



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

Interim Report 2018

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CORPORATE INFORMATION

BOARD OF DIRECTORS

Executive Directors

Chan Chung Yee, Hubert
(Chairman & Chief Executive Officer)
Chan Chung Yin, Roy
Chan Ming Him, Denny
Wu Kwok Lam CPA, FCCA
Ip Man Hon
Chow So Fan, Candy

Independent Non-executive Directors

Chiu Ngar Wing
FCCA, ACA, CPA (Practising)
Chu Chor Lup
Law Ka Hung

COMPANY SECRETARY

Wu Kwok Lam CPA, FCCA

REGISTERED OFFICE

Cricket Square
Hutchins Drive
P.O. Box 2681
Grand Cayman KY1-1111
Cayman Islands
British West Indies

PRINCIPAL PLACE OF BUSINESS IN HONG KONG

14/F., Block B, Vita Tower
29 Wong Chuk Hang Road
Hong Kong

CAYMAN ISLANDS PRINCIPAL REGISTRAR

Codan Trust Company (Cayman) Limited
Cricket Square
Hutchins Drive
P.O. Box 2681
Grand Cayman KY1-1111
Cayman Islands
British West Indies

HONG KONG BRANCH REGISTRAR

Pilare Limited
Room 1021, 10th Floor,
Sun Hung Kai Centre
30 Harbour Road, Wanchai
Hong Kong

AUDITORS

Li, Tang, Chen & Co.
Certified Public Accountants (Practising)

PRINCIPAL BANKERS

China Construction Bank (Asia)
The Hongkong and Shanghai Banking
Corporation Limited
OCBC Wing Hang Bank, Limited

STOCK CODE

248

WEBSITE ADDRESS

<http://www.hkc.com.hk>

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 30th September, 2018 as follows:

CONDENSED CONSOLIDATED STATEMENT OF COMPREHENSIVE INCOME

FOR THE SIX MONTHS ENDED 30TH SEPTEMBER, 2018

	Note	Six months ended 30th September,	
		2018 HK\$'000 (unaudited)	2017 HK\$'000 (unaudited)
Revenue	3	156,568	129,889
Cost of sales		(130,587)	(103,736)
Gross profit		25,981	26,153
Other income and gains	4	36	1,455
Other losses	5	(226)	(170)
Selling and distribution expenses		(3,221)	(2,410)
Administrative and other operating expenses		(20,732)	(20,842)
Finance costs	6	(1,237)	(996)
Profit before taxation	7	601	3,190
Tax expense	8	(10)	(37)
Profit for the period attributable to equity holders of the Company		591	3,153
Other comprehensive (expense)/income Item that may be reclassified subsequently to profit or loss:			
Exchange differences on translation of overseas operations		(534)	1,388
Total comprehensive income for the period attributable to equity holders of the Company		57	4,541
Earnings per share – (HK cents)			
– Basic and diluted	9	0.05 cents	0.25 cents

CONDENSED CONSOLIDATED STATEMENT OF FINANCIAL POSITION

AS AT 30TH SEPTEMBER, 2018

	Note	As at 30th September, 2018 HK\$'000 (unaudited)	As at 31st March, 2018 HK\$'000 (audited)
Non-current assets			
Property, plant and equipment		56,134	56,456
Investment properties		209,920	209,920
Available-for sale financial assets		-	2,247
Financial assets at fair value through other comprehensive income		2,247	-
		268,301	268,623
Current assets			
Inventories		35,928	35,427
Financial assets at fair value through profit or loss		348	534
Amounts due from customers for contract work	11	-	21,555
Contract assets	11	22,593	-
Debtors, deposits and prepayments	12	38,415	59,223
Tax recoverable		21	21
Cash and bank balances		26,912	30,350
		124,217	147,110
Current liabilities			
Creditors and accrued charges	13	14,344	18,584
Contract liabilities	14	1,031	-
Tax payable		164	154
Obligations under finance leases		45	80
Bank borrowings		71,752	89,281
		87,336	108,099
Net current assets			
		36,881	39,011

CONDENSED CONSOLIDATED STATEMENT OF FINANCIAL POSITION (Continued)

