applying HKAS 37 immediately before the date of initial application as an alternative to performing an impairment review.
- the accounting for operating leases with a remaining lease term of less than 12 months as at 1 April 2019 as short-term leases.
- the exclusion of initial direct costs for the measurement of the right-of-use assets at the date of initial application.
- the use of hindsight in determining the lease term where the contract contains options to extend or terminate the lease.

New and revised HKFRSs issued but not yet effective

The Group has not early applied the following new and amendments to HKFRSs that have been issued but are not yet effective:

HKFRS 17	Insurance Contracts ²
Amendments to HKFRS 10 and HKAS 28	Sale or Contribution of Assets between an Investor and its Associate or Joint Venture ³
Amendments to HKFRS 3	Definition of a Business ⁴
Amendments to HKFRS 16	COVID-19 -Related Rent Concessions ⁵
Amendments to HKAS 1 and HKAS 8	Definition of Material ¹
Amendments to HKFRS 9, HKAS 39 and HKFRS 7	Interest Rate Benchmark Reform ¹
Conceptual Framework for Financial Reporting 2018	Revised Conceptual Framework for Financial Reporting ¹

¹ Effective for annual periods beginning on or after 1 January 2020

² Effective for annual periods beginning on or after 1 January 2021

³ Effective for annual periods beginning on or after a date to be determined

⁴ Effective for business combinations and asset acquisitions for which the acquisition date is on or after the beginning of the first annual period beginning on or after 1 January 2020

⁵ Effective for annual periods beginning on or after 1 June 2020

The directors of the Company anticipate that the application of the new and amendments HKFRSs will have no material impact on the results and the financial position of the Group.

3. SEGMENTAL INFORMATION

Information reported to the board of directors, being the chief operating decision maker, for the purposes of resource allocation and assessment of segment performance focuses on types of goods or services delivered or provided. The directors of the Company have chosen to organise the Group around differences in products and services. No operating segments identified by the chief operating decision maker have been aggregated in arriving at the reportable segments of the Group.

Specifically, the Group's reportable segments are as follows:

1. Sales of mobile phones in Hong Kong
2. Sales of internal of things ("IOT") solutions in Hong Kong
3. Sales of IOT solutions in Mainland China and other countries in South East Asia
4. Property investment

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

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

The following is an analysis of the Group's revenue and results by reportable and operating segments.

Segment revenues and results

For the year ended 31 March 2020

	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>
REVENUES					
Reportable segment revenue-external	<u>181,755</u>	<u>37,501</u>	<u>8,827</u>	<u>4,152</u>	<u>232,235</u>
Reportable segment profit (loss)	<u>3,927</u>	<u>(2,871)</u>	<u>(12,719)</u>	<u>(18)</u>	<u>(11,681)</u>
Other segment information:					
Amounts included in the measure of segment profit or loss or segment assets					
Interest income from bank deposits	59	-	2	-	61
Finance costs	1,527	-	62	839	2,428
Depreciation	1,438	226	425	27	2,116
Write-down of inventories	684	-	-	-	684
Reversal of impairment of account receivables	101	-	-	-	101
Impairment loss on contract assets	-	-	118	-	118
Additions to non-current assets	139	100	767	-	1,006
Reportable segment assets	<u>108,850</u>	<u>26,422</u>	<u>8,365</u>	<u>206,495</u>	<u>350,132</u>
Reportable segment liabilities	<u>51,226</u>	<u>2,471</u>	<u>3,718</u>	<u>25,415</u>	<u>82,830</u>

For the year ended 31 March 2019

	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>
REVENUES					
Reportable segment revenue-external	227,106	40,117	11,440	4,450	283,113
Reportable segment profit (loss)	1,684	(2,313)	(7,227)	1,485	(6,371)
Other segment information:					
Amounts included in the measure of segment profit or loss or segment assets					
Interest income from					
bank deposits	52	–	18	–	70
Finance costs	1,580	–	24	974	2,578
Depreciation	1,007	569	189	64	1,829
(Reversal of) write-down of inventories	(2,534)	(254)	959	–	(1,829)
Reversal of impairment of					
account receivables	1,744	–	11	–	1,755
Additions to non-current assets	15	866	37	40	958
Reportable segment assets	149,629	4,512	13,189	218,393	385,723
Reportable segment liabilities	55,817	3,423	4,304	28,694	92,238

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 gain (loss) on FVTPL and fair value gain (loss) on investment properties. This is the measure reported to the chief operating decision maker for the purposes of resource allocation and assessment of segment performance.