AS AT 30TH SEPTEMBER, 2018

	As at 30th September, 2018 HK\$'000 (unaudited)	As at 31st March, 2018 HK\$'000 (audited)
Total assets less current liabilities	305,182	307,634
Non-current liabilities		
Obligations under finance leases	330	348
Deferred tax liabilities	168	168
	498	516
Net assets	304,684	307,118
Capital and reserves		
Share capital	12,453	12,453
Reserves	292,231	294,665
Total equity	304,684	307,118

CONDENSED CONSOLIDATED STATEMENT OF CHANGES IN EQUITY

FOR THE SIX MONTHS ENDED 30TH SEPTEMBER, 2018

	Attributable to equity holders of the Company							
	Share capital HK\$'000	Share premium HK\$'000	Capital reserve HK\$'000	Property revaluation reserve HK\$'000	Translation reserve HK\$'000	Retained profits HK\$'000	Proposed final dividend HK\$'000	Total Equity HK\$'000
At 1st April, 2018	12,453	39,621	28,325	74,640	1,610	147,978	2,491	307,118
Profit for the period	-	-	-	-	-	591	-	591
Other comprehensive expense for the period	-	-	-	-	(534)	-	-	(534)
Total comprehensive (expense)/income for the period	-	-	-	-	(534)	591	-	57
Final dividend paid	-	-	-	-	-	-	(2,491)	(2,491)
At 30th September, 2018 (unaudited)	<u>12,453</u>	<u>39,621</u>	<u>28,325</u>	<u>74,640</u>	<u>1,076</u>	<u>148,569</u>	<u>-</u>	<u>304,684</u>
At 1st April, 2017	9,963	42,111	28,325	41,556	279	141,401	-	263,635
Profit for the period	-	-	-	-	-	3,153	-	3,153
Other comprehensive income for the period	-	-	-	-	1,388	-	-	1,388
Total comprehensive income for the period	-	-	-	-	1,388	3,153	-	4,541
Bonus shares issue	2,490	(2,490)	-	-	-	-	-	-
At 30th September, 2017 (unaudited)	<u>12,453</u>	<u>39,621</u>	<u>28,325</u>	<u>41,556</u>	<u>1,667</u>	<u>144,554</u>	<u>-</u>	<u>268,176</u>

CONDENSED CONSOLIDATED STATEMENT OF CASH FLOWS

FOR THE SIX MONTHS ENDED 30TH SEPTEMBER, 2018

	Six months ended	
	30.9.2018 HK\$'000 (unaudited)	30.9.2017 HK\$'000 (unaudited)
Net cash generated from/(used in) operating activities	17,727	(9,440)
Net cash (used in)/generated from investing activities	(188)	14,895
Net cash used in financing activities	(17,582)	(2,486)
Net (decrease)/increase in cash and cash equivalents	(43)	2,969
Cash and cash equivalents at beginning of the period	24,753	12,147
Effect of foreign exchange rates changes	(142)	54
Cash and cash equivalents at end of the period	24,568	15,170
Analysis of balances of cash and cash equivalents		
Cash and bank balances	24,568	18,114
Bank overdraft	-	(2,944)
	24,568	15,170

NOTES ON THE CONDENSED CONSOLIDATED FINANCIAL STATEMENTS

FOR THE SIX MONTHS ENDED 30TH SEPTEMBER, 2018

1. BASIS OF PREPARATION

These financial statements have been prepared in accordance with Hong Kong Financial Reporting Standards ("HKFRSs") (which also include Hong Kong Accounting Standards ("HKASs") and Interpretations ("HK-Int")) issued by the Hong Kong Institute of Certified Public Accountants ("HKICPA"), accounting principles generally accepted in Hong Kong and the disclosure requirements of the Hong Kong Companies Ordinance. They have been prepared under the historical cost convention, except for investment properties and certain financial instruments, which have been measured at fair values. These financial statements are presented in Hong Kong Dollars ("HK\$") and all values are rounded to the nearest thousand except where otherwise indicated.

2. PRINCIPAL ACCOUNTING POLICIES

The unaudited condensed consolidated interim financial statements have been prepared in accordance with Hong Kong Accounting Standard 34 "Interim Financial Reporting" issued by HKICPA and with the applicable disclosure requirements of the Rules Governing the Listing of Securities of The Stock Exchange of Hong Kong Limited ("Listing Rules"). Except as described below, the accounting policies adopted are consistent with those set out in the annual financial statements for the year ended 31st March, 2018.

In the current interim period, the Group has applied, for the first time, the following HKFRSs issued by the HKICPA that are relevant for the preparation of the Group's condensed consolidated financial statements:

(a) HKFRS 9, Financial instruments

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

For impairment of financial assets, HKFRS 9 has adopted an expected credit loss ("ECL") model whereas HKAS 39 adopted an incurred loss model. The ECL requires an ongoing assessment and measurement of credit risk associated with a financial asset and therefore expected credit losses are expected to be recognised earlier as compared to the incurred loss model under HKAS 39.

The Group has applied HKFRS 9 retrospectively to items that existed at 1st April, 2018 in accordance with the transition requirements. The Group has recognized 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.

2. PRINCIPAL ACCOUNTING POLICIES (Continued)

(a) HKFRS 9, Financial instruments (Continued)

As at 1st April, 2018, HK\$2,247,000 were reclassified from available-for-sale financial assets to financial assets at fair value through other comprehensive income. These financial assets are not held for trading and not expected to be sold in the foreseeable future.

Loss allowances for trade and other receivables and contract assets are always measured at an amount equal to lifetime ECLs. ECLs on these financial assets are estimated using a provision matrix based on the Group's historical credit loss experience, adjusted for factors that are specific to the debtors and information available to the Group at the reporting date about current conditions and forecast of future economic conditions.

In assessing the credit risk of a financial asset, the Group considers both quantitative and qualitative information that is reasonable and supportable that is available without undue cost or effort, including risk of default, historical and forward-looking information e.g. the general market, economic or legal environment that may have an adverse effect on the recoverability of trade debts.

The directors of the Company considered that the measurement of ECL has no material impact to the Group's retained profits at 1st April, 2018.

(b) HKFRS 15, Revenue from contracts with customers

HKFRS 15 replaces HKAS 18 "Revenue" ("HKAS 18"), which covered 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 the 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 benefits 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.

2. PRINCIPAL ACCOUNTING POLICIES (Continued)
(b) HKFRS 15, Revenue from contracts with customers (Continued)

If the contract terms and the entity's activities do not fall into any of these three situations, then under HKFRS 15 the entity recognises 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 recognized in retained profits 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 the presentation of contract assets and contract liabilities. To follow the terminology used under HKFRS 15, the Group has made the following adjustments at 1st April, 2018:

- (i) "Amounts due from customers for contract work" in relation to sales of IOT solutions has been reclassified as "Contract assets"; and
- (ii) "Receipt in advance from customers" in relation to deposits or payments received in advance for sales of goods not yet delivered to customers, which was previously included in "Creditors and accrued charges" has been reclassified as "Contract liabilities".

The impact on the Group's financial position by the application of HKFRS 15 as compared to HKAS 18 and HKAS 11 that was previously in effect before the adoption of HKFRS 15 is as follows:

	Carrying amount previously reported at 31st March, 2018 HK\$'000	Effects of the adoption of HKFRS 15 HK\$'000	Carrying amount at 1st April, 2018 HK\$'000
Current assets			
Amount due from customers for contract work	21,555	(21,555)	-
Contract assets	-	21,555	21,555
Current liabilities			
Creditors and accrued charges	18,584	(1,378)	17,206
Contract liabilities	-	1,378	1,378

2. PRINCIPAL ACCOUNTING POLICIES (Continued)

(b) HKFRS 15, Revenue from contracts with customers (Continued)

Sales of mobile phones

Revenue from sales of mobile phones is recognised when (i) control of the products has transferred, being when the products are delivered to the customers and there is no unfulfilled obligation that could affect the customer's acceptance of the products; and (ii) collectability of the related receivables is reasonably assured. No contract liability and right to the returned goods are recognised as insignificant amount of returns are expected based on previous experience.