Geographical information

	Revenues from external customers		Non-current assets*	
	2020 <i>HK\$'000</i>	2019 <i>HK\$'000</i>	2020 <i>HK\$'000</i>	2019 <i>HK\$'000</i>
Hong Kong (place of domicile)	<u>223,408</u>	<u>271,486</u>	<u>249,874</u>	<u>262,384</u>
Mainland China	4,746	5,051	428	456
Singapore	3,666	6,126	10,053	10,260
Other countries in South East Asia	<u>415</u>	<u>450</u>	<u>–</u>	<u>–</u>
	<u>8,827</u>	<u>11,627</u>	<u>10,481</u>	<u>10,716</u>
	<u>232,235</u>	<u>283,113</u>	<u>260,355</u>	<u>273,100</u>

* Non-current assets exclude financial assets at FVTPL and FVTOCI.

Reconciliations of reportable segment profit or loss, assets and liabilities

	2020 <i>HK\$'000</i>	2019 <i>HK\$'000</i>
PROFIT OR LOSS		
Total reportable segment loss	(11,681)	(6,371)
Fair value (loss) gain on investment properties	(11,117)	7,620
Fair value gain (loss) on financial assets at FVTPL	<u>5</u>	<u>(121)</u>
Consolidated (loss) profit before taxation	<u>(22,793)</u>	<u>1,128</u>
	2020 <i>HK\$'000</i>	2019 <i>HK\$'000</i>
ASSETS		
Total reportable segment assets	350,132	385,723
Unallocated corporate assets	<u>7,556</u>	<u>2,660</u>
Consolidated total assets	<u>357,688</u>	<u>388,383</u>
LIABILITIES		
Total reportable segment liabilities	82,830	92,238
Deferred tax liabilities	<u>282</u>	<u>168</u>
Consolidated total liabilities	<u>83,112</u>	<u>92,406</u>

Information about major customers

Revenue from customers of the corresponding year contributing over 10% of the total revenue of the Group is as follows:

	2020 <i>HK\$'000</i>	2019 <i>HK\$'000</i>
Customer A [#]	<u>28,630</u>	<u>42,898</u>

[#] Revenue from sale of mobile phones in Hong Kong segment

4. OTHER INCOME, GAINS AND LOSSES, NET

	2020 <i>HK\$'000</i>	2019 <i>HK\$'000</i>
Bank interest income	61	70
Dividend income	3	1
Recoveries of trade receivables previously written off	–	843
Reversal of impairment on trade receivables	101	1,755
Impairment loss on contract assets	(118)	–
Loss on disposal of property, plant and equipment	(12)	–
Exchange loss	(216)	(134)
Others	340	421
	<u>159</u>	<u>2,956</u>

5. FINANCE COSTS

	2020 <i>HK\$'000</i>	2019 <i>HK\$'000</i>
Interest on bank borrowings	2,000	2,308
Interest on lease liabilities	25	–
Interest on obligations under finance leases	–	20
	<u>2,025</u>	<u>2,328</u>
Total interest expenses	2,025	2,328
Bank charges	403	250
	<u>2,428</u>	<u>2,578</u>

6. (LOSS) PROFIT BEFORE TAXATION

(Loss) profit before taxation has been arrived at after charging (crediting):

	2020 <i>HK\$'000</i>	2019 <i>HK\$'000</i>
Auditor's remuneration	723	660
Depreciation on:		
– Property, plant and equipment	1,823	1,829
– Right-of-use assets	293	–
	<u>2,116</u>	<u>1,829</u>
Operating lease rentals in respect of rented premises under HKAS17		
– Minimum lease payments	–	1,430
– Contingent rent	–	1,693
	<u>–</u>	<u>3,123</u>
Employee benefits expenses (including directors' emoluments)		
– Salaries, allowances and benefits in kind	29,348	33,903
– Retirement benefit scheme contributions	2,215	2,138
	<u>31,563</u>	<u>36,041</u>
Total staff costs	<u>31,563</u>	<u>36,041</u>
Write-down of inventories (included in cost of sales)	684	246
Reversal of inventories previously written-down (included in cost of sales)	–	(2,075)
Gross rental income from investment properties under operating leases less outgoings of HK\$666,000 (2019: HK\$606,000)	<u>(3,486)</u>	<u>(3,844)</u>