Sales of internet of things ("IOT") solutions

Revenue from sales of IOT solutions is recognised over time in accordance with the input method (i.e. the entity's efforts/inputs to the satisfaction of a performance obligation relative to the total expected inputs to the satisfaction of that performance obligation) when a group entity's performance creates and enhances an asset or work in progress that the customer controls as the asset is created or enhanced and the group entity has an enforceable right to payment from the customer for performance completed to date.

The Group has not adopted any new standard or amendment that is not yet effective for the accounting period ended 30th September, 2018.

3. REVENUE/SEGMENT INFORMATION

Revenue represents sales of mobile phones, sales of IOT solutions and gross rental income.

a) Segment results, assets and liabilities

The reportable segments for the period ended 30th September, 2018 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
Revenue from external customers	123,199	25,180	5,923	2,266	156,568
Inter-segment sales	-	7	-	-	7
Reportable segment revenue	<u>123,199</u>	<u>25,187</u>	<u>5,923</u>	<u>2,266</u>	<u>156,575</u>
Reportable segment profit/(loss)	<u>2,358</u>	<u>685</u>	<u>(2,797)</u>	<u>581</u>	<u>827</u>
Interest income from bank deposits	29	-	-	-	29
Finance costs	(741)	-	-	(496)	(1,237)
Depreciation for the period	(281)	(122)	(22)	(31)	(456)
Reportable segment assets	141,555	52,161	14,884	181,323	389,923
Additions to non-current assets during the period	12	52	31	39	134
Reportable segment liabilities	42,316	6,838	5,691	32,821	87,666

3. REVENUE/SEGMENT INFORMATION (Continued)

a) Segment results, assets and liabilities (Continued)

The reportable segments for the period ended 30th September, 2017 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
Revenue from external customers	89,025	28,354	10,225	2,285	129,889
Inter-segment sales	-	121	-	-	121
Reportable segment revenue	<u>89,025</u>	<u>28,475</u>	<u>10,225</u>	<u>2,285</u>	<u>130,010</u>
Reportable segment profit/(loss)	<u>1,947</u>	<u>1,454</u>	<u>(247)</u>	<u>188</u>	<u>3,342</u>
Interest income from bank deposits	11	-	-	-	11
Finance costs	(471)	-	-	(525)	(996)
Depreciation for the period	(184)	(171)	(180)	(8)	(543)
Reportable segment assets	111,599	23,441	46,994	189,270	371,304
Additions to non-current assets during the period	1	16	40	36	93
Reportable segment liabilities	40,096	6,530	6,983	53,653	107,262

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 fair value through profit or loss, net exchange loss and tax expense. This is the measure reported to the chief operating decision maker for the purposes of resource allocation and assessment of segment performance.

3. REVENUE/SEGMENT INFORMATION (Continued)
b) Geographic information

	Revenues from external customers		Non-current assets*	
	six months ended			
	30.9.2018 HK\$'000 (unaudited)	30.9.2017 HK\$'000 (unaudited)	30.9.2018 HK\$'000 (unaudited)	31.3.2018 HK\$'000 (audited)
Hong Kong (place of domicile)	150,671	118,128	264,093	264,263
Mainland China	2,981	7,029	199	175
Singapore	2,697	4,480	1,762	1,938
Other countries in South East Asia	219	252	-	-
	5,897	11,761	1,961	2,113
	156,568	129,889	266,054	266,376

* Non-current assets excluding financial assets at fair value through other comprehensive income

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

	Six months ended	
	30.9.2018 HK\$'000 (unaudited)	30.9.2017 HK\$'000 (unaudited)
REVENUE		
Reportable segment revenue	156,575	130,010
Elimination of inter-segment revenue	7	121
Consolidated revenue	156,568	129,889
PROFIT OR LOSS		
Reportable segment profit	827	3,342
Fair value (loss)/gain of financial assets at fair value through profit or loss	(186)	18
Net exchange loss	(40)	(170)
Consolidated profit before taxation	601	3,190

3. REVENUE/SEGMENT INFORMATION (Continued)

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

	30.9.2018 HK\$'000 (unaudited)	31.3.2018 HK\$'000 (audited)
ASSETS		
Reportable segment assets	389,923	412,952
Non-current financial assets	2,247	2,247
Unallocated corporate assets	348	534
	<hr/>	<hr/>
Consolidated total assets	392,518	415,733
	<hr/> <hr/>	<hr/> <hr/>
LIABILITIES		
Reportable segment liabilities	87,666	108,447
Deferred tax liabilities	168	168
	<hr/>	<hr/>
Consolidated total liabilities	87,834	108,615
	<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 at fair value through other comprehensive income and financial assets at fair value through profit or loss.
- all liabilities are allocated to reportable segments other than deferred tax liabilities.