7. TAX EXPENSES

- a) On 21 March 2018, the Hong Kong Legislative Council passed The Inland Revenue (Amendment) (No. 7) Bill 2017 (the “Bill”) which introduces the two-tiered profits tax rates regime. The Bill was signed into law on 28 March 2018 and was gazetted on the following day. Under the two tiered profits tax rates regime, the first HK\$2 million of profits of the qualifying group entity will be taxed at 8.25%, and profits above HK\$2 million will be taxed at 16.5%. The profits of group entities not qualifying for the two-tiered profits tax rates regime will continue to be taxed at a flat rate of 16.5%.

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. In general, the Group’s subsidiaries operating in the PRC are subject to the Enterprises Income Tax rate of 25% and those operating in Singapore are subject to Singapore Corporate Tax rate of 17%.

No provision for Enterprises Income Tax of the PRC and Singapore Corporate Tax has been made as the Group did not have any assessable profits subject to tax in the PRC and Singapore respectively for the year ended 31 March 2020 and 2019.

	2020 <i>HK\$’000</i>	2019 <i>HK\$’000</i>
Hong Kong Profits Tax		
Charge for the year	127	87
Deferred tax		
Charge for the year	114	–
	<u>241</u>	<u>87</u>
Tax expenses for the year	<u>241</u>	<u>87</u>

8. (LOSS) EARNINGS PER SHARE

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

	2020 <i>HK\$’000</i>	2019 <i>HK\$’000</i>
(Loss) earnings attributable to equity holders of the Company	<u>(23,034)</u>	<u>1,041</u>
	Number of shares	Number of shares
Number of shares		
Weighted average number of ordinary shares for the purpose of basic and diluted (loss) earnings per share	<u>1,245,331,256</u>	<u>1,245,331,256</u>

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

9. TRADE RECEIVABLES

	2020 <i>HK\$'000</i>	2019 <i>HK\$'000</i>
Trade debtors	18,988	29,714
Less: Loss allowance	(2,408)	(3,055)
	16,580	26,659

The Group allows an average credit periods ranging from seven days to one month to its customers. The following is an aged analysis of trade receivables presented based on the invoice date, at the end of the reporting period. In addition, for certain customers with long-established relationship and have good credit worthiness, a longer credit period may be granted.

	2020 <i>HK\$'000</i>	2019 <i>HK\$'000</i>
Within 30 days	8,825	15,415
31 to 60 days	1,324	3,263
61 to 90 days	722	1,073
91 to 180 days	2,059	1,591
181 to 365 days	1,377	1,114
Over 365 days	4,681	7,258
	18,988	29,714

10. TRADE PAYABLES, ACCRUAL AND OTHER PAYABLES

	2020 <i>HK\$'000</i>	2019 <i>HK\$'000</i>
Trade payables	6,435	7,222
Accruals and other payables	<u>7,299</u>	<u>8,523</u>
	<u><u>13,734</u></u>	<u><u>15,745</u></u>

The following is an aged analysis of accounts payable presented based on the invoice date at the end of the reporting period.

	2020 <i>HK\$'000</i>	2019 <i>HK\$'000</i>
0 – 30 days	4,621	5,373
31 – 60 days	3	56
61 – 90 days	87	313
Over 90 days	<u>1,724</u>	<u>1,480</u>
	<u><u>6,435</u></u>	<u><u>7,222</u></u>

The trade payables were due according to the terms stated in the relevant contracts. The average credit periods on purchase of services is 30 to 60 days. The Group has financial risk management policies in place to ensure that all payables are settled within the credit timeframe.

MANAGEMENT DISCUSSION AND ANALYSIS

For the year ended 31 March 2020, the Group's turnover decreased by 18% to HK\$232 million (2019: HK\$283 million) and loss attributable to equity holders of the Company was HK\$23 million as compared with the profit of HK\$1 million for the year ended 31 March 2019. The loss was mainly attributable to (i) the decrease in revenue and gross profit as a result of the social events and the outbreak of the novel coronavirus; and (ii) the fair value loss in investment properties amounting to approximately HK\$11 million while there was fair value gain amounting to approximately HK\$8 million for the year ended 31 March 2019.

SALES OF MOBILE PHONES

The turnover decreased from HK\$227 million to HK\$182 million during the year under review and the division recorded profit of HK\$4 million (2019: HK\$2 million). The increase in profit was due to several new models getting higher profit margin.

SALES OF IOT SOLUTIONS

During the year under review, the turnover decreased by 10% to HK\$46 million (2019: HK\$52 million) due to fewer projects have been completed and the loss increased from HK\$10 million to HK\$16 million.

PROPERTY INVESTMENT

During the year under review, the rental income decreased from HK\$4.5 million to HK\$4.2 million due to granting of rental relief to our tenants and the division recorded loss of HK\$0.02 million (2019: profit of HK\$1.5 million).

PROSPECTS

Regarding the mobile phone business, we are the authorised distributors of both Nokia and vivo brands. The uncertainty brought by the outbreak of the novel coronavirus 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 there will be downward adjustment of rental income upon renewal of tenancy agreements and the vacancy of properties will further reduce the rental income.

The Group maintains a healthy cash flow and financial position to ensure that we are well-positioned for the economic and retail recovery when it happens.

LIQUIDITY AND FINANCIAL RESOURCES

As at 31 March 2020, the Group's cash and bank balances amounted to approximately HK\$19 million (2019: HK\$29 million) while the bank borrowings were HK\$65 million (2019: HK\$71 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% (2019: 24%) 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 31 March 2020.

CAPITAL EXPENDITURE

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

EMPLOYEES

As at 31 March 2020, the total number of employees of the Group was approximately 100 (2019: 120) and the aggregate remuneration of employees (excluding directors' emoluments) amounted to HK\$27 million (2019: HK\$31 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 31 March 2020, 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\$52,034,000 (2019: HK\$53,145,000), (2) first legal charge on certain investment properties with total fair value of HK\$184,850,000 (2019: HK\$195,090,000), (3) bank deposits of HK\$2,000,000 (2019: HK\$2,560,000), (4) financial assets at fair value through profit and loss with total fair value of HK\$418,000 (2019: HK\$413,000) and (5) financial assets designated at fair value through other comprehensive profit and loss HK\$1,947,000 (2019: 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 31 March 2020, the Company had provided corporate guarantees of HK\$71 million (2019: HK\$71 million) to secure general banking facilities granted to the subsidiaries.

DIVIDEND

No dividend was proposed by the directors of the Company for the year ended 31 March 2020 (2019: HK\$0.2 cents per share amounting to HK\$2,491,000 in total).

CLOSURE OF REGISTER OF MEMBERS

The register of members of the Company will be closed from Wednesday, 26 August 2020 to Friday, 28 August 2020 (both days inclusive) during which period no transfers of shares will be registered. In order to qualify for attending and voting at the forthcoming annual general meeting all transfers accompanied by the relevant share certificates must be lodged with the Company's Hong Kong branch registrar, Pilare Limited, at 17th Floor, Leighton Center, 77 Leighton Road, Hong Kong for registration not later than 4:30 p.m. on Tuesday, 25 August 2020.

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 31 March 2020 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 30 August 2019 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 31 March 2020 as set out in the preliminary announcement have been agreed by the Group's auditors, SHINEWING (HK) CPA Limited to the amounts set out in the Group's audited consolidated financial statements for the year. The work performed by SHINEWING (HK) CPA Limited 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 SHINEWING (HK) CPA Limited 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 31 March 2020.

AUDIT COMMITTEE

During the year, the audit committee reviewed the unaudited condensed interim financial statements for the six months ended 30 September 2019 and the audited financial statements for the year ended 31 March 2020 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, 28 August 2020. The annual report of the Company for the year ended 31 March 2020 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 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.

On behalf of the Board
Chan Chung Yee, Hubert
Chairman

Hong Kong, 26 June 2020