4. OTHER INCOME AND GAINS

	Six months ended	
	30.9.2018 HK\$'000 (unaudited)	30.9.2017 HK\$'000 (unaudited)
Bank interest income	29	11
Dividend income from listed equity securities	1	-
Fair value gain of financial assets at fair value through profit or loss	-	18
Deposit forfeited	-	1,368
Others	6	58
	<hr/>	<hr/>
	36	1,455
	<hr/> <hr/>	<hr/> <hr/>

5. OTHER LOSSES

	Six months ended	
	30.9.2018	30.9.2017
	HK\$'000	HK\$'000
	(unaudited)	(unaudited)
Fair value loss of financial assets at fair value through profit or loss	186	–
Net exchange loss	40	170
	226	170

6. FINANCE COSTS

	Six months ended	
	30.9.2018	30.9.2017
	HK\$'000	HK\$'000
	(unaudited)	(unaudited)
Interest on bank borrowings not wholly repayable within five years	1,237	996

7. PROFIT BEFORE TAXATION

	Six months ended	
	30.9.2018	30.9.2017
	HK\$'000	HK\$'000
	(unaudited)	(unaudited)
Profit before taxation has been arrived at after charging:		
Operating lease rentals in respect of rented premises		
– minimum lease payments	525	614
– contingent rent	519	332
	1,044	946
Depreciation		
– owned assets	438	533
– leased assets	18	10
	456	543
Employee benefits expenses (including directors' remuneration)		
– salaries, allowances and benefits in kind	12,995	13,256
– retirement benefit scheme contributions	928	1,040
Total staff costs	13,923	14,296

8. TAX EXPENSE

	Six months ended	
	30.9.2018 HK\$'000 (unaudited)	30.9.2017 HK\$'000 (unaudited)
Hong Kong Profits Tax	10	37

Hong Kong Profits Tax is provided at the rate of 16.5% (2017: 16.5%) of the estimated assessable profits for the period.

9. EARNINGS PER SHARE ATTRIBUTABLE TO ORDINARY EQUITY HOLDERS OF THE COMPANY

The calculation of basic and diluted earnings per share is based on the profit attributable to equity holders of the Company HK\$591,000 (2017: HK\$3,153,000) and on the number of shares of 1,245,331,256 (2017: 1,245,331,256) in issue during the period.

10. DIVIDEND

The directors do not recommend the payment of any interim dividend for the six months ended 30th September, 2018 (2017: HK\$ Nil).

11. CONTRACT ASSETS/AMOUNTS DUE FROM CUSTOMERS FOR CONTRACT WORK

	30.9.2018 HK\$'000 (unaudited)	31.3.2018 HK\$'000 (audited)
Contract costs incurred	62,674	77,922
Recognised profits	13,156	10,205
	75,830	88,127
Progress billings	(53,237)	(66,572)
	22,593	21,555

The directors consider that the carrying amounts of contract assets approximate to their fair values.

12. DEBTORS, DEPOSITS AND PREPAYMENTS

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

The ageing analysis of trade debtors of HK\$34,315,000 (31st March, 2018: HK\$37,508,000) which are included in the Group's debtors, deposits and prepayments is as follows:

	30.9.2018 HK\$'000 (unaudited)	31.3.2018 HK\$'000 (audited)
0-30 days	17,284	15,128
31-60 days	6,047	4,301
61-90 days	289	706
91-120 days	608	738
121-360 days	3,228	4,140
Over 360 days	6,859	12,495
	34,315	37,508

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

13. CREDITORS AND ACCRUED CHARGES

The ageing analysis of trade creditors of HK\$7,888,000 (31st March, 2018: HK\$9,434,000) which is included in the Group's creditors and accrued charges is as follows:

	30.9.2018 HK\$'000 (unaudited)	31.3.2018 HK\$'000 (audited)
0-30 days	4,999	5,887
31-60 days	653	174
61-90 days	65	188
Over 90 days	2,171	3,185
	7,888	9,434

14. CONTRACT LIABILITIES

The contract liabilities primarily relate to deposits or payment received in advanced for sales of goods not yet delivered to customers. Revenue is recognized when goods are delivered to customers.

15. 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, categorized 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 as at 30th September, 2018	Fair value measurement as at 30th September, 2018 categorised into		
	Level 1 HK\$'000	Level 2 HK\$'000	Level 3 HK\$'000
Recurring fair value measurement			
Assets:			
Financial assets at fair value through other comprehensive income:			
Investment in life insurance policy	1,947	-	1,947
Unlisted equity securities	300	-	300
Financial assets at fair value through profit or loss:			
Listed equity securities	348	348	-
	2,595	348	1,947
			300

15. FAIR VALUE MEASUREMENT OF FINANCIAL INSTRUMENTS (Continued)**a) Financial assets measured at fair value (Continued)**

Fair value hierarchy (Continued)

Fair value as at 31st March, 2018	Fair value measurement as at 31st March, 2018 categorised into		
	Level 1	Level 2	Level 3
HK\$'000	HK\$'000	HK\$'000	HK\$'000

Recurring fair value measurement

Assets:

Available-for-sale financial asset:

Investment in life insurance policy	1,947	-	1,947	-
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Financial assets at fair value through
profit or loss:

Listed equity securities	534	534	-	-
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	<u>2,481</u>	<u>534</u>	<u>1,947</u>	<u>-</u>
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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 values as at 30th September, 2018 and 31st March, 2018.

16. RELATED PARTY TRANSACTIONS

The Group had no transactions with its related parties during the period under review.

MANAGEMENT DISCUSSION AND ANALYSIS

For the six months ended 30th September, 2018, the Group's revenue was HK\$157 million which represented an increase of approximately 21% as compared with the HK\$130 million recorded for the corresponding period last year. The net profit attributable to equity holders was HK\$0.6 million (2017: HK\$3.1 million).

Sales of mobile phones

During the period under review, the revenue was HK\$123 million, representing an increase of 38% compared to the same period last year (2017: HK\$89 million) due to the launch of new models of Nokia and vivo brand. The division recorded profit of HK\$2.4 million (2017: HK\$1.9 million).

Sales of IOT solutions

Due to the decrease in revenue by 19% to HK\$31 million (2017: HK\$39 million), the division recorded loss of HK\$2.1 million compared with profit of HK\$1.2 million for the corresponding period last year.

Property investment

During the period under review, the rental income maintained at HK\$2.3 million and the profit of this division increased from HK\$0.2 million to HK\$0.6 million.

PROSPECTS

As an authorised distributor partner of Nokia brand and an authorised distributor of vivo brand for Hong Kong market, we expect that the sales of mobile phones for the second half of the year will be stable.

For IOT solutions segment, we will continue to strengthen our cost control and develop more products to meet market demand.

Regarding the property investment segment, we expect that the rental income will be stable. As at the date of this report, all of the Group's investment properties have been fully let.

LIQUIDITY AND FINANCIAL RESOURCES

The Group continues to maintain a healthy financial position. As at 30th September, 2018, the Group's cash and bank balances amounted to approximately HK\$27 million (31st March, 2018: HK\$30 million) while the bank borrowings were HK\$72 million (31st March, 2018: HK\$89 million). The Board believes that the Group has sufficient resources to satisfy its commitment and working capital requirements. The gearing ratio was 24% (31st March, 2018: 29%) which is expressed as a percentage of total borrowings to total equity.

EMPLOYEES

As at 30th September, 2018, the total number of employees of the Group was approximately 120 (31st March, 2018: 120) and the aggregate remuneration of employees (excluding directors' emoluments) amounted to HK\$11 million (2017: HK\$12 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 30th September, 2018, 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\$53,900,000 (31st March, 2018: HK\$54,100,000); (2) first legal charge on certain investment properties with total fair value of HK\$199,450,000 (31st March, 2018: HK\$199,450,000); (3) bank deposits of HK\$2,344,000 (31st March, 2018: HK\$2,626,000) and (4) financial assets at fair value through profit and loss with total fair value of HK\$348,000 (31st March, 2018: HK\$534,000).

CONTINGENT LIABILITIES

As at 30th September, 2018, the Company had provided corporate guarantees of HK\$89 million (31st March, 2018: HK\$89 million) to secure the banking facilities granted to subsidiaries.

DIRECTORS' AND CHIEF EXECUTIVE'S INTERESTS AND SHORT POSITIONS IN SHARES, UNDERLYING SHARES AND DEBENTURES

As at 30th September, 2018, the interests and short positions of each director and chief executive of the Company in shares, underlying shares or debentures of the Company or any of its associated corporations (within the meaning of Part XV of the Securities and Futures Ordinance (Chapter 571 of the Laws of Hong Kong) ("SFO")) which were required to be notified to the Company and The Stock Exchange of Hong Kong Limited (the "Stock Exchange") pursuant to Divisions 7 and 8 of Part XV of the SFO (including the interests and short positions which he was taken or deemed to have under such provisions of the SFO), or which were required, pursuant to section 352 of the SFO, to be entered in the register maintained by the Company referred to therein, or which were required, pursuant to the Model Code for Securities Transactions by Directors of Listed Issuers contained in the Listing Rules, to be notified to the Company and the Stock Exchange were as follows:

Name of Director	The Company/ associated corporation	Capacity	Number of shares (long position) (Note 1)	Approximate percentage of interest
Chan Chung Yee, Hubert	The Company	Interest of controlled corporation	644,344,353 (1) (Note 2)	51.74%
	The Company	Beneficial owner	27,127,893 (1) (Note 3)	2.18%
	Matrix World Group Limited	Beneficial owner	1 share of US\$1.00	100.00%
Chan Chung Yin, Roy	The Company	Beneficial owner	93,795,191 (1) (Note 4)	7.53%
Chan Ming Him, Denny	The Company	Beneficial owner	2,616,991 (1) (Note 5)	0.21%
Ip Man Hon	The Company	Beneficial owner	1,537,598 (1) (Note 6)	0.12%
Wu Kwok Lam	The Company	Beneficial owner	3,000 (1) (Note 7)	0.00%
Chow So Fan Candy	The Company	Beneficial owner	625,000 (1) (Note 8)	0.05%

Notes:

1. The Letter "L" represents the director's or the chief executive's interests in the shares and underlying shares of the Company or its associated corporations.
2. Among these shares, 22,012,087 shares were held by Light Emotion Limited, a company wholly owned by Matrix World Group Limited and 622,332,266 shares were held by Matrix World Group Limited, a company wholly owned by Mr. Chan Chung Yee, Hubert. By virtue of the provisions of Divisions 7 and 8 of Part XV of the SFO, Matrix World Group Limited is deemed to be interested in the shares held by Light Emotion Limited and Mr. Chan Chung Yee, Hubert is deemed to be interested in the shares in which Matrix World Group Limited is interested.
3. These shares are registered in the name of Mr. Chan Chung Yee, Hubert.
4. These shares are registered in the name of Mr. Chan Chung Yin, Roy.
5. These shares are registered in the name of Mr. Chan Ming Him, Denny.
6. These shares are registered in the name of Mr. Ip Man Hon.
7. These shares are registered in the name of Mr. Wu Kwok Lam.
8. These shares are registered in the name of Ms. Chow So Fan Candy.
9. Save as disclosed above, as at 30th September, 2018, none of the directors and chief executive of the Company had any interests and short positions in shares, underlying shares and debentures of the Company or its associated corporations (within the meaning of Part XV of the SFO) which were required to be notified to the Company and the Stock Exchange pursuant to Divisions 7 and 8 of Part XV of the SFO (including interests and short positions which he was taken or deemed to have under such provisions of the SFO), or which were required, pursuant to section 352 of the SFO, to be entered in the register maintained by the Company referred to therein, or which were required, pursuant to the Model Code for Securities Transactions by directors of Listed Issuers contained in the Listing Rules, to be notified to the Company and the Stock Exchange.

DIRECTORS' RIGHTS TO ACQUIRE SHARES OR DEBENTURES

Apart from those disclosed under the heading "Directors' and chief executive's interests and short positions in shares, underlying shares and debentures" above at no time during the period under review or up to the date of this report were there any rights to acquire shares in or debentures of the Company granted to any director or their respective spouse or minor children, or were any such rights exercised by them. None of the Company or any of its subsidiaries was a party to any arrangement to enable the directors or their respective spouse or minor children to acquire such rights in any other body corporate.

SUBSTANTIAL SHAREHOLDERS' INTERESTS AND SHORT POSITIONS IN SHARES AND UNDERLYING SHARES OF THE COMPANY

As at 30th September, 2018, the interests and short positions of the substantial shareholders of the Company (other than the directors and the chief executive of the Company) in the shares and underlying shares of the Company as recorded in the register required to be kept by the Company pursuant to section 336 of the SFO were as follows:

Name	Number of shares (long position) (Note 1)	Capacity/nature of interest	Approximate percentage of interest
Matrix World Group Limited	644,344,353 (L) (Note 2)	Beneficial owner	51.74%
Chan Low Wai Han, Edwina (Note 3)	93,795,191 (L)	Interest of spouse	7.53%
Josephine Liu (Note 4)	671,472,246 (L)	Interest of spouse	53.92%

Notes:

- The Letter "L" represents the person's interest in the shares of the Company.
- Among these shares, 22,012,087 shares were held by Light Emotion Limited, a company wholly owned by Matrix World Group Limited and 622,332,266 shares were held by Matrix World Group Limited, a company wholly owned by Mr. Chan Chung Yee, Hubert. By virtue of the provisions of Divisions 7 and 8 of Part XV of the SFO, Matrix World Group Limited is deemed to be interested in the shares held by Light Emotion Limited and Mr. Chan Chung Yee, Hubert is deemed to be interested in the shares in which Matrix World Group Limited is interested. Mr. Chan Chung Yee, Hubert is a director of Light Emotion Limited and Matrix World Group Limited.
- Ms. Chan Low Wai Han, Edwina is the wife of Mr. Chan Chung Yin, Roy. By virtue of the provisions of Divisions 2 and 3 of Part XV of the SFO, Mrs. Chan Low Wai Han, Edwina is deemed to be interested in all the shares in which Mr. Chan Chung Yin, Roy is interested.
- Ms. Josephine Liu is the wife of Mr. Chan Chung Yee, Hubert. By virtue of the provisions of Divisions 2 and 3 of Part XV of the SFO, Ms. Josephine Liu is deemed to be interested in all the shares in which Mr. Chan Chung Yee, Hubert is interested.

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

During the six months ended 30th September, 2018, neither the Company nor any of its subsidiaries had purchased, sold or redeemed any of the Company's listed shares.

COMPLIANCE WITH CORPORATE GOVERNANCE CODE OF THE LISTING RULES

In the opinion of the directors, the Company has complied with the code provisions in the Corporate Governance Code (the “Code”) as set out in Appendix 14 to the Listing Rules throughout the six months ended 30th September, 2018, 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 of the Code stipulates, among other things, that the independent non-executive directors and other non-executive directors should attend general meetings. Dr. Chu Chor Lup was unable to attend the annual general meeting of the Company held on 31st August, 2018 due to his other commitments.

COMPLIANCE WITH THE MODEL CODE SET OUT IN APPENDIX 10 TO THE LISTING RULES

The Company has adopted the Model Code set out in Appendix 10 to the Listing Rules as its own code of conduct regarding directors’ securities transactions. Having made specific enquiry of all directors, all directors confirmed that they had complied with the required standards set out in the Model Code during the six months ended 30th September, 2018.

AUDIT COMMITTEE

The audit committee has reviewed with management the accounting policies adopted by the Group and discussed internal control and financial reporting matters including the review of the unaudited interim results for the six months ended 30th September, 2018.

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.

On behalf of the Board
Chan Chung Yee, Hubert
Chairman

Hong Kong, 23rd November, 2